

*Ashequa Irshad and Marufa Akter***ROLE OF THE WORLD BANK IN COMBATING CORRUPTION IN THE RECIPIENT COUNTRIES: ACHIEVEMENTS AND CHALLENGES****Abstract**

This paper discusses the anti-corruption regime of the World Bank and the processes of mainstreaming good governance and anti-corruption programmes in the core functions of the Bank. The major question that the paper answers: how effective the World Bank is in combating corruption in the context of its global aid regime. The paper describes the effectiveness as it is measured by the existing indicators of the World Bank's performance appraisal set by the Bank and other critical secondary literatures. The sequence of the paper is: first it describes the World Bank's approach to combating corruption and the different anti-corruption initiatives of the Bank and its institutional framework to fight corruption in the recipient countries. It then analyses the mainstreaming of anti-corruption considerations into the Bank's operational framework. This discussion also deals with the country specific experiences of the World Bank in promoting anti-corruption and good governance measures. Finally, the paper explains the major challenges that the World Bank experiences in implementing its anti-corruption regime. Although the Bank has achieved significantly in combating corruption, the investigation through this paper reflects the fact that the Bank fails to address the political consequences of combating corruption in some cases. The Bank has failed to create a long-term political commitment among the recipient countries to fight corruption in exchange for Bank's development assistance. The paper suggests that the Bank should focus more on protecting the integrity of its development funds and plan long-term anti-corruption policy measures, thereby utilising funds properly in reducing corruption.

1. Introduction

The World Bank¹ (WB) provides large amount of loans each year to help countries to alleviate poverty and promote economic and social progress. The Bank supports specific projects as well as aids broader economic and social reform initiatives thereby enhance the development process of a country. In addition to

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¹ The "World Bank" and "Bank" refer to the World Bank Group of institutions. The World Bank Group (WBG) is made up of the original "World Bank" - the International Bank for Reconstruction and Development (IBRD) - as well as the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID).

extending loans, the Bank provides advice and technical assistance to borrowing countries. The WB in 2011 managed a portfolio of development projects in 187 member countries valued at about US\$ 523.6 billion.² In 2013, the Bank provides US\$ 52.6 billion in loans, grants, equity investments, and guarantees to its members as well as private businesses.³ Nevertheless, the Bank operates in a challenging environment in countries where transparency and accountability are grossly absent and officials abuse public resources for private gains. In this circumstance, the Bank often performs the dual role of providing development assistance as well as promoting good governance backed by its anti-corruption regulations.

This paper analyses the anti-corruption regime of the WB and the processes of mainstreaming governance and anti-corruption measures into the Bank's core operations. The paper seeks to answer the question of how effective the WB is in combating corruption in the context of its global aid regime. Being "effective" is subject to interpretation. In this paper, effectiveness is measured by the existing indicators of the World Bank's performance appraisal set by the Bank and other critical secondary literatures. The paper is arranged in three broad sections in addition to introduction and conclusion.

Section two explains the WB's approach to combating corruption. It discusses different anti-corruption initiatives of the Bank and its institutional framework to fight corruption in the recipient countries. This section also analyses the critical issue of the reliability of the Bank's lending strategies. Section three analyses the mainstreaming of anti-corruption considerations into the Bank's operational framework. This section also deals with the country specific experiences of the Bank in promoting anti-corruption and good governance practices. It investigates the Bank's policy of non-interference in domestic politics of the recipient countries in relation to its mission to prevent corruption and the abuse of Bank's resources. This section also discusses the supply-driven nature of the anti-corruption regime. The major challenges that the WB experience in implementing its anti-corruption regime are discussed in section four of the paper. Among the challenges, this section discusses the issues: the complexity of the anti-corruption efforts in lending procedures, the WB-national government (GO)-Non-Government Organisation (NGO) nexus, reluctance of the national government in bringing top-down reforms, fighting corruption within the Bank, lack of coordination among the donors and the democratisation *vis-à-vis* the development debate.

As revealed in the paper, despite the importance of combating corruption in achieving sustainable development, the Bank fails to address the political consequences in undertaking this task. Regardless of strengthening the supply side in its anti-corruption prescriptions, the Bank has failed to create a long-term political commitment among the recipient countries to fight corruption in exchange for

² See World Bank, *The World Bank Annual Report 2010*, Washington DC: World Bank, 2011.

³ World Bank, *The World Bank Annual Report 2013*, Washington DC: World Bank, 2013, p. 2.

Bank's development assistance. Furthermore, the Bank still struggles in building the managerial capacity of the borrowers to effectively implement its projects. However, this paper does not suggest that the Bank should abscond from its concerns about corruption. Rather, the Bank should focus more on protecting the integrity of its development funds, plan long-term anti-corruption policy and measures, thereby, utilising funds properly in reducing corruption.

2. Combating Corruption: The World Bank Approach

Prior to 1997, anti-corruption was regarded as too difficult and controversial to deal with within the context of the bank-funded projects, or as not important enough to warrant Bank's explicit attention.⁴ However, significant research established links among the development initiatives taken by the Bank and the impact of corruption and mal-governance on development.⁵ This linkage inspired the Bank to formalise its anti-corruption campaign.

In 1997, the WB officially announced a systemic framework for addressing corruption as a development issue in the assistance it provides to countries and in its operational activities.⁷ The same year, WB adopted the anti-corruption strategy and in January 1999, introduced an anti-corruption action plan. Under the jurisdiction of its anti-corruption regime, the Bank requires borrowers to establish and maintain effective management controls over the project funds. The Bank exercises oversight of project implementation and reviews the eligibility of project expenditures. It further aims to bring anti-corruption reforms to the aid recipient countries through its advocacy and capacity development programmes. The Bank claims that it continuously bolsters its efforts against global corruption and since 1999 it has publicly debarred 415 firms and individuals for corruption charges.⁷ It has also frozen aid installments to the departments and ministries of national governments because of corruption allegations. Despite this progress, critics claim that the pacing of the Bank's investigations can still be ponderous. Donor and NGO communities have strongly criticised the Bank for allowing corruption to continue in many countries despite its noble declarations and strategy papers. A different claim has also been made that the WB "neither has the mandate, the legitimacy, nor the capacity to

⁴ P. Bottelier, "Corruption and Development", Remarks for the International Symposium on the Prevention and Control of Financial Fraud, Beijing, 19 October 1998, p. 1, available at <http://www.worldbank.org/html/extdr/offrep/eap/pbsp101998.htm>, accessed on 27 March 2011.

⁵ D. Gould and J. Amaro-Reyes, "The Effects of Corruption on Administrative Performance: Illustrations from Developing Countries", *World Bank Staff Working Papers No. 580*, Washington DC: World Bank, 1983. The 1983 World Development Report also mentioned the link between corruption and development and necessitated the intervention of the WB. For details, World Bank, *World Development Report 1983*, Oxford: Oxford University Press, 1983.

⁶ World Bank, *Helping Countries Combat Corruption: the Role of the World Bank*, Washington DC: The World Bank, 1997, p. 2.

⁷ Barry Sabin, Maria Barton and Matt Cronin, *Transnational Justice: The World Bank Group's Recent Efforts to Combat Corruption*, USA: Global Anti-Corruption Task Force, 2011, pp. 1-2.

become a global arbiter on corruption.⁸ Therefore, challenges remain so far as the function and success of the anti-corruption regime of the WB are concerned.

2.1 *Development and Corruption Linkages: The Bank's Conceptual Inspiration*

Corruption is considered to be one of the main challenges to the efficiency and sustainability of any development effort. It hinders attaining the rule of law and weakens the institutional base in a society on which economic growth depends. Therefore, it became imperative for the Bank to consider anti-corruption as a significant policy option. Two scholarly works have influenced the Bank in defining its approach to combat corruption and integrate anti-corruption policies into its development framework. The impact of corruption on development was researched by two consultants of the WB, Susan Rose-Ackerman and Robert Klitgaard. They see corruption primarily in terms of bribery and preferred to explain the corruption-development nexus with the principal-agent model, "where an agent acts on behalf of a principal *vis-à-vis* a client, where all may act corruptly if the likely net benefits from doing so outweigh the likely net costs."⁹ Furthermore, corruption impedes the livelihood of poor people in developing countries. It spreads poverty by denying them their rightful share of economic resources or life-saving aid. Corruption puts "basic public services beyond the reach of those who cannot afford to pay bribes. By diverting scarce resources intended for development, corruption also makes it harder to meet fundamental needs such as those for food, health and education."¹⁰ R. Klitgaard commented, "When government agencies suffer from systematic corruption and inefficiency, most citizens lose, even though corrupt politicians, businesses and officials may gain."¹¹ According to Rose-Ackerman and Klitgaard, the free market is essential for combating high levels of corruption and that "corrupt incentives are the nearly inevitable consequence of all government attempts to control market forces."¹²

Klitgaard proposed to link anti-corruption measures to the development agency's main missions.¹³ Rose-Ackerman's recommendations were more direct and focused in tackling corruption in the development projects of the Bank. She suggested the Bank to cancel its projects if corruption is detected, support international efforts to reduce bribery and establish universal financial management standards.¹⁴

⁸ European Network on Debt and Development (EURODAD), "NGO Letters to World Bank on Governance and Anti-Corruption Framework", 16 August 2006, available at <http://www.eurodad.org/whatsnew/articles.aspx?id=328>, accessed on 22 April 2011.

⁹ Susan Rose-Ackerman, *Corruption: A Study in Political Economy*, New York: Academic Press, 1978; Robert Klitgaard, *Controlling Corruption*, Berkeley: University of California Press, 1988.

¹⁰ GTZ, *Fighting Poverty and Corruption*, GTZ: Eschborn, 2004, pp. 5-74.

¹¹ R. Klitgaard, "Cleaning up and invigorating the civil service", *Public Administration and Development*, Vol. 17, No. 5, 1997, pp. 487-509.

¹² R. Klitgaard, *Controlling Corruption*, *op. cit.*, p. 24; and Rose-Ackerman, *op. cit.*, p. 9.

¹³ R. Klitgaard, *ibid.*, pp. 183-189.

¹⁴ Susan Rose-Ackerman, "The Role of the World Bank in Controlling Corruption", *Faculty Scholarship Series Paper No. 591*,

However, Johnston proposed that the Bank should promote democratisation that would combat corruption through constructive political competition.¹⁵ According to him, development takes place in societies where economic and political liberalisation exists with sustainable institutional frameworks and is backed by a strong anti-corruption movement. The Bank's approach, based on Johnston's proposal, reflects the idea of neo-liberalism.

2.2 Governance and Anti-corruption

The anti-corruption strategy adopted by the Bank in September 1997 emphasised four key areas for the Bank's intervention. These are: (a) the Bank would make every effort to prevent fraud and corruption in the projects and programmes it finances; (b) the Bank would assist countries that ask for help in curbing corruption; (c) it would mainstream its concern for corruption directly into its country analysis strategies and lending decisions; and finally, (d) the Bank would contribute to the international effort to fight corruption.¹⁶ Therefore, anti-corruption assistance programmes of the Bank adopt a holistic approach to development prescribed by the Comprehensive Development Framework (CDF)¹⁷, also laid out by the Bank. This is also supported by the long-term commitment of the Bank in building the capacity of states to combat corruption. The CDF considers reforming structural issues that include good governance, the justice system, financial systems and social safety nets. Inspired by the CDF approach, the Bank also incorporates good governance into its mainstream activities. For example, in the Bolivian case, the Bank did advocate for the adoption of a National Integrity System (NIS) working in partnership with Transparency International (TI).¹⁸ The NIS is a brainchild of the Bank's CDF approach that includes improving regulations, privatisation, participatory projects, decentralisation and institutional and judicial reforms.¹⁹

There are some significant changes introduced in the Bank's Articles of Agreement to accommodate the mandates of the 1999 and 2000 Anti-corruption Action Plans. The changes stipulate that the Bank loans would only be employed for the purposes for which the loan was granted and that due attention is given to considerations of economy and efficiency without regard to political or other non-

1997, pp. 95-96, available at http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=1581&context=fss_papers&sei_redir=1#search=The+Role+of+the+World+Bank+in+Controlling+Corruption, accessed on 26 March 2011.

¹⁵ M. Johnston, *Corruption and Democracy: Threats to Development, Opportunities for Reform*, Colgate University, 2000, p. 19, available at <http://people.colgate.edu/mjohnston/MJ%20papers.htm>, accessed on 26 March 2011.

¹⁶ World Bank, *Helping Countries Combat Corruption*, *op. cit.*, p. 2.

¹⁷ To know more about the CDF, see, World Bank, *Reforming Public Institutions and Strengthening Governance*, Washington DC: WB, 2000, p. 62.

¹⁸ Catherine Weaver, "The Discourse of Law and Economic Development in the World Bank", Paper presented at the MacArthur Conference on the Changing Role of Law in Emerging Markets and New Democracies, University of Wisconsin, Madison, 24-26 March 2000, p. 19.

¹⁹ *Ibid.*

economic influences or considerations.²⁰ The Articles of Agreement introduces the definitions of “corrupt practice” and “fraudulent practice.” The clauses also address the malpractice in procurement and partial loan cancellation as remedial measures. The Bank will cancel the portion of the loan allocated to a contract for goods, works or services if, at any time, it determines that corrupt or fraudulent practices were engaged in by representatives of the borrower or executing agency during the procurement or selection process or execution of that contract, unless the borrower has taken timely and appropriate action satisfactory to the Bank to remedy the situation.²¹

In its anti-corruption regime, the Bank can declare “a firm or a consultant ineligible, either indefinitely or for a stated period of time, to be awarded a Bank financed contract.”²² Furthermore, the Bank can “reject any proposal for award if it determines that the bidder or consultant proposed for award of the contract has engaged in corrupt or fraudulent activities in competing for the contract.”²³ Finally, the Bank holds “the right to require that in all Bank-financed contracts, suppliers, contractors or consultants must permit the Bank to inspect their accounts and records related to the performance of the contract and to have them audited by auditors appointed by the Bank.”²⁴

As part of the institutional reform, the Bank’s the then-President James Wolfensohn established the Department of Institutional Integrity (INT) and the Sanctions Committee in 1996. The Department is responsible for conducting all investigations of corrupt or unethical behaviour within the World Bank Group (WBG) and in connection with Bank-financed contracts. INT is given institutional independence to perform as an internal audit committee. It is run by a Vice President and it reports directly to the President.²⁵ By the creation of the INT, the Bank succeeded in consolidating all its investigative work to combat corruption. The Sanctions Committee, on the other hand, is responsible for determining whether contractors, bidders, suppliers, consultants and individuals have engaged in fraudulent or corrupt practices in connection with Bank-supported projects. The committee can recommend an appropriate sanction to the President of the Bank upon the evidence that shows with reasonable sufficiency that fraud or corruption has occurred. These institutions have been very active during 2009-10. The INT vice-

²⁰ See Article III, Section 5(b) of IBRD Articles of Agreement, available at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20049557~menuPK:63000601~pagePK:34542~piPK:36600~theSitePK:29708,00.html>, accessed on 25 March 2011.

²¹ Ko-Yung Tung, *The World Bank’s Institutional Framework for Combating Fraud and Corruption*, Remarks delivered at *Seminar on Monetary and Financial Law*, International Monetary Fund, 08 May 2002, p. 3.

²² *Ibid.*, p. 4.

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ See, Website of the Department of Institutional Integrity, The World Bank, available at http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000160016_20040805133244&searchMenuPK=64187283&theSitePK=523679, accessed on 29 March 2011.

presidency has finalised 95 cases of corruption charges, filed 85 sanction notices and 71 referrals to countries for further investigation and prosecution.²⁶

The WB provides two types of assistance to countries. These are lending and technical assistance programmes and learning programmes. Under its lending and technical assistance programmes, the Bank supports countries in a wide variety of areas. These are: “deregulation and expansion of markets, infrastructure privatisation, environmental regulation, tax reform, public expenditure reduction, civil service reform, legal and judicial reform and opening up of civil society and the independent media.”²⁷ For example, the Bank has provided assistance for legislative reforms in China, Russia, Georgia and Indonesia; legal education in Zambia and Thailand; and has trained judges in Cambodia and Argentina.²⁸ The learning programmes are arranged in two basic categories. First, the Bank organises training courses and workshops for government officials. Second, it conducts diagnostic and research works, such as surveys of households, government officials and business enterprises and disseminates the results to wider audiences.²⁹ These approaches are more advocacy and awareness raising programmes. With such a multidimensional approach to its anti-corruption regime, the Bank assists the governments in exploring the pitfalls in their institutional frameworks.

3. Mainstreaming Anti-corruption into the Bank’s Operational Framework: The Achievements

Mainstreaming anti-corruption measures reflects the process of incorporating it explicitly or implicitly in all the sectoral levels of the Bank to implement its global aid regime. Mainstreaming is also necessary to secure sustainable impacts in each supported sector of development. Former President of WB, James Wolfensohn started to address the impact of corruption in every sector of the Bank’s activities. He initiated reforms of the Bank’s public sector management, popularly known as New Public Management (NPM). Through this programme, the Bank initiated fundamental reforms in the civil service and elected executives of the state to create a government that is under contract and accountable for development outcomes.³⁰ The idea of NPM, as one of the Bank’s primary initiatives, operationalises the ideas of anti-corruption and citizen-centred governance. The major argument is that citizen empowerment in a representative political culture holds the key to enhance accountability and reduce opportunities for corruption.³¹

²⁶ See the interview of Leonard McCarthy, World Bank Vice President for Integrity, posted in YouTube on 24 September 2010, available at <http://www.youtube.com/watch?v=VsMmxRWXioK>, accessed on 29 March 2011.

²⁷ Ko-Yung Tung, *op. cit.*, p. 5.

²⁸ *Ibid.*

²⁹ *Ibid.*, p. 6.

³⁰ Anwar Shah, “On Getting the Giant to Kneel: Approaches to a Change in the Bureaucratic Culture”, in Anwar Shah (ed.), *Fiscal Management*, Washington DC: World Bank, 2005, pp. 211–229.

³¹ Matthew Andrews and Anwar Shah, “Citizen-Centered Governance: A New Approach to Public Sector Reform”, in Anwar Shah (ed.), *Public Expenditure Analysis*, Washington DC: World Bank, 2005, pp. 152–182.

Empowering government and local expertise are also critical to the management of funds. The Bank has adopted an operating system that would help ensure a better management of funds in recipient countries. A strong management system in these countries would complement the responsibility of the Bank's anti-corruption strategy, which is aimed at improving the fund management systems, especially in the areas of procurement and financial management.

In implementing its anti-corruption measures, the Bank uses the sanctions regime mentioned in the Articles of Agreement. In the year 2010, the WBG agreed to "cross debar" firms and individuals with other multilateral banks and each bank would honour the other's debarment lists.³² The Bank, along with other multilateral development banks, has been quite successful in drafting common definitions of sanctionable practices and sharing information relating to the investigation of the corruption cases. The new cross-debarment accord,³³ under the leadership of Robert B. Zoellick, is considered to be a significant global step in combining the Bank's resources to identify states and non-state actors who are involved in corrupt financing and exploiting advantages from the bank-financed projects. Such debarment implies strong measures on the accused party and makes it ineligible to do business with the WBG for a specified period of time. In 2010, 45 firms, individuals and NGOs have been debarred from participating in the Bank's projects for varying periods of time.³⁴

Apart from the debarment, there are settlements of corruption allegations under the voluntary disclosure programme. The most well-known and significant settlement in the history of the WBG is the Siemens AG case of 2010.³⁵ The company wrapped up its outstanding corruption issues in a Russian project involving a Siemens subsidiary. The settlement included a commitment by Siemens to pay US\$ 100 million over the next 15 years to support the Bank's anti-corruption work, an agreement of up to a four-year debarment for Siemens' Russian subsidiary and a voluntary two-year shut-out from bidding on the Bank's businesses.³⁶ This is an incredible success story for the Bank in mainstreaming its anti-corruption sanction regime. However, the results at the individual country level so far have been mixed.

3.1 Anti-corruption Experiences of the Bank at the Country-level

The WB has employed significant amount of resources to examine the root causes of corruption in loan recipient countries and evaluated the impact of the

³² World Bank, *Annual Report*, Integrity Vice Presidency, Washington DC: The World Bank Group, 2010, p. 12, available at http://siteresources.worldbank.org/INTDOI/Resourses/INT_AnnualReport_web.pdf, accessed on 27 January 2011.

³³ *Ibid.*, p. 35.

³⁴ Maria Barton, Latham and Watkins LLP, "Understanding the World Bank Group's Anti-Corruption Measures in Project Financing", *Bloomberg Law Reports*, Vol. 4, No. 1, 2011, p. 3.

³⁵ *Ibid.*, p. 4.

³⁶ *Ibid.*

Bank's efforts to reduce corruption in those countries.³⁷ These studies determine that in highly corrupt states the role of the government is often contested and "fails to rise above the private interests to protect the broader public interest."³⁸ The patron-client relationship that exists in the political and bureaucratic culture in these countries promotes favouritism. The rule of law is weak and unable to establish a just society. It undoubtedly spreads public sector corruption where justice is not equal for everyone. Huge ineffectiveness grasps the institutional culture and the accountability mechanism in these states. Finally, there is a lack of commitment from the national leaders and civil society groups to combating corruption.

In such a grievous situation WB's approach to counter corruption seems to be quite popular in some countries. The Country Assistance Strategy (CAS) is the three-year business plan for each nation prepared by the Bank that draws its detailed anti-corruption plan. However, the CAS does not always reflect the holistic anti-corruption measures. For example, a 2004 WB report identifies that some CASs do not provide a detailed analysis of corruption, but suggested broadly the appropriate measures for the country's level of corruption.³⁹ Ukraine's CAS identified fundamental causes of institutional weaknesses and poor governance and integrated the corruption issues into the Bank-country dialogue. India's CAS also had a thoughtful diagnosis and proposed assistance appropriate to reduce corruption. On the other hand, some CASs provided a detailed analysis of corruption e.g. Bangladesh's CAS. But it has failed to provide a guideline for how to combat corruption in the WB-financed projects.⁴⁰ Therefore, the Bank is having a hard time in finalising a standard format for the CAS.

Public sector management reforms and judicial reforms are potentially relevant to the anti-corruption strategies adopted by the Bank. The Operation Evaluation Department of the Bank has identified Budget Systems Modernisation Projects in Algeria and Yemen as successful cases.⁴¹ The Department also praised the Guinean Capacity Building for Service Delivery Project that had an impact on corruption through its reform policy measures.⁴² However, there are some unsuccessful examples that raise criticisms about the future of the Bank's anti-corruption measures. For example, Indonesia is considered a prime example of a corruption-ridden country that is affected by irresponsible and bad lending from the WB. The Bank has made a huge amount of improper loans to the former Suharto regime in Indonesia.⁴³

³⁷ In 2004, the World Bank investigated the Bank's activities in Guatemala, Kenya, Latvia, Pakistan, the Philippines and Tanzania. See World Bank, *Mainstreaming Anti-Corruption Activities in World Bank Assistance: A Review of Progress Since 1997*, Washington DC: The World Bank, 2004.

³⁸ Cited from Anwar Shah and Mark Schacter, "Combating Corruption: Look before You Leap", *Finance and Development*, Vol. 41, No. 4, 2004, pp. 40–43.

³⁹ World Bank, *Mainstreaming Anti-Corruption Activities in World Bank Assistance: A Review of Progress Since 1997*, 2004, *op. cit.*, pp. 28-29.

⁴⁰ *Ibid.*, p. 29.

⁴¹ *Ibid.*, p. 30.

⁴² *Ibid.*

⁴³ Josef Hanlon, "Wolfowitz, the World Bank and Illegitimate Lending", *The Brown Journal of World Affairs*, Vol. 13, No. 2, Spring/Summer 2007, p. 51.

A great deal of the money has been embezzled by the ruling regime. Apart from the widespread political and administrative corruption that the Indonesian regime pursued at that time, the Bank remained equally responsible for the decisions related to bad lending and the failure of its development projects in Indonesia. Uzbekistan, being the worst human rights violator in the region, received a US\$ 3 million loan from the International Finance Corporation in 2006.⁴⁴ Therefore, the Bank's lending practices remain inefficient and the corrupt regimes have taken advantages of it.

Furthermore, an over-reliance upon a common anti-corruption strategy impedes the Bank's success in achieving its development goals and eventually increases more corruption in the society.⁴⁵ Inspired by the neo-classical approach, the Bank advocates absolute economic liberalisation to the borrower countries. There are success stories for this approach. In Mali and Senegal, economic liberalisation seems to have helped reduce customs fraud when combined with institutional reforms and relatively high salaries.⁴⁶ On the contrary, in Tanzania, economic liberalisation has increased petty and grand corruption. In Ecuador and Tanzania, the anti-corruption strategies of the Bank included the benefits of the long-term growth and literacy efforts, combined with legal reforms and institutional strengthening.⁴⁷ However, such a long list of activities raised questions about the prioritisation process of the Bank in its reform efforts. Inappropriate prioritisation leads to misery and more corruption.

3.2 *Is Mainstreaming Anti-corruption a Successful Strategy for the Bank?*

Apart from the initial success of the holistic development approach, the prime controversy for the Bank in mainstreaming the anti-corruption measures lies in the CDF-based approach. It has often divided the experts within the Bank on anti-corruption measures "who believed that discrete anti-corruption activities were more likely to be effective, at least until current political and economic conditions within countries became more favourable and those who agreed with Wolfensohn that such activities would waste money in the long term unless seen as part of a wider reform process."⁴⁸ Therefore, the debate led to a very significant concern regarding the Bank's agenda (i.e., anti-corruption emphasis versus broad public sector reform agenda). This concern was raised in the late 1990s and continued throughout the first decade of the 21st century. Paul Wolfowitz became the President in 2005 and his approach to anti-corruption was criticised on the grounds that he made anti-corruption the prime objective of the Bank's development agenda, rather than a key

⁴⁴ *Ibid.*

⁴⁵ Alan Doig and Stephen Riley, "Corruption and Anti-corruption Strategies: Issues and Cases from Developing Countries", in *Corruption and Integrity Improvement Initiatives in Developing Countries*, New York: UNDP, 1998, pp. 50-54.

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*

⁴⁸ Heather Marquette, "The World Bank's Fight against Corruption", *The Brown Journal of World Affairs*, Vol. 13, No. 2, Spring/Summer 2007, p. 31.

component in the drive to reduce poverty and improve governance.⁴⁹ For example, Wolfowitz cancelled an US\$ 800 million loan for maternal and child health in India during his presidency.⁵⁰ This decision was quite controversial, as he was accused of undermining women's and children's health, poverty reduction and India's ability to meet the Millennium Development Goals (MDGs).⁵¹ Moreover, an INT investigation also identified elevated risks of fraud and corruption in the Bank-financed Indian health sector projects.⁵² The Bank failed to adapt to the conditions imposed by the crisis and had to stop lending. Nevertheless, an overemphasis on curbing systemic corruption diluted the developmental agenda of the Bank.

The WB adopted a new Governance and Anti-corruption (GAC) Strategy in 2007. This strategy paper proposes a detailed action plan for the Bank to address governance and anti-corruption issues in the recipient countries from its mandate to reduce poverty.⁵³ The GAC strategies are essential in the life cycle of the Bank's lending mechanism. It implies a strong supervising mechanism from designing a project until the final audit of the Bank's development venture. Therefore, the Bank has designed its GAC programme to strictly observe and monitor its aid-engagements in different countries. However, the 2009 Group of the External Advisors' Report alleged that "the Bank has yet to measure systematically whether GAC is being 'mainstreamed' in its diverse units and complex culture."⁵⁴ It also mentions that the Bank has not properly addressed several concerns about the GAC strategies. For example, exploring the demand-side of the anti-corruption measures in the development projects from a fund-receiving country is still overlooked.⁵⁵ Lack of demand would create less political commitment from a national government to fight corruption.

The non-political mandate of the WB is a controversial issue in mainstreaming its anti-corruption venture. According to the Articles of Agreement, the Bank is not eligible to involve itself in the political affairs of its fund recipient countries.⁵⁶ In fact, this non-political mandate prohibited the Bank to intervene in the corruption issues of a country prior to 1997. However, in the post-1997 scenario, the Bank started working in the areas of good governance and anti-corruption without any major amendment to its non-political mandate. This has raised accusations against the Bank that it is interfering in the internal politics of a state. The level of allegation against the Bank was even stronger in the mid-2000s, which says that the Bank is becoming

⁴⁹ Steven Weisman, "Wolfowitz Corruption Drive Rattles World Bank", *New York Times*, 14 September 2006, available at <http://www.nytimes.com/2006/09/14/business/14wolf.html>, accessed on 31 March 2011.

⁵⁰ Marquette, *op. cit.*, 2007.

⁵¹ *Ibid.*

⁵² Department of Institutional Integrity, World Bank, *Detailed Implementation Review India Health Sector 2006-2007 Volume I*, Washington DC: World Bank, 2007, pp. 37-39.

⁵³ World Bank, "Strengthening World Bank Group Engagement on Governance and Anti-corruption", Washington DC: World Bank, 2007.

⁵⁴ The Group of External Advisors for GAC Implementation, *Report on the World Bank's Implementation of the Governance and Anticorruption*, Washington DC: GAC, World Bank, 2009, p. 2.

⁵⁵ *Ibid.*, p. 3.

⁵⁶ M. Miller-Adams, *The World Bank: New Agendas in a Changing World*, London: Routledge, 1999, p. 22.

overtly political.⁵⁷ There exists a serious negligence in addressing this sensitive matter and a lack of international consensus to solve it. This hampers the credibility of mainstreaming anti-corruption regime of the Bank into its operational framework. However, there are other factors constraining this process as well.

4. Challenges for the Bank's Anti-corruption Regime

The Bank advocates collective action to promote its anti-corruption activities at different levels. Nevertheless, several challenges exist despite the Bank's commitment to collective action against corruption. One of the real challenges involves relying heavily on the implementation of anti-corruption initiatives at the national level, where every other aid-related consideration typically prevails over anti-corruption and good governance components. This gap continues because of the lack of consensus and trust among the stakeholders regarding the terms and conditions of the anti-corruption measures.

4.1 Complex Nature of the Bank's Lending Procedure

In 2010, the Bank declared that it would move away from its traditional investment lending (approximately 70 per cent of the Bank's total portfolio) to programmatic or result-oriented lending (e.g. budget support or policy development lending).⁵⁸ The investment lending has been severely criticised on many grounds especially because of its complex approval process. The new lending reform has been undertaken to consolidate the types of loans and grants that a country can avail from the WBG. However, it is alleged that the new lending mechanism would become an instrument for the Bank and the borrowers to continue development projects with a non-functional checks and balances system. Identifying risk factors in the Bank's lending is a complex task. All investment and programmatic lendings are subjected to many risk factors. The Bank, with the adoption of the reformed lending investment, will use a new Operational Risk Assessment Framework for its operations in which there are 38 types of risks grouped into four categories.⁵⁹ Such an explicit framework would have both positive and negative impacts on the borrowers. Moreover, the complexity of the lending mechanism exposed the Bank's projects to few other diversified risks. There is always a tendency from the Bank to promote a "one size fits all" lending policy. In this context, using programmatic lending investment would be an even more ambitious replication of the same model to different places, and hence, de-contextualise the demands of the recipient countries. This can influence borrowers to avoid the formal procedure to gain access to the Bank's lending mechanism.

⁵⁷ Heather Marquette, "The Creeping Politicisation of the World Bank: The Case of Corruption", *Political Studies*, Vol. 52, 2004, pp. 413-414.

⁵⁸ The Group of External Advisors for GAC Implementation, *op. cit.*, p. 2.

⁵⁹ Nancy Alexander, *The World Bank Reboots: Sweeping Investment Lending Reforms in the Works*, Washington DC: Heinrich Boell Foundation, 2010, pp. 3-4.

4.2 *Social Accountability: Unfinished Agenda of Civil Society Participation*

The WB has promoted the idea of social accountability over the last decade with the help of civil society groups.⁶⁰ This agenda complements the Bank's ongoing initiatives on good governance and anti-corruption. Social accountability supports in designing the social development strategy of the Bank and makes the stakeholders (i.e., the Bank and the recipient government) accountable to civil society and people. Thus, the Bank incorporates civil society groups in various capacity enhancement activities to enable them in operationalising social accountability mechanisms in order to improve transparency, accountability and performance of public institutions.⁶¹ However, the growing involvement of civil society and NGOs in the Bank's activities creates a caveat. The standard of the Civil Society Organisation (CSO) involvement and its progress in terms of achieving the development objectives are far from universal. As Rita Abrahamsen discusses, the placement of civil society within the discourse of good governance in the Bank is "romanticised" and over-simplified.⁶² Therefore, it is very unlikely to bring about the Bank's desired changes but could exacerbate existing political and economic problems.

4.3 *Governance Indicators—One Size Fits All*

The Worldwide Governance Indicators (WGI) are the most widely cited cross-country governance indicators used by the Bank to prepare index of countries on the basis of state of governance.⁶³ These indicators are prepared using a variety of research methods and in conjunction with other organisations. However, the WGI have generated criticism when applied universally. Critics say that the WGI are not "comparable over time and across countries."⁶⁴ The indicators use units that set an identical global standard for all periods. Furthermore, data-source bias underestimates the WGI. For example, it is alleged that the indicators are arranged to favour business-friendly regimes and disfavour a left-wing socialist governance structure.⁶⁵ The definition of governance is a very complex issue. Therefore, critics argue that any set of universal governance indicators are methodologically inconsistent.

⁶⁰ World Bank, *World Bank-Civil Society Engagement: Review of Fiscal Years 2002-04*, Washington DC: World Bank, 2005.

⁶¹ *Ibid.*

⁶² This is cited from J. Hearn and M. Robinson, "Civil Society and Democracy Assistance in Africa", in P. Burnell (ed.), *Democracy Assistance: International Co-operation for Democratization*, London: Frank Cass, 2000, pp. 241–262.

⁶³ Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi, "Governance Matters VI: Aggregate and Individual Governance Indicators for 1996–2006", *Policy Research Working Paper 4280*, Washington, D.C.: World Bank, 2007.

⁶⁴ Critical aspects of the WGI are cited from Daniel Kaufmann and Aart Kraay, "Governance Indicators: Where Are We, Where Should We Be Going?", *The World Bank Research Observer*, Vol. 23, No. 1, Spring 2008, p. 15. However, Kaufmann and Kraay have refuted the criticisms in the same text.

⁶⁵ *Ibid.*

4.4 *Lending to Civil Society Organisations: Implications on the Bank-GO-NGO Relations*

Robert Zoellick, former President of WB wanted the Bank to invest in development projects run by CSOs.⁶⁶ Such a policy measure is aimed at strengthening the accountability and transparency mechanism in the Bank's global aid regime and ensuring active citizen participation. Moreover, Zoellick emphasised the significance of CSOs in service delivery in the developing states.⁶⁷ If this is approved as an official policy of the Bank, this would be a significant paradigm shift from aiding national governments and the private sector. However, the Bank has already started diverting its funds to CSOs in many countries, regardless of its failure to make the standard universal due to the presence of strong anti-CSO governments in China, some countries in the Middle East and Africa.⁶⁸ Furthermore, it is not yet apparent whether the Bank could convince its board to support this transformation in the nature of funding.

This CSO concentration of the Bank has two other significant repercussions. First, such a decision would raise questions regarding the violation of the 2005 Paris High-Level Forum on Aid Effectiveness (Paris Declaration). Here multilateral aid agencies and donor country governments committed to take specific actions to sustain country ownership, harmonisation, alignment, managing for development results and mutual accountability for the use of development aid.⁶⁹ However, the Bank refutes the criticism by arguing that national strategy development, ownership and capacity building include broad national governance (i.e. civil society and private sectors of the nation).⁷⁰ Second, there are skeptical voices who do not appreciate the tendency to control CSOs and their development plans through the Bank's lending and conditionality process.⁷¹ Regardless of these arguments and counter-arguments, this policy remains a significant challenge for the WB.

4.5 *Corruption and Inefficiency within the Bank*

The 2008 Report on the WB's GAC Strategy revealed that the Bank's management lacked an institutional commitment to its anti-corruption strategy.

⁶⁶ "World Bank Loans to Civil Society?," *The Sherpa*, 08 April 2011, available at http://www.sherpatimes.com/index.php?option=com_content&view=article&id=391:world-bank-supporting-civil-society&catid=64:human-rights&Itemid=73, accessed on 14 April 2011.

⁶⁷ *Ibid.*

⁶⁸ Mark Lyons and Ian Nivison-Smith, "Does Foreign Funding of Civil Society Encourage Democratic or Good Corporate Governance? Some Evidence from Asia" Paper presented in *ISTR Conference*, Barcelona, Spain, 9-12 July 2008, available at <http://www.istr.org/conferences/barcelona/WPVVolume/Lyons.Nivison-Smith.pdf>, accessed on 20 March 2011.

⁶⁹ World Bank, "Paris Declaration at a Glance", available at <http://info.worldbank.org/etools/docs/library/238766/H&A%20Menu%20rev%202%20English.pdf>, accessed on 14 April 2011.

⁷⁰ See the text of the Paris Declaration and the meaning of ownership and national strategy for a county in OECD, *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action*, available at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>, accessed on 13 April 2011.

⁷¹ "World Bank Loans to Civil Society?," *op. cit.*

The implementation report concluded that the GAC strategy was not integrated effectively into the Bank's operations.⁷² Moreover, the 2009 Independent Evaluation Group (IEG) report of the Bank concluded that IDA, which lends and grants about US\$ 10 billion annually to governments in Africa, Asia, Latin America and Eastern Europe, could not protect its funds adequately from theft, mismanagement and diversion.⁷³ The IEG review states that the CAS and strategy papers do not always systematically and seriously address fraud and corruption risks at the country level.⁷⁴ For example, the WB assessed India's health care projects for corruption risk in 2006 and found that all the Bank-financed projects were spectacularly vulnerable to fraud and corrupt practices. In a Detailed Implementation Review (DIR) Report, the Bank found that there were significant levels of oversight deficiencies, including inadequate financial, audit and internal controls both by the Government of India (GoI) and the Bank.⁷⁵ However, the DIR report was rejected by both the GoI and the Bank and did not address the corruption concerns of the project.

Further, the IEG report identifies a very crucial issue regarding staff members' skills and training.⁷⁶ The WBG staffs do not always have the skills to protect development projects from corruption. As a result, the Bank's management often fails to take timely actions to follow up on audit, investigatory and evaluation findings of impropriety. The whistleblower protection policy is also not very effective.⁷⁷ Therefore, challenges remain in a complex institution like the WBG amidst the success that it has achieved in curbing corruption.

4.6 Weak Internal Performance Management

Internal oversight to ensure effective management of the aid business is very significant for the Bank in detecting and preventing corruption. Although the Bank has long had an internal audit function and a system of management controls, the 2000 United States General Accounting Office (GAO) report determined that the Bank's internal oversight mechanisms were weak.⁷⁸ The Bank management has been struggling to determine the indicators of an ineffective management control. It falls

⁷² GAC, *Report on the World Bank's Implementation of the Governance and Anticorruption (GAC) Strategy*, Washington DC: World Bank, 2008, available at http://siteresources.worldbank.org/EXTPUBLICSECTORANDGOVERNANCE/Resources/GEA_Group_Report_Final.pdf?resourceurlName=GEA_Group_Report_Final.pdf, accessed on 12 April 2011.

⁷³ IEG, *Review of IDA Internal Controls: An Evaluation of Management's Assessment and the IAD Review*, Washington DC: World Bank Group, 2009, p. 23, available at http://siteresources.worldbank.org/EXTOED/Resources/ida_controls_full.pdf, accessed on 12 April 2011.

⁷⁴ *Ibid.*

⁷⁵ World Bank (Department of Institutional Integrity), *Detailed Implementation Review India, Health Sector, Volume I* Washington DC: World Bank, 2006-2007, available at http://siteresources.worldbank.org/EXTDOI/Resources/WB250_Web_Vol1_012408.pdf, accessed on 12 April 2011.

⁷⁶ IEG, *op. cit.*, p. 23.

⁷⁷ *Ibid.*

⁷⁸ USGAO, *World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain* (Report to Congressional Committee), Washington DC: GAO, 2000, available at <http://www.gao.gov/new.items/ns00073.pdf>, accessed on 19 March 2011.

short in addressing the key performance problems reported by external and internal auditors.⁷⁹ The GAO report also mentions that the challenges for the Bank remain and “further action would be required before the Bank can provide reasonable assurance that project funds are spent according to the Bank’s guidelines.”⁸⁰ The 2009 IEG report claims that the reformed investigation unit in Department of Institutional Integrity is not credible.⁸¹ The most recent staff survey shows that the Department of Institutional Integrity has the lowest morale of any Department of the Bank, which affects its entire anti-corruption effort.⁸² Furthermore, the Bank fails to build borrower’s managerial capacity for implementing Bank projects. This is very important for the efficient management of funds. Recently, the Bank has produced strict guidelines for its staffs to exhibit professionalism in anti-corruption measures.⁸³ However, the Bank does not have a strong monitoring mechanism to oversee the performance appraisal of its staffs.

4.7 *The Overarching Top-down Approach of the Bank*

The traditional belief implies that corruption is a symptom of weak states affected by weak institutions and infrastructure, where the Bank is supposed to concentrate its anti-corruption reform measures.⁸⁴ In these cases, the Bank prescribes governance reforms that are mostly top-down in nature. For example, the Bank advocates reform measures to achieve government effectiveness (i.e., quality of policy making, public service delivery and easing the regulatory burden) and establish rule of law (i.e., judiciary and civil service reforms).⁸⁵ These reforms involve only a handful of actors of the national governments. Therefore, it systematically avoids the necessity of a bottom-up approach to anti-corruption, which negatively affects the success of anti-corruption measures. Moreover, failing to raise the grass-root voice against corruption, the Bank is often unsuccessful in bringing the governments into a consensus about the holistic efforts required for the anti-corruption reform programmes.

⁷⁹ *Ibid.*, p. 6.

⁸⁰ *Ibid.*, p.5.

⁸¹ IEG, *Review of IDA Internal Controls*, *op. cit.*, p. 27.

⁸² Nancy Alexander, Beatrice Edwards and Bruce Rich, *Evaluation of World Bank Finds Evidence of Failure to Control Corruption: “Significant Deficiencies” in Compliance with Charter*, North America: Heinrich Boell Foundation, 2010, p. 6, available at http://www.boell.org/downloads/4-21_FINAL_FINAL_IDA_controls_on_LTRHD.pdf, accessed on 13 April 2011.

⁸³ Mario A. Aguilar, Jit B.S. Gill and Livio Pino, *Preventing Fraud and Corruption in World Bank Projects (A Guide for Staff)*, Washington DC: World Bank, 2000, available at <http://www.gao.gov/new.items/ns00073.pdf>, accessed on 12 April 2011.

⁸⁴ Daniel Kaufmann, “Anti-corruption Strategies, Starting Afresh?” in R. Staphenurst and S. J. Kpundeh (eds.), *Curbing Corruption, Toward a Model of Building National Integrity*, Washington DC: EDI Development Studies, 1998, p. 146.

⁸⁵ World Bank, *Anti-Corruption Core Programme*, Washington DC: World Bank Group, 1999.

4.8 *Lack of Coordination among International Partners*

Coordination and coherence are big challenges for the WB. The Bank has done extensive work in building up international partnerships and interests to fight against corruption. According to Heather Marquette, "It is the only donor with the kind of resources and scale to deliver this kind of impact."⁸⁶ The WB has significantly added value to the supply-side of combating corruption. It has assisted the OECD in drafting its anti-bribery convention, Transparency International (TI) in designing the Bribe Payers Survey and contributed to the growing international consensus on the donor's role in anti-corruption campaigns.⁸⁷ Apart from the central level communication, TI works at the country-level with the Bank. TI-South Africa organised 9th International Anti-corruption Conference in partnership with the Bank.⁸⁸ TI-Bangladesh and the Bank jointly organised and sponsored seminars between parliamentarians and civil society groups throughout South Asia.⁸⁹

Nevertheless, coordination among the international development partners is a remarkably difficult task. Many times, they contradict the decision regarding the mandate of the task and terms of responsibilities. Often they fail to reach a consensus on the measurement of success in achieving the objective of a particular development project. The United States government has declined to continue its funding on the basis of a report published by the Senate Foreign Relations Committee in 2010.⁹⁰ The reason was the lack of consensus on undertaking reform measures within the Bank.

If the partners underestimate the resource implications of anti-corruption activities, which is time consuming and requires a multidisciplinary approach, coordination is not possible among donors. The WB and the European Union (EU) have long been struggling to coordinate their anti-corruption efforts in jointly designed development projects. Since 1999, both the EU and the Bank received a special mandate for the coordination of bilateral and multilateral donors in the Balkan regions.⁹¹ However, the lack of European coordination with the Bank has affected the overall effectiveness, quality and visibility of the work.

⁸⁶ Heather Marquette, *Corruption, Politics and Development Role of the World Bank*, New York: Palgrave MacMillan, 2003, p. 80.

⁸⁷ *Ibid.*

⁸⁸ Cited from Transparency International, "TI Country Activities", *TI Newsletter*, June 1999 and Heather Marquette, *ibid.*, p. 83.

⁸⁹ *Ibid.*

⁹⁰ Cited in U.S. Government Printing Office, "The International Financial Institutions: A Call for Change, A Report to the Committee on Foreign Relations of United States Senate," 10 March 2010, 111th Congress, 2nd Session, in Alexander, et al., *op. cit.*, p. 1.

⁹¹ For details of this joint collaborative project in Brussels, see the website www.seerecon.org.

4.9 *Fighting Corruption, or Promoting Democratisation? Prioritisation of Tasks*

Promoting development by establishing rule of law, ensuring transparency and fighting corruption has emerged as an attractive concept in the universal discourse of democratisation and public policy. However, the Bank has experienced difficulties in defining its approach to the issue of democratisation and the process of attaining it in practice. Recently, on anti-corruption matters, the Bank has become more explicit in referring to the role of democratic governance in combating corruption. The Bank's development policy advocates more competitive electoral democracy in the transitional countries to combat corruption.⁹² Former Chief Economist of the Bank Joseph Stiglitz has advocated its work on corruption and democratisation by mentioning that "corruption, though a matter of politics, is at the heart of underdevelopment."⁹³ In fact, Heather Marquette refers to the overly ambitious aims of the Bank's leadership in amending its Articles of Agreement to establish democratisation as a requirement for lending to states.⁹⁴

Therefore, to accommodate this transformation, the Bank needs to alter its entire culture. It must restructure with new staff with diversified background *viz.* political science, anthropology and sociology and equip them with new monitoring systems, qualitative and quantitative measurement tools for performance assessment. This transformation process will be complex and it will re-establish the Bank's formal political engagement with individual states. On the other hand, the Bank has deliberately avoided those research findings that say excessive privatisation and uncontrolled liberal market structure would promote corruption and those that argue immature electoral democracy would influence corrupt practices and social divisions.⁹⁵ Such policy prejudice has two repercussions. First, it is alleged that the Bank has diverted from its prime goal of development. Second, the Bank is overemphasising the relationship between democracy, development and corruption, hence, is genuinely using one-sided view of the relationship debate to justify its own work on corruption. The Bank is thus falling short of its genuine goal.

5. Conclusion

The WB's governance and anti-corruption programme has made substantial progress in minimising corruption in its development projects. The Bank has quite successfully sold its ideas of transparent procurement, capacity building of the stakeholders and the protection of whistle-blowers to many recipient countries. The institutional framework of the Bank *i.e.*, INT and Sanctions Committee is an important

⁹² Heather Marquette, 2004, *op. cit.*, p. 419.

⁹³ Joseph Stiglitz, "Introduction", in C. Gilbert and D. Vines (eds.), *The World Bank: Structure and Policies*, Cambridge: Cambridge University Press, 2000, p. 3.

⁹⁴ Heather Marquette, *op. cit.*, p. 420.

⁹⁵ *Ibid.*; Carolien M. Klein Haarhus and Frans L. Leeuw, "Fighting Governmental Corruption: The New World Bank Programme Evaluated", *Journal of International Development*, Vol. 16, 2004, p. 549.

step towards mainstreaming its anti-corruption initiatives. The Bank has also raised awareness among many stakeholders regarding the need for external evaluators that address fraudulence in the Bank's lending procedure.

Nevertheless, the Bank's dealing with overall corruption issues in a particular country is inadequate, incoherent and often flawed. The WB has drafted action plans for its GAC Strategy but lacks proper enforcement and monitoring guidelines. Moreover, the Bank has been inefficient in applying an effective sanction regime, such as debarring a state from further lending if found to be misusing Bank funds. There is no investigation into the reluctance or inefficiency of the Bank in adopting proper sanctions and the potential impact of such measures. The WB has also been inattentive in addressing its past moral hazards regarding the harmful and irresponsible lending culture. A quote from Wolfowitz, "Every corrupt transaction has, unfortunately, at least two parties,"⁹⁶ implicates the Bank as a part of the corrupt activities.

The Bank's non-political mandate is gradually turning out as a myth. The complex nature of the WB as an institution and its political affiliation with governments in various capacities are misunderstood due to the partial analysis of conceptual linkages among development, democracy and corruption. Still, the Bank is unfortunately very far from realising the fact that corruption is not an entirely economic issue. It has political and social elements intertwined with the other causes of underdevelopment. Thus, the Bank's entire global aid regime for development is plagued because of the distortion of its anti-corruption campaigns by the so-called non-political mandate.

Finally, the Bank requires a reliable and independent enforcement system of its existing anti-corruption guidelines. In addition, the Bank should realise that the formulation of anti-corruption policy measures, implementation of those policies in practice and the supervision process of its operations must be in compliance with a responsible and holistic development paradigm. It is not possible to combat corruption only by strengthening the supply-side of the anti-corruption campaign by the Bank. The demand-side of such campaigns should be endorsed with the long-term political commitment of the governments and sustainable cooperation with civil society groups. The Bank should also consider the chances of a more effective international partnership with donors that helps increase the legitimacy of its anti-corruption campaigns. The Bank has already become the leading voice in combating corruption and now it is high time for the Bank to persuade other stakeholders to share the responsibility.

⁹⁶ Cited by Heather Marquette, 2007, *op. cit.*, p. 51.