

## 5. International Financial Institutions

The United States is also pursuing anticorruption efforts and initiatives in the official international financial institutions, namely, the International Monetary Fund, the World Bank and the regional development banks.

### A. International Monetary Fund

The International Monetary Fund (IMF) has most of the countries of the world as its members and has a unique opportunity to review the economic and financial policies and operations of those countries in its regular evaluations and when member states request financial and technical assistance. The United States has consistently urged the IMF to include assessments of corruption and of its adverse effects on countries' ability to formulate and carry out appropriate macroeconomic and financial policies.

The IMF has been made aware of the serious problems of corruption and the need for promoting good governance among its members. The Managing Director has spoken out repeatedly and forcefully on the subject. In response to urging from the United States and others, the IMF has developed guidelines regarding governance issues, including: more comprehensive treatment of governance and corruption matters in regular consultations and in the context of Fund-supported programs; more proactive approach in advocating policies and development of institutions and systems that eliminate the opportunity for bribery, corruption and fraudulent activity in the management of public resources; enhanced collaboration with other multilateral institutions to make better use of complementary areas of expertise in combating corruption.

In active implementation of its guidelines, the IMF has engaged in valuable research and analysis of the forms and extent of corruption and has enhanced its provision of advice and technical assistance to foster good governance and public sector transparency and accountability. The Fund also has taken the step of making financial assistance conditional on adequate efforts by the member state to address serious problems of corruption and inadequate governance. In selected cases, the fund has taken the drastic but necessary step to suspend Fund programs and deny financial assistance to countries that have failed to make serious efforts to deal with corruption that is undermining the implementation of Fund macroeconomic policy programs.

In 1999, the United States will continue to encourage the IMF to pursue the goal of preventing or fighting corruption in all of its activities.

### B. World Bank and Regional Development Banks

The World Bank has played a significant role in bringing world attention to the corrosive effect of corruption on development and the importance of treating it as a mainstream development issue. Due in significant part to the effort of World Bank

President Wolfensohn, in September 1997 the Bank approved an Anti-Corruption Strategy which identified four action areas:

- 1) preventing corruption in Bank projects;
- 2) supporting country efforts to reduce corruption more broadly;
- 3) talking corruption more explicitly into account in country lending strategies and project design; and
- 4) supporting other international efforts.

The United States has strongly supported the World Bank as it takes these welcome steps in the right direction. In 1998, the World Bank decided to cut off its programs in Kenya due to corruption concerns. Countries which borrow from the World Bank have begun to request Bank assistance to fight corruption. The World Bank anticorruption programs provide help on institutional, civil service and legal reforms, economic policy reforms, and public sector management and financial controls. Donors to the World Bank's concessional loan window have directed in the recent IDA 12 replenishment agreement that International Development Association allocations be specifically linked to corruption/governance and that all World Bank Country Assistance Strategies must cover governance and corruption issues.

The United States is pressing the regional development banks – the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development – to strengthen their anticorruption policies and procedures and to push governance reform more quickly. The Asian Development Bank recently approved an Anti-Corruption Policy. The African Development Bank and Inter-American Development Bank have hosted procurement conferences which have focused attention on alternative approaches to fighting corruption and bribery. The European Bank has strengthened its policies to more effectively combat fraud and corruption.

In 1999, the United States will continue to support the effective integration of governance and anticorruption issues in World Bank Country Assistance Strategies, and the greater integration of anticorruption and good governance aspects in the activities of all regional development banks.