

Independent Panel Review  
of  
The World Bank Group  
Department of Institutional Integrity

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## *Executive Summary*

The Independent Review Panel was constituted to review the work of the Department of Institutional Integrity (INT) and to place that work in the context of the World Bank Group's Governance and Anticorruption (GAC) strategy.

The Panel recognizes and emphasizes the critically important contribution that a coherent and forceful attack on corruption can and should make to the Bank-wide goal of facilitating economic development and reducing poverty. INT must play a central part in that effort. It cannot do so effectively in isolation. What is necessary is a fully coordinated approach across the entire World Bank Group, ending past ambivalence about the importance of combating corruption.

That will require strong Bank leadership, not simply by the President and the Executive Directors but by those directly responsible for operations and for supporting staff. The GAC strategy calls for a wide-ranging two-pronged program. Building capacity among member states for combating corruption must be accompanied by measures to protect and enhance the integrity of the Bank's own operations. Those goals should be, and can be, mutually reinforcing.

Within that context, INT has the clear and critical responsibility to investigate fraud and corruption in Bank programs. Its mandate extends to education and training to identify risks and risk prevention measures. Closer and more trusting relationships with Operations staff can encourage detection of corruption in projects. INT findings in particular cases should provide "lessons learned," with implications for building anticorruption protection in Bank projects.

INT has achieved some notable success in its relatively brief life. It is staffed by dedicated and competent personnel. It uses innovative strategies to aid investigations in often demanding working environments. Nonetheless, serious operational issues and severe strains in relations with some Operations units have arisen, at times contributing to counterproductive relations between the Bank and borrowers and funding partners.

It is these matters that the Panel has addressed in its specific recommendations as summarized below (and listed in Appendix B):

**INT's Organizational Relationships.** The head of INT should have the rank of Vice President, and the line of direct responsibility to the President should be maintained. The current role as Counselor to the President should be dropped in the interest of clarifying the purpose and independence of the INT function. The Audit Committee of the Board of Executive Directors, as part of its responsibility for overseeing INT, should help assure that INT's potential contribution to the implementation of the GAC strategy is realized. A small external Advisory Oversight Board should be established to protect the independence and strengthen the accountability of INT. Properly constituted with widely respected individuals with strong professional credentials drawn from outside the Bank,

this Advisory Oversight Board would provide a fresh perspective free of institutional conflicts when troublesome issues arise.

**INT’s Preventive Role.** INT should develop an internal consulting unit, drawing on staff with operational as well as investigative experience. The purpose would be to work collaboratively with Operations units in developing protections against corruption, assisting with education and training, and advising about appropriate responses to allegations of corruption that INT does not investigate. The lead responsibility for the critical task of preventing corruption in the Bank’s operations should be created elsewhere in the Bank’s organization.

**Remedial Action.** To ensure that the Bank responds promptly and effectively to INT’s findings of corruption in Bank projects, the relevant Managing Director should be made accountable for ensuring that a comprehensive action plan is developed and implemented. The full range of appropriate responses—disclosures, required remedial responses, and “lessons learned”—should be addressed for the President’s approval.

**Disclosure Policies.** While recognizing the need for confidentiality of certain matters—most importantly witness protection—the Bank and INT should modify disclosure practices to assure that funding partners as well as relevant Operations staff are informed of the initiation and status of an investigation if immediate action to protect funds is needed, to permit Operations staff to review draft investigation reports for factual accuracy, and more generally to give effect to the presumption of transparency through disclosure of investigative procedures and final INT reports.

**INT’s Investigation of Bank Staff.** The Bank should reassign outside INT the investigation of staff misconduct not involving allegations of significant fraud or corruption. The Bank should clarify and strengthen the rights of Bank staff in connection with all internal investigations, while taking steps to monitor and reduce the time taken to complete staff misconduct investigations.

**INT’s Staffing, Management, and Evaluation.** INT should ensure more diversity in its staff, consistent with the need to recruit investigators of the highest technical competence. INT should be subject to regular internal audit and further measures to evaluate its performance.

Finally, the World Bank Group, and INT within it, should work with other multilateral institutions in developing, defining, and following “best practices” in protecting institutional integrity and investigating corruption. The Bank should be at the frontier of best international practice in tackling corruption. These recommendations are designed to ensure that the Bank as a whole, and INT in particular, can play that part with conviction and effectiveness.

## *Preface*

In February 2007, the World Bank Group President Paul Wolfowitz, in consultation with the Board of Executive Directors, announced the formation of an independent panel of experts to review the operations of the Department of Institutional Integrity (INT).<sup>\*</sup> The members of the Panel are:

Paul A. Volcker, Chair

Mr. Volcker of the United States was formerly Chairman of the United States Federal Reserve Board and recently served as Chairman of the Independent Inquiry Committee into the United Nations Oil-for-Food Program and of the International Accounting Standards Committee Foundation.

Gustavo Gaviria

Mr. Gaviria of Colombia formerly served as Senior Advisor in an Executive Director's office at the World Bank and is a leading coffee industry executive in Colombia.

John Githongo

Mr. Githongo of Kenya formerly served as Permanent Secretary of Governance and Ethics in Kenya and is now a Senior Associate Member of St. Antony's College at Oxford University in the United Kingdom.

Ben W. Heineman, Jr.

Mr. Heineman of the United States was formerly Senior Vice President and General Counsel of the General Electric Company and is now a senior fellow both at Harvard Law School and at Harvard's John F. Kennedy School of Government in the United States.

Walter Van Gerven

Professor Van Gerven of Belgium was formerly President of the Belgian Banking Commission, Advocate-General of the European Court of Justice, and a member of the Committee of Independent Experts investigating allegations regarding fraud, mismanagement, and nepotism in the European Commission.

Sir John Vereker

Sir John Vereker of the United Kingdom was formerly Permanent Secretary of the United Kingdom's Department for International Development and now serves as the Governor and Commander in Chief of Bermuda.

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<sup>\*</sup> The term "World Bank Group" is used in this Report to include the International Bank for Reconstruction and Development (IBRD), 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). The term "World Bank" or "Bank" refers only to the IBRD and IDA.

The members of the Panel have extensive backgrounds in public and private international institutions, economic development, and anticorruption efforts. The Panel has been assisted by a staff of professional investigators experienced in the work of international institutions, together with several staff associates. Detailed biographical material about the Panel's members and staff is attached to the Report as Annex A. The Terms of Reference for the Panel are attached as Annex B.

The Panel has not been asked to conduct, and has not conducted, an investigation in the sense of seeking out and reporting on individual instances of alleged wrongdoing or specific issues of management style within INT or other Bank units. Rather, its mandate has been to review the work of INT and place it in the context of the World Bank Group's Governance and Anticorruption (GAC) strategy. The Panel's recommendations are forward looking. They are based on analysis of the strengths and weaknesses of INT's operations, internal organization, and its working relationships with other parts of the Bank. Necessarily, this has required some appraisal of the attitudes, policies, and organizational arrangements of the Bank generally. Accordingly, some implications for its organization and processes are suggested to improve the Bank's efforts to reduce corruption in its projects and to contribute to the broader mission of improved governance among member countries.

To that end, the full Panel or one or more of its members has interviewed 117 individuals from the Bank's staff and others with relevant experience and expertise. The Panel's staff has met with the balance of a total of 273 persons who were interviewed in connection with this Report. The individuals interviewed include 17 current Bank Executive Directors, 28 senior officials, and 155 other Bank staff members (including staff of INT). The Panel has received extensive documentary submissions from INT. In addition, Panel staff have reviewed investigatory practices of five other international financial institutions, the European Commission, and the United Nations. Relevant aspects and practices of other institutions are summarized in Appendix A to this Report.

The Panel's findings are based in large part on information received from interviews, which were conducted on a confidential basis; therefore, attributions are not made in this Report. Particularly useful have been three earlier reviews of the Bank's anticorruption efforts by the Honorable Dick Thornburgh from 2000 to 2003.

The Panel has met nine times, beginning in February 2007, usually for two days at a time. In late July, the Panel provided an oral progress report to the Board. The Panel's preliminary recommendations were discussed with a special review group of experts familiar with development and corruption issues. They are listed in Annex C.

Within the time and resources available, the Panel has been primarily concerned with INT in the context of the policies and programs of the IBRD and IDA, the public sector funding arms of the Bank that also administer trust funds provided by national and other donors. Insofar as staff misconduct is involved, the practices and policies of INT are relevant to the entire World Bank Group, including the IFC, MIGA, and ICSID.

## *A. Introduction*

1. In his address to the Annual Meeting of the World Bank Group in October 1996, then-President James Wolfensohn clearly and succinctly described the “cancer of corruption”: it “diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors.” At the same time, “it erodes the constituency for aid programs.”<sup>1</sup>

2. President Wolfensohn subsequently drew the necessary conclusion: “[A]s far as our institution is concerned, there is nothing more important than the issue of corruption.” And within a year—now a decade ago in September 1997—the Board of Executive Directors of the Bank endorsed a broad anticorruption strategy premised on four pillar principles:

- To prevent fraud and corruption in Bank-financed projects
- To assist countries that ask for help in curbing corruption
- To “mainstream” the Bank’s corruption concerns directly into country analysis and lending decisions, and
- To join the broader international effort against corruption.<sup>2</sup>

3. Those are principles that remain valid. Although the Bank has made progress in its capacity to investigate corruption, experience has also demonstrated the difficulty of putting good intentions into effective practice.

4. The anticorruption effort in the Bank was slow to develop. For much of the Bank’s history, the impact of corruption on development generally, and on the Bank’s lending operations in particular, was not faced squarely. The “C word” did not appear in official Bank reports prior to the Wolfensohn initiative; nor was there an accepted strategy for dealing with corruption in lending operations. Even after President Wolfensohn’s 1996 speech, it was five more years before the Department of Institutional Integrity was established in response to the first of several “Thornburgh reports” recommending more focused investigatory responsibilities. Even then, without consensus among Bank executives with operational responsibilities and in the absence of strong leadership within or outside INT, policy and operational effectiveness suffered.<sup>3</sup>

5. There was then, and remains now, resistance among important parts of the Bank staff and some of its leadership to the work of INT. In response to President Wolfowitz’s emphasis on anticorruption measures, INT became more active and aggressive in its efforts, and the tensions increased. Serious management issues within the Bank further complicated relationships of INT with those responsible for operations, and a perception developed within INT that it was under attack by Bank operating units protective of their projects and lending portfolios. This contributed to a siege mentality at INT and to INT becoming less communicative and forthcoming than required to maintain the confidentiality of its investigations. The net result has been growing mutual distrust, undermining what progress had been made in developing a coordinated and constructive institutional response to the threat of corruption in the Bank’s operations. The Bank’s



internal discord in dealing with investigations, in turn, has undermined relationships with some important borrowing countries, potentially damaging the development effort.

6. Investigators—even well-trained investigators acting with the highest professional standards—are not typically candidates for popularity prizes in any organization. Within the World Bank the tensions and resistance have been particularly strong. Some of the difficulty seems to lie in the continued concern, shared by some on the Board of Executive Directors as well as parts of Operations staff responsible for shaping and implementing project lending, that a strong anticorruption effort would somehow be anti-development and “penalize the poor twice,” by curtailing lending in corruption-prone countries or sectors. There is a tendency as well to shrink from confrontation with borrowing countries who are members of the World Bank Group and sovereign countries in their own right. That tendency is reinforced by a culture of the Bank that favors seeking out lending opportunities rather than simply responding to borrowing countries’ initiatives and felt needs.

7. Opposition to INT efforts has also arisen from failures in administrative practices. Some of those failures are the fault of INT, but there has also been an absence of attention and leadership at senior levels. Some resistance is more parochial. There is a natural discomfort among some line staff, who are generally encouraged by the pay and performance evaluation system to make loans for promising projects, to have those projects investigated *ex post*, possibly exposed as rife with corruption, creating an awkward problem in relations with borrowing clients. While there have been important exceptions, too often uncertainty and miscommunication have exacerbated relations between those responsible for lending and those responsible for investigation.

8. The World Bank Institute has long pioneered in analyzing the pervasiveness of corruption, its causes, and its adverse effects on economic development. The economic losses to corruption are enormous overall, and, further, aid effectiveness is much lower in corrupt environments. The Bank’s projects are much less likely to succeed where there is poor governance and high corruption. Moreover, there has been a growing understanding within the Bank and elsewhere that loan funds too often have been bedeviled by fraud and corrupt practices and laxity in loan administration. Quantification of losses from bribes, collusive bidding practices, and substandard project goods and services is difficult in the absence of a collaborative effort within the Bank and with others to measure these losses. There is, however, a general sense that the losses are substantial, confirmed in specific projects that have been investigated by INT. The rigorous independent efforts of the World Bank Institute in measuring, monitoring, and assessing governance and anticorruption around the world, and particularly in countries wishing assistance, plainly needs further support and could also assist INT and others in an empirically-based risk assessment of countries and projects.<sup>4</sup>

9. Citizens of developing countries are themselves highly sensitive to the need to attack corruption and improve governance. For instance, in a recent set of surveys, a quarter of the respondents in emerging economies cited anticorruption and governance as the “main role” for the Bank and comparable institutions. Some champions of reform in countries where corruption is rife have called for stronger Bank programs and even the

suspension of lending altogether when government commitment is absent. From another point of view, business firms consistently rank corruption as an obstacle—often the most important obstacle—in doing business in emerging economies.<sup>5</sup>

## ***B. The Challenge: Confronting Corruption***

10. Early in its work the Panel reached the view that, consistent with its Terms of Reference, its analysis and recommendations with respect to INT would need to take account of the broader Bank culture and experience and particularly the GAC strategy. Certain points in the GAC strategy are of fundamental importance in defining and implementing the role and responsibilities of INT.<sup>6</sup>

11. A lack of common purpose, distrust, and uncertainty has enveloped the anticorruption work of the Bank. The result has been to blunt the effectiveness of the measures undertaken to support the Wolfensohn initiative a decade ago, including the formation of INT. Now, after much debate, the Board of Executive Directors has approved the GAC strategy, and an implementation plan is being prepared. What is important in that effort is achieving a clear sense of direction, bringing into concert the disparate units of the Bank, some of which have failed to recognize the importance of anticorruption and governance efforts in working with client nations.

12. The GAC strategy emphasizes the importance of *capacity building* in individual countries. World Bank lending programs can, in principle, support economic, administrative, political, and judicial reforms to enhance a nation's capacity for good governance and curtailing corruption, matters now seen as central to sustained economic development and poverty reduction. The implementation plan should provide guidelines for the Bank's engagement with civil society and other stakeholders in contexts afflicted by poor governance and high levels of corruption. Implementation of the GAC strategy will need to be directed toward developing ways and means of advancing that broad effort.

13. The GAC strategy also recognizes the critical need to maintain *program integrity* in the Bank's own operations. Indeed, that is essential as a matter of fiduciary responsibility and is responsive to the charge in the Bank's Charter that "[t]he Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations." That responsibility to safeguard the use of Bank funds—more than \$20 billion disbursed each year—must also extend to the administration of the growing amount of funds from its member states and other organizations with which the Bank has been entrusted. Those trust funds are a growing proportion of the Bank's operations, with more than \$4 billion disbursed in fiscal year 2006.<sup>7</sup>

14. The importance of the Bank's internal anticorruption effort extends well beyond those immediate fiduciary concerns. Every dollar lost to illicit acts is a dollar taken from those most in need, the world's poor. Moreover, the Bank's support for national efforts to improve governance can hardly be credible if the Bank does not effectively deal with

corruption in programs that it supports with its own funds. Conversely, there is an important demonstration effect to the extent the Bank can prevent, identify, and successfully deal with the threat of fraud and corruption in its own programs. As the GAC strategy paper states, the “Bank’s record in reducing corruption in projects that it supports is essential for ... its credibility in advising and supporting governance and anticorruption efforts.” Much of the potential impact of the Bank’s GAC efforts can come from the design and content of project and program assistance.<sup>8</sup>

15. Indeed, in attacking corruption, building capacity by institutional and policy reform and insisting upon Bank program integrity should be mutually reinforcing. Realistically, Bank experience also demonstrates that capacity building, while fundamental, is a long and complex process. It has been a learning process often characterized by false starts, overly broad and poorly rooted initiatives, with limited influence. The need to protect program integrity is more immediate, and the Bank’s responsibility and influence more direct. That does not make the challenge any easier—it requires discipline, processes, care, and commitment, and it also often requires a frank and straightforward dialogue between the Bank and the government of a client country, without skirting difficult or awkward issues. Poorly organized and clumsily administered anticorruption efforts may be ineffective and risk productive relationships with borrowing countries.<sup>9</sup>

16. Ignoring the issue, or, more subtly, tacitly supporting superficial government efforts where there is little political commitment, conspires against aid effectiveness and the welfare of the country’s poor. The borrowing countries are sovereign but, when deploying Bank funds and those of other donors, those providing the funds have the right and the responsibility to follow the money and to ensure that the money serves the purposes for which it is disbursed.

17. To be sure, corruption is a part of human society, found in countries large and small, rich and poor, developed or not. It is also a fact that it is pervasive and deeply embedded in the political systems with weak accountability of many recipient nations of World Bank funds. Disciplined administration of Bank lending programs will not in itself eliminate corruption in client countries. But inaction cannot be justified, and the necessary effort must be twofold: to develop, encourage, and support improved governance standards and attitudes over time in cooperation with the Bank’s borrowers, and to demonstrate in the here-and-now the ability to deal with corruption in the Bank’s own programs. Fortunately, as noted earlier, there is evidence in a number of important countries that governments and citizens are sensitive to the problem and welcome well-managed efforts of the Bank and others to deal with that challenge.

### ***C. A Bank-wide Anticorruption Effort***

18. As the GAC strategy paper notes, “[c]oncern about fraud and corruption in Bank-financed operations has risen sharply in recent years because of the accumulating findings of [INT] investigations of investment projects.” More than 2,000 external cases of alleged fraud, corruption or misconduct have been investigated by the Bank since 1999, and more than 330 companies and individuals have been publicly sanctioned.

Again, as stated by the GAC strategy paper, both “INT investigations and Bank supervision have revealed frequent shortcomings in project documentation and recordkeeping by project agencies.”<sup>10</sup>

19. Empirical evidence has established that investigation and exposure of wrongdoing after it has occurred will not by itself effectively control the level of national, institutional, or individual corrupt behavior. Within the World Bank Group as elsewhere, a strong sense of personal and institutional responsibility, with a comprehensive approach led from the top, is essential. Strong codes of conduct can help convey that message. Beyond that message, a strong framework of prevention, detection, investigation, and remediation is needed. In only one of those areas is INT’s investigative role primary, but it has an important supporting role to play in each.<sup>11</sup>

20. **Prevention.** The GAC strategy paper recognizes that prevention in investment operations is vital and “will emanate from a more explicit focus on anticorruption during project identification as well as during implementation and supervision.” Attention to risk assessment and risk abatement strategies must run right through the organization, drawing on expertise in procurement, disbursement practices, and institutional analysis. Education and training of operational staff is a key. Lessons from INT’s investigative findings can be, and should be, an ingredient in developing and understanding safeguards. While there are signs that sensitivity in Bank operations to the need for prevention has been increasing, it is clear that INT’s experience and expertise has not been adequately developed and regularly incorporated in that process, in part because the prevention effort has no clear leader.<sup>12</sup>

21. **Detection.** Projects and programs should be designed in such ways that detection and deterrence of corruption are more likely. As the GAC strategy paper notes about the Bank, the “starting point in detecting corruption must be a change in mindset that assumes little or no corruption, to a realization that with weak accountability mechanisms, the likelihood of corruption is high.” That requires transparent procedures, institutionally supportive attitudes, great sensitivity to corrupt behavior, a clear understanding of the obligation to report corrupt activity through appropriate and secure channels, and a robust whistleblower protection policy. All this underscores the need to achieve much greater trust and understanding between the investigative and operational parts of the Bank.<sup>13</sup>

22. **Investigation.** Tracking down corruption requires an adequate commitment of professional resources to investigate allegations of misconduct or corrupt activity. This is the critical role for INT. Its work is complicated by the need to protect the confidentiality and fairness of the investigatory process, and particularly to protect sources of information whose safety and careers may be placed in jeopardy. At the same time, INT cannot be effective without disclosure of its findings and procedures. There are questions in this area that need to be resolved to reinforce confidence in the investigative approach and the procedures of INT, including the relative emphasis in the use of its scarce resources on “reactive” versus “proactive” investigatory processes.

23. **Response and Remediation.** Given sufficient evidence, perpetrators of corruption need to be punished and funds recovered, but the response to adverse findings must go beyond those particular consequences. The problems with a particular program can be analyzed and remedied and, as appropriate, lessons applied to other Bank programs. To the extent possible, borrowing countries must be encouraged to strengthen their own protections against corruption, as called for in the GAC strategy. The Panel’s review has found the response to particular INT findings is often too slow and poorly coordinated, both within the Bank and with respect to borrowing countries, undermining the potential positive effects.<sup>14</sup>

24. Plainly, all these processes are interrelated. They involve important parts of any organization—certainly including the Bank—beyond the investigative functions. But it is equally clear that the investigative function is critical. Beyond the immediate responsibility of exposure and disclosure of wrongdoing, those engaged in investigations are, or should be, in a position to draw lessons of more general application from each case experience. The investigative experience contributes importantly to risk assessment and preventative efforts. And, by its own policies and practices, INT must build confidence in a wary Bank staff to detect and report signs of corruption.

#### ***D. The Role of Leadership***

25. The Terms of Reference for the Panel’s work focus on the policies and procedures within INT, on its interaction with other units of the Bank in the investigative process, and its role in shaping an institutional response to its findings. These are important issues, and the Panel’s principal findings and recommendations are summarized in the next sections of this Report.

26. But something more than improving INT is required. In the case of nations and public institutions, support and understanding of the citizenry, of key constituencies, of those with policy responsibility, and of bureaucracies is essential. Some of those elements have been lacking in the World Bank Group. As a result, the Bank’s approach to corruption has been *ad hoc* and piecemeal. Examples of outstanding work exist. But too often commitment to program integrity has been lacking.

27. The Panel would be remiss if it did not emphasize the central importance of the leadership of the Bank, not simply by the President and the Board of Executive Directors but by those responsible for both operational and staff units of the Bank. The Managing Directors, the Regional Vice Presidents, and the Country Directors all must understand and drive the entire governance program and the anticorruption mission within it. Good governance and anticorruption must be built into the thinking—the “mindset” as emphasized by the GAC strategy—of both staff and operations throughout the organization. That emphasis cannot just be on country capacity building but on the vital, complementary objective of program integrity.

28. The Panel believes that leadership is a precondition for a comprehensive approach that incorporates and reflects a widely understood policy framework, consistent systems and processes among operational groups, defined responsibilities, and effective

educational, training, and communication arrangements. Better cooperation among the several “integrity oriented” parts of the Bank organization is required, importantly including the Legal Department, Operations Policy and Country Services (OPCS), and INT. The Bank does not lack for units reviewing and evaluating its varied operations, but, taken together, a strong focus on institutional and managerial accountability is absent. Program integrity requires far more than the effective functioning of INT, critical though its role is.

29. This raises important management and organizational issues beyond the Panel’s Terms of Reference. The President will no doubt want to review these issues with the Board of Executive Directors as it considers the implementation of the GAC strategy.

### ***E. INT in the World Bank Structure***

30. An overriding concern is INT’s basic organizational relationship to the rest of the Bank and how in turn the Bank is equipped to respond when INT finds fraud and corruption affecting the Bank’s operations. This concern gives rise to four of the Panel’s most significant recommendations:

- that the INT Director carry the rank of Vice President, placing INT’s status on par with its organizational counterparts, without the further title of Counselor to the President;
- that the Bank create an external Advisory Oversight Board to facilitate the President’s and Audit Committee’s oversight of INT;
- that INT create an internal, non-investigative consulting unit to furnish guidance to the Bank’s operational units on how to protect the integrity of the Bank’s programs; and
- that the Bank designate a Managing Director to take responsibility for ensuring that a comprehensive action plan follows from INT’s findings of fraud and corruption affecting the Bank’s operations.

Each of these issues is addressed below.

### **Status of INT Director and Reporting Lines of INT**

31. Within any administrative structure that the Bank may create, INT should be nurtured and maintained as an exemplary investigative organization staffed by experienced, respected professionals, with a strong commitment to program integrity.

32. The Panel reaffirms the present arrangement for INT to retain direct access to the President, because of the importance of the work of INT and of its independence from operational management. In order to emphasize the importance of INT’s being represented in the decision-making processes in relevant policy areas, the Bank should

elevate the position of Director of INT to a level equivalent to the operational Vice Presidents. Presently, the Director of INT also holds the title of “Counselor to the President.” Whatever value that title may once have had with the appointment of a new Director, it has been the source of confusion as to its significance and led to suggestions that the role of the Director as independent investigator might be compromised. Consequently, the essential element of trust between the investigative and operational functions has been adversely affected.

#### Recommendation

*The importance and status of INT within the organization should be reflected in its Director retaining a direct reporting line to the President. The Director should also carry the rank of a Vice President, placing INT’s status on a par with its organizational counterparts. The Bank should remove from the present title and responsibilities of the INT Director the term “Counselor to the President.”*

#### **INT’s Relationship to the Audit Committee of the Board**

33. As a free-standing unit with a direct reporting line to the President, along with a concurrent reporting line to the Audit Committee of the Board, INT follows the “standard model” as exists for several international financial institutions with functions directly comparable to the World Bank Group. In practice, the dotted-line reporting relationship to the Audit Committee has been made more meaningful as the Audit Committee has requested and received further information from INT. The Panel welcomes that interest and looks forward to the Audit Committee taking an active role in encouraging appropriate institutional responses to INT reports and ensuring INT’s participation in the GAC strategy implementation. The Audit Committee also has oversight of the Bank’s Internal Audit Department (IAD), which if appropriately staffed with forensic resources should be able to develop a more constructive working relationship with INT.

#### **The Need for an Independent Advisory Oversight Board**

34. Bank management will need to consider what organizational changes will be required to focus leadership, to coordinate the GAC strategy, and to protect Bank integrity. Proposing broad changes necessarily cutting across a number of Bank functions is beyond its remit, but the Panel does support the concept of an independent and external Advisory Oversight Board specifically to facilitate the President’s and Audit Committee’s oversight of INT. Such an organizational arrangement would respond to two important concerns about the investigatory function that are sometimes seen as in competition with one another: independence and accountability.

35. The need for independence of the investigatory function is clear and now broadly accepted. The existence of an Advisory Oversight Board would reinforce confidence that political sensitivities or other challenges to INT’s independence would not in practice distort the investigative process.

36. At the same time, the accountability of INT within the Bank is often questioned, contributing to a certain sense of frustration that it is a “black box” beyond regular, disinterested review. In particular, those affected by INT activities have questioned the validity of INT’s procedures, its adherence to its own protocols, and the absence of coordination of investigations with operational considerations.

37. Amid other responsibilities, neither the President nor the Audit Committee has the capacity to monitor INT closely with respect to effectiveness and efficiency or to evaluate complaints about INT procedures. Nor is there any other focus in the existing organizational structure on protecting INT’s integrity and accountability. An independent and external Advisory Oversight Board could fill these needs. It would be a small group of three to five members composed of widely respected individuals drawn from different nationalities with strong professional credentials and backgrounds sensitive both to development and investigative needs. The new Advisory Oversight Board would be free of operational responsibilities and potential conflicts of interest. Assisted by a limited administrative staff, it might meet for, say, two or three days per quarter, or more frequently if needed.

38. The Advisory Oversight Board would not be expected to, and could not, become an investigative body or a vehicle for receiving individual staff complaints. However, review of INT’s staffing, including its diversity and professional experience, of the timely disposition of cases, and of performance indicators to measure results should be possible. While the Advisory Board would have no policy-making or decision-making authority, it would report to the President and Audit Committee about threats to INT’s independence or weaknesses in accountability of INT. Comprised of respected and experienced men and women, the proposed Advisory Oversight Board should be able to provide the President and the Executive Directors with a fresh perspective in dealing with issues affecting INT that have been the source of much recent controversy.

39. That arrangement would be broadly consistent with the practice of the European Anti-Fraud Office (OLAF), as well as with the recommendations advanced for the United Nations arising from the Independent Inquiry Committee into the United Nations Oil-for-Food Program. As in those cases, the effectiveness would rest heavily on the quality of the particular men and women appointed.

#### Recommendation

*A small external Advisory Oversight Board should be established to protect the independence and strengthen the accountability of INT. Reporting to the President and the Audit Committee, it should meet periodically to review the administration of INT, its professionalism, its diversity, and its progress toward stated objectives.*

#### **The Need for an INT Consulting Unit**

40. INT receives many more complaints of suspected fraud and corruption than it can handle. To ensure that its resources are effectively channeled, INT adopted a “triage” method of intake for external cases that involves rating allegations as “high,” “medium,”



or “low” in importance. Until this year, INT allocated its investigative resources by region with different regional team leaders using inconsistent criteria for opening investigations. This decentralized case selection distorted the allocation of limited resources in meeting the broader institutional needs of the Bank.<sup>15</sup>

41. Beginning in February 2007, INT changed to a new centralized case intake and case file management system. A preliminary inquiry is conducted within approximately six weeks of receiving an allegation. During the preliminary inquiry, a decision is made at the outset whether an allegation received by INT is credible on its face and worthy of the Bank’s resources to investigate. Although INT reserves the ultimate decision, it consults with regional teams in Operations on preliminary inquiry reports and rankings for specific cases.<sup>16</sup>

42. The Panel’s staff review of the new case management system revealed an efficient and organized system from intake to closing. Prior to the current management, INT was not as well organized and more loosely managed. The absence of a consistent screening process in the intake system sometimes led to wasted investigative efforts on matters that should have been closed at the outset.

43. Changes to INT’s case management system have made more obvious INT’s lack of resources to investigate potentially credible allegations. Generally, INT has been able to investigate only “high” priority cases. INT periodically reviews the “medium” priority cases in the event that additional evidence develops to warrant a higher ranking, but normally these cases are not otherwise investigated. Low priority cases are closed but examined for the purpose of tracking data for patterns of alleged fraud and corruption across projects, countries, and sectors.<sup>17</sup>

44. Operations managers have complained that while credible-but-unresolved allegations are pending, INT is not sufficiently responsive to their immediate operational concerns. Action is required, and managers believe they need counsel about how to deal with staff, government officials, or contractors who are under suspicion, about how to deal with pending and related projects and bids that may bear similar risks of fraud and corruption, and about how to deal with other political and country-specific concerns relating to the Bank’s relationships with member countries. INT lacks a dedicated capacity to furnish problem-solving advice to Operations staff and advice about types of protections that could be built into anticipated or pending operations. Appropriate action by the Bank—short of full-blown investigation—should be taken on credible complaints. If not, over time, legitimate companies may be discouraged from bidding on Bank-financed projects in corruption-prone areas, while corrupt companies may be emboldened to seek more Bank-funded business.

45. INT’s terms of reference include not only investigating past fraud and corruption but also assisting the Bank to prevent future fraud and corruption. However, INT’s prevention function has largely fallen victim to the demands of its investigations. INT has not managed to free enough of its limited resources to conduct in-depth analysis of information collected from past investigations and reviews. INT should not be drawn into advising or approving particular Bank projects that it might ultimately be called on to

investigate. There are, however, increasing demands within the Bank for INT to conduct more training and education, and to advise generally on risk measures for fraud and corruption.

46. INT simply does not have the capacity to meet all these needs satisfactorily. What is required is a separate administrative unit devoted exclusively to these service functions and working collaboratively with Operations staff along with OPCS in a non-investigative setting. A strong cooperative effort should also be supported by drawing staff for the new unit from relevant areas of the Bank, adding to the core investigative experience of INT.

#### Recommendation

*To address the need for non-investigative services from INT, the Bank should provide resources for the creation of a consulting unit within INT, staffed by professionals with experience in investigations, operations management, auditing, and the Bank's legal framework. The consulting unit should furnish problem-solving advice to the Bank's regional and country teams and build their ability to deal with lower priority cases that cannot be investigated by INT. The consulting unit should respond to requests from Operations staff for information on frequently observed project risks and useful risk mitigation measures against fraud and corruption. The unit also should spearhead INT's general training, education, and outreach efforts.*

### **The Need for an Action Plan to Follow INT Findings of Corruption**

47. Among the findings of the Panel, a particularly critical point is that the Bank lacks a consistent decisional framework and effective leadership for taking action once an INT investigation is completed. No single Bank official has been authorized to take charge of coordinating an appropriate response and remediation, with accountability to the President for review and approval as necessary. The consequence has been uncertainty, conflict, and inconsistency with respect to the appropriate role of relevant “actors”—the country teams, operational leadership, the Legal Department, INT, and others. Because of lack of coordinated leadership, relations within the Bank and with borrowing countries have been strained unnecessarily, appropriate notification to funding partners neglected, and needed lessons and remedial actions lost.

48. In recent years, INT has begun adding to some of its final investigative reports recommendations on actions to take as a result of findings of fraud and corruption. These recommendations took on an added significance when former President Wolfowitz relied on them, in part, in making decisions to interrupt loan proceeds or delay project approvals. Unfortunately, regional and country teams did not fully participate in some deliberations on Bank actions, and inconsistent notifications and actions resulted, strikingly illustrating the difficulties that had been apparent for several years.<sup>18</sup>

49. Important questions arise after the issuance by INT of a final investigative report. They must be answered by Bank senior management in consultation with other departments before any action is taken.

50. One immediate question is what remedies and other recourse should be pursued by the Bank to recover funds that have been lost. The Bank must consider what contractual rights to exercise in terms of a project suspension, a declaration of misprocurement, or a demand for repayment of funds.

51. The Bank also must consider whether disclosure of INT's redacted final report or the substance of its findings should be made to a wide constituency: the Executive Directors, government officials in the affected country, donors and funding partners, and the public. These external disclosure issues are discussed in the next section below.

52. Looking ahead, there is the question of "lessons learned." The Bank's management must consider whether changes in procurement and monitoring practices in other Bank programs across the globe can minimize the chances of exploitation again of the type revealed by INT's investigation. The Bank also must consider whether to initiate sanctions or debarment proceedings and whether to refer information learned from INT's investigation to national law enforcement authorities for potential civil or criminal investigation and prosecution.

#### Recommendation

*To ensure coherence, effectiveness, and accountability for the Bank's unified response to final INT findings of fraud and corruption, the President should designate the relevant Managing Director (or other senior official) as accountable for a timely and comprehensive action plan for the President's approval with respect to issues of remedies, disclosures, referrals, and future prevention related to INT's findings. The participants in developing the action plan should include the Regional Vice President, the Country Director, the Director of INT, and senior representation from OPCS, the Legal Department, and other appropriate staff units. The Managing Director should further ensure a periodic review and report of progress on each aspect of the action plan. As part of the ongoing implementation of the GAC strategy, these action plans should be reviewed periodically for broader lessons learned.*

### ***F. INT and Investigation of the Bank's External Operations***

53. INT has achieved notable successes since its creation in 2001. It is staffed by competent and dedicated investigators who work hard and long hours and with professionalism. It deploys advanced investigative methods to detect and substantiate allegations of fraud and corruption. A number of those in the Bank with doubts about aspects of INT have told the Panel that they respect the effectiveness of INT investigations.

54. Nonetheless, the Panel's review has confirmed frictions in operating relationships, management issues, and failures to coordinate effective responses to investigative findings. Taken together, the potential value of INT's work has been impaired.

55. While INT must preserve a certain confidentiality and independence, relationships with the operational areas have been unnecessarily distant and uncooperative. In part that

may be traced to lack of familiarity by INT staff with aspects of Bank operations, including procurement and other policies, which bear directly upon their investigations. In addition, over the past two years, INT's management has communicated and disclosed less information to Operations personnel at the regional and country levels during the course of investigations. Whether that stance reflects excessive secrecy by INT or INT's determination not to be "captive" to country operations personnel who may not place as much value on redressing fraud and corruption has been a matter of debate within the Bank.

56. Although some genuinely cooperative relationships exist between staff members in INT and Operations, it is apparent that INT as a department is not well integrated into the culture of Bank operations. Many Operations managers have recommended to the Panel that INT conduct more outreach within the Bank. Others have suggested that INT management needs to trust that others within the Bank may be equally serious about anticorruption efforts.

57. At the same time, the Panel detects resistance among many within the Bank to the investigative function of INT and its role in the Bank's governance and anticorruption efforts. For example, although there is some dispute about whether INT's participation was sought in any meaningful way, INT had little input in the Bank's recent GAC strategy and little role in the early stages of formulating the pending implementation plan. Rather than being viewed as a core part of the Bank's anticorruption strategy, INT's investigative and enforcement functions—often dismissively described as "policing"—are wrongly viewed as a separate and ultimately ineffectual approach to combating corruption.

58. These attitudes provide the context for the Panel's consideration of the procedures and relations between the Bank and INT with respect to INT's investigation of fraud and corruption in the Bank's operations. The issues to address include INT's protection of confidential investigative information during and after an investigation, and application of the Bank's disclosure policies to INT's investigative activities and reports of findings. In addition, the Panel addresses specifics relating to aspects of INT's external investigations, including:

- INT's relations with OPCS and IAD;
- INT's use of forensic Detailed Implementation Reviews;
- the Bank's sanctions process for individuals or firms that are found by INT to have engaged in wrongdoing;
- INT's referral of its findings to national law enforcement authorities;
- the Bank's Voluntary Disclosure Policy; and
- delay in the completion of INT investigations of fraud and corruption.

## **INT and Confidentiality in General**

59. In consideration of disclosure and other issues, the general question arises of the appropriate balance between INT's need for confidentiality and the broader interests of disclosure. There are important legitimate reasons for maintaining confidentiality, some of which relate to overall Bank disclosure policies. However, it is apparent to the Panel from its interviews of Bank personnel that INT at times acts in excessive secrecy. For example, INT does not disclose operating manuals to others in the Bank, even those portions of its manuals that would not jeopardize any investigative interest if disclosed. Such information may be relevant for those undergoing investigation or otherwise interacting with INT. The security arrangements surrounding INT's office apparently are intimidating to some. The result is impairing INT's ability to forge working relationships with Operations staff.

### Recommendation

*INT's policies, practices, and procedures should be transparent. To enhance INT's relations with Operations staff and to facilitate appropriate disclosures, INT in consultation with the Legal Department should re-evaluate some of its practices that are taken under perceived concerns of confidentiality.*

## **Disclosure of Ongoing Investigations to Operations Staff**

60. Operations staff also have voiced concerns about being kept abreast of the general progress—not specific findings—of the investigations. INT has ameliorated some of this concern by instituting regular monthly meetings with regional operations teams on the status of pending investigations. INT investigators also normally inform country teams of investigative missions.<sup>19</sup>

61. While an investigation is ongoing, INT often cannot disclose the details to parties outside INT without placing at risk the success of the investigation or the safety of witnesses. During this time, INT has an important interest in minimizing inadvertent or premature disclosure that might taint or inhibit the investigatory process. The less that is known by third parties, the less likely that any third parties may obstruct an investigation by retaliating against witnesses or destroying evidence.

62. In particular, without the power of subpoena, INT must often rely on sources who will furnish information only if assured that their identities will remain confidential. Some sources of information may have their safety endangered if their identities were disclosed outside INT. Accordingly, the Bank's policy allows the Director of INT—with the clearance of the Legal Department—to grant confidentiality protection to a witness whose information is believed to be credible and if the information provided cannot be obtained from another source. In addition, the Bank presently has a working group, including INT, developing an updated whistleblower protection policy. As part of a general effort to protect the Bank's integrity, it is important that whistleblowers receive protection against retaliation, and this protection is important to INT's investigations.<sup>20</sup>

63. When INT is investigating a high priority case, there is inherent tension between protecting the integrity of the investigation and handling any immediate problems faced by the project or country team involved. The risks of tipping off culpable parties, endangering witnesses, and losing material evidence are often too high to justify INT's disclosure to Operations personnel of significant details of an ongoing investigation. Yet, INT's case manual does not provide explicitly for INT to share ongoing investigative information where necessary to prevent the Bank's commitment of additional funds to those strongly implicated in fraudulent or corrupt activity. Of course, INT may not always be aware of pending or related projects that could be affected by its investigations.<sup>21</sup>

#### Recommendation

*To address the competing concerns of protecting investigations and ongoing projects, INT senior management should consider at all stages of an active investigation what interim warning or other assistance may feasibly be given to Operations personnel to protect against the Bank's future commitment of resources to the custody, control, or influence of persons and entities that are strongly implicated by a pending investigation.*

#### **Disclosure of Report Drafts to Operations Staff**

64. At present, it is within the discretion of the INT Director to permit—but with no requirement or presumption—regional and country managers to review and have input on draft, project-related reports prior to their release to the President's Office. There are no guidelines for INT to determine when for conflict-of-interest reasons it should withhold a report from an Operations manager with responsibility over the project or area that is the subject of the report.<sup>22</sup>

65. There are concerns that INT's independence would be compromised if Operations had a right to review and comment on draft reports. INT also has concerns that some staff in Operations will discuss draft findings with the involved country prior to the Bank developing a response to the findings. On the other hand, Operations managers are concerned that mistakes in findings based on an investigator's misapprehension of Bank procedures or operations should be corrected during a review process rather than after a final report is issued. Likewise, Operations managers have concerns that INT's lack of familiarity with development operations leads investigators to make recommendations that are "overkill" or "unrealistic" in light of what is operationally possible. Those concerns may be ameliorated if greater attention is given, particularly for new INT staff, to education in Bank procurement and other procedures bearing upon project design.

#### Recommendation

*To enhance the ultimate accuracy and usefulness of its reports, INT should share a copy of draft investigative reports with the Regional Vice President (and at his or her discretion the Country Director) and with the Legal Department, for a limited factual review before it submits the report as final to the President. INT should redact the*

*draft report as necessary to protect confidential witnesses and should be given adequate assurance by recipients that the report and its contents will be kept confidential. In rare cases when there may be specific conflict-of-interest circumstances suggesting that it would not be appropriate for INT to disclose a draft of its report to Operations staff, INT should seek authorization from the President or designated senior management. To avoid undue delay in the issuance of INT's final report, the review period should be no more than 30 days. Because the review of INT's draft reports is only for factual accuracy, disagreements concerning substance or recommendations can be voiced by Operations managers to the President or relevant Managing Director after INT has issued its report.*

## **Disclosure to Executive Directors and Other Stakeholders**

66. The Bank has not given sufficient weight to the value of disclosing the results of INT investigations to relevant stakeholders. It has been clear to the Panel that this has resulted, in some cases, in information being withheld from parties with a clear interest at stake and a legitimate need to know. Such parties include members of the Board, the Bank's funding partners (which may include trust fund donors, co-funding partners and parallel funding partners), and the responsible authorities within the borrowing country.

67. **Disclosure to Executive Directors.** A clear policy is lacking on disclosure to the Executive Director representing the borrower, to the Board's Audit Committee, or to the Board of Directors more generally. Although disclosure to Executive Directors may be technically an internal matter, as a matter of reality it must be recognized that the dual responsibilities of Executive Directors—to the Bank and to their shareholders—means that disclosure to them is tantamount to disclosure to shareholders.<sup>23</sup>

68. With respect to all disclosures, the Bank needs to honor its obligations to protect materials and information given to the Bank in confidence. Another impediment to disclosure appears to be the Bank's duty to consider that disclosure of information to the Board regarding a member country may have a "deleterious impact on the Bank's internal decision-making process or on the concerned member country." Nevertheless, the Bank's disclosure policy of 2002 states a general presumption in favor of disclosure. In reconciling these considerations, the Panel believes that the timing and substance of a disclosure of investigative findings to Executive Directors should remain in the President's discretion, giving weight to the presumption of disclosure.<sup>24</sup>

### Recommendation

*To aid Executive Directors in discharging their duties, the Bank should as a general matter disclose INT's appropriately redacted final investigative findings to them. The Panel believes that the timing and substance of a disclosure of investigative findings to Executive Directors should remain in the President's discretion. Concerns that circulation of investigative findings may have a "deleterious impact" on internal decision-making or relations with the affected country should not as a regular matter inhibit disclosure of final reports. Whether the redacted report should be disclosed to*

*the public should be left to the discretion of the President, taking account of a strong presumption that the information should be made public.*

69. **Disclosure to Funding Partners.** The Bank must also give great weight to the interest of its substantial funding partners in knowing at the earliest feasible time of nefarious activity that may jeopardize their commitment of funds. Disclosure of INT's redacted or summary findings to the Bank's funding partners is covered by the Bank's broad disclosure policy, which as noted above favors disclosure. Under this policy, the Bank is required to consider among other factors the interests of confidentiality and country relations. Normally, if the investigation has concluded, the confidentiality concerns can be readily addressed.<sup>25</sup>

70. A more difficult question is whether the Bank should in some instances disclose the likely results of an INT investigation to funding partners before the investigation is complete. The Bank cannot disclose information to external parties that may jeopardize the integrity of an ongoing investigation. An investigation may implicate the funds of numerous donors or funding partners, increasing the risk that early disclosure will jeopardize the investigation. Also, the Bank must consider the ramifications of making public the disclosure of unsubstantiated allegations that may prove to be unfounded. Certain donors and funding institutions may have obligations under freedom-of-information laws to make information they receive available to the public. However, if the Bank plans preemptive remedial actions to protect its own funds before INT's conclusion of an investigation, the Bank's funding partners should be given notice of the Bank's actions and the reasons why it has acted.

71. INT has already developed a guideline for disclosures to trust fund donors when an investigation starts. The guideline calls for notification to the President when a preliminary inquiry uncovers sufficient evidence of fraud or corruption in a trust-funded activity to warrant a full scale investigation. Senior management makes the ultimate determination whether notification to the trust fund donor is appropriate after consultation with the Legal Department, INT, and other relevant departments. The Panel believes the presumption should strongly favor disclosure.<sup>26</sup>

#### Recommendation

*To ensure the protection of its donors and funding partners, the Bank should as a matter of general practice share information with its donors and funding partners where fraud and corruption present a risk of loss to the funds. The donors and funders must commit to maintain the confidentiality of the information unless the Bank makes the information public. First, unless the President determines otherwise, the Bank should promptly disclose to substantial donors and funding partners that INT has found sufficiently credible allegations of fraud and corruption to initiate an investigation. Second, the Bank should not generally disclose the progress of its investigations to any outside parties, but if during the investigation the Bank decides that the risks are so large that it must take interim corrective measures to protect its own funds, then the Bank should also disclose that matter to substantial donors and funding partners. Third, when INT issues a final report to the President, the Bank*



*should also promptly disclose this report (redacted as appropriate) to all donors and funding partners, unless the President decides otherwise. The Bank should also coordinate with funding partners with respect to the Bank's intended action plan resulting from INT's findings.*

72. **Disclosure to Borrowing Countries.** Although INT often provides redacted findings to affected borrowing countries, a final disclosure issue is to what extent INT should redact the reports it provides. INT and Operations sometimes disagree about how much information on investigative findings should be disclosed to support the Bank's exercise of a remedy due to fraud and corruption. Some Operations managers complain that the Bank should not seek a remedy based on findings of fraud and corruption without providing the country involved with more information than INT is willing to disclose because of its concerns with protecting witness confidentiality.

73. The Bank's perceived duty to pursue a remedy finds support in the general conditions of loan agreements. They impose an obligation on the Bank to cooperate with member countries on matters that may adversely affect the purposes or performance of a project. Even under these terms, the Bank retains discretion to determine the form, substance and timing of the disclosure on project-related information. A key complicating factor may be the involvement of any officials of the affected member country in any conduct underlying findings of wrongdoing.<sup>27</sup>

74. Because these issues of disclosure to the affected country are so fact-specific, the Panel does not make a recommendation concerning what the Bank's general practice should be, beyond urging that in each case the Bank should look for a trusted partner within the recipient country with whom to take forward the action plan. The Panel has earlier recommended in this Report that an appropriate senior Bank official be charged with developing an action plan promptly upon issuance of INT investigation findings. This action plan should address the timing and extent of disclosure to be made immediately to the affected country. It should also specify any formal referral to be made for purposes of investigation and prosecution by national law enforcement authorities.

### **INT Relations with OPCS and IAD**

75. It has become apparent to the Panel during its review that INT does not have a productive working relationship with OPCS, which is at the center of the Bank's policy making for procurement and financial management matters, or with IAD. Nor is INT a member of operations policy committees addressing anticorruption-related operations and policy. The Panel recognizes that in order for INT and IAD to work together more productively, staff in IAD may have to develop broader and different skills to interact effectively with the investigative and forensic work now being done in INT. Collectively, these shortcomings in working relationships are counterproductive to the Bank's stated goal of developing a comprehensive institutional approach to anticorruption and program integrity.

### Recommendation

*To facilitate productive cooperation among related areas of the Bank, INT and IAD should work more closely together. As noted above, INT should regularly share and discuss investigative findings with OPCS, and OPCS should regularly include INT in discussing procurement and fiduciary guidelines that relate to INT's investigative findings. The Bank should include INT in the Bank's operational committees that address anticorruption policy. With respect to IAD, if the necessary resources are made available, there should be opportunities for cooperation between INT and IAD.*

### **Detailed Implementation Reviews**

76. INT has devoted increasing resources to Detailed Implementation Reviews (DIRs) in the expectation of gaining a broader perspective on the presence of fraud, corruption, and project weaknesses than can be gained from traditional, reactive investigations of isolated allegations of wrongdoing. A DIR involves a broad-based forensic review of contracts within selected projects or sectors of a borrower country, including a review of the range of project processes from contract procurement to financial management and to project implementation. Procurement and financial management documents are collected and loaded into a specialized DIR database. The database is then searched for patterns indicative of irregularity, and suspect contracts and transactions are singled out for further examination. Recently, INT began examining contracts in addition to those selected by the database. Indicators of fraud furnish the basis for further investigation.<sup>28</sup>

77. INT initially began conducting DIRs at the request of country teams. The DIRs were collaborative efforts with INT providing forensic expertise and the staff in the country office participating in the work and in preparing the final report. More recently, INT has changed its approach to conducting DIRs, retaining increasingly more control for itself over the process.

78. In Kenya, for example, INT did not invite Operations staff to participate fully in the preparation or review of the draft final DIR report. After the report was issued, Operations staff disputed certain characterizations in the report and questioned the methodology used by INT.

79. Similarly, with the pending India DIR—the most comprehensive one to date—INT did not invite Operations staff to participate in the substantive review. INT believes that this has served the purpose of maintaining the independence of its review, but it remains to be seen whether this approach will compromise the acceptance of the results of the DIR among Operations components of the Bank. INT has invited Operations staff to review the draft findings of the India DIR for accuracy, and this would appear to be a prudent course of action for future DIRs, subject to reasonable time limits and careful confidentiality restrictions.

80. The Panel believes that DIRs can be a useful technique in advancing anticorruption efforts, both for capacity building and investigations of fraud and corruption. The

effectiveness depends on cooperation from Operations staff and the country concerned. DIRs also require a substantial use of resources.

#### Recommendation

*The Bank should continue to use DIRs, which can be a useful technique for advancing anticorruption efforts, potentially contributing to capacity building efforts and investigations of fraud and corruption. The effectiveness may be enhanced where both the country concerned and Operations staff take the initiative and are supportive; however, there will be circumstances when INT should take the initiative and control the process.*

### **Sanctions and Debarment Proceedings**

81. In response to one of the Thornburgh reports, the Bank has recently revised its procedures for seeking sanctions, including debarment from participation in Bank projects against individuals or companies that have been found to have engaged in fraud, corruption, or other serious misconduct in connection with the Bank's operations. It is within the discretion of the INT Director to determine, after an investigation, whether to initiate the process by filing a proposed sanctions notice with evidentiary support. All notices are submitted to a new Evaluation and Suspension Officer, who determines on the basis of the documentary record if the evidence appears to be sufficient to sustain sanctions. If the Officer finds the evidence insufficient to allow the case to proceed, INT may revise and resubmit its notice but cannot appeal the decision.<sup>29</sup>

82. If the sanctions notice is accepted, the Evaluations and Suspension Officer has the authority to recommend sanctions and temporarily suspend an individual or firm from receiving Bank-financed contracts and engaging in new activities on current contracts, pending the outcome of the sanctions process before the full Sanctions Board. Uncontested cases are resolved and closed in this manner without going to the Board. Contested cases are submitted to the Board, which reviews *de novo* the sufficiency of the evidence against each respondent. At present, the single Evaluations and Suspension Officer has no professional staff or assistance of independent outside counsel, matters that should be reviewed in the light of experience.<sup>30</sup>

83. The Sanctions Board, which is charged with debarment decisions on the recommendation of INT and the Evaluations Officer, now has a majority of members drawn from outside the Bank with relevant experience. However, contrary to the recommendation of the second Thornburgh report, the Chair of the Sanctions Board has remained an official of the Bank and not one of the outside members. Although it is premature for the Panel to pass overall judgment on the effectiveness and fairness of the new sanctions process, the concerns of the Thornburgh report about relevant experience and any appearance of a possible conflict of interest are persuasive considerations in favor of the Chair of the Sanctions Board being appointed from outside the Bank.<sup>31</sup>

### Recommendation

*To enhance the effectiveness and perceived independence of the new sanctions process, the Bank should require that the Chair of the Sanctions Board and of any Panel thereof be one of the outside members of the Board.*

### **Referrals to National Law Enforcement Authorities**

84. When INT findings expose fraud and corruption, the INT Director considers whether to refer the results of its investigation to law enforcement authorities for purposes of potential prosecution or regulatory enforcement. This adds to the deterrence value of INT's investigations and alerts the Bank's member countries to criminal or other prohibited activity that may have occurred in their jurisdiction. A prior Thornburgh report recommended that the Bank create "regularized policies and procedures" governing referrals. INT did so, specifying the many factors that should be considered with respect to the decision to make a referral and its timing, content, and method. Under current procedures, the INT Director recommends a referral, and it is subject to clearance by the Bank's Legal Department. As noted earlier, the decision to make a referral should appropriately be part of the comprehensive action plan under the direction of a Managing Director.<sup>32</sup>

85. There have been some complaints that referrals issued by INT do not provide sufficient information for member countries to pursue their own investigations. INT has responded that it must protect the confidentiality of witnesses. In INT's view, even where it is unable for reasons of confidentiality to furnish primary evidence of fraud and corruption, its referral still serves to give notice to the member country that its investigative agency can and should initiate its own investigation.

86. A referral may trigger a request from national anticorruption units for training and assistance in investigations. Assistance that promises to make a specific referral effective may be a useful investment of INT's limited resources, contributing to the training of the staff of the national authority concerned. The broader objective of capacity building generally should be determined as part of the overall GAC strategy.

### **Voluntary Disclosure Program**

87. The Voluntary Disclosure Program (VDP) is a new, proactive tool designed to elicit information from wrongdoers about project-related misconduct and to promote future compliance with Bank rules. The second Thornburgh report recommended that the Bank develop a formal voluntary disclosure program, which would provide a "highly cost-effective means of extending the reach of the Bank's efforts against fraud and corruption." The Board approved adoption of a VDP pilot program in July 2004. The operational aspects of the VDP were completed, not without controversy, and approved by the Board in August 2006.<sup>33</sup>

88. The VDP provides an opportunity for firms that were not otherwise under investigation by INT to disclose past corrupt practices and to assure future cooperation, in return for which they are not subject to sanctions by the Bank and are subject to a full-fledged, monitored compliance program. If the firms commit further wrongdoing, they face sanctions by the Sanctions Board. The benefits of the VDP are potentially substantial in terms of exposing wrongdoing that would not have been detected and alerting INT to co-conspirators of a party who has volunteered information. There is, however, concern that the possibility of obtaining forgiveness for past practices may lead to inconsistent treatment of wrongdoing and unfairness.<sup>34</sup>

89. During a VDP pilot program, participating firms implicated government officials, and these allegations were backed by admissions and concrete evidence of corrupt payments. The Bank contacted the government authorities on a test basis, offering information regarding the alleged misconduct and the names of implicated government officials. By August 2006, the Bank had disclosed the names of numerous government officials to relevant member countries on this basis.<sup>35</sup>

90. In the Panel's view, the value of the VDP is still to be tested. A full evaluation should be undertaken after several years' experience.

### **Speed of External Investigations of Fraud and Corruption**

91. INT's trend toward better screening of its cases and investigating only high priority cases has yet to yield dividends in terms of faster case disposition times. Indeed, a very common complaint of Operations staff in interviews with the Panel is how long INT takes to complete external investigations. The field investigative work for a high priority case can take more than a year, which may be a reasonable amount of time in light of the investigative obstacles faced by INT. Then, however, up to six months may be consumed by the time for INT investigators to draft a report and for internal review of the report by INT and the Legal Department before the report is issued in final form. Moreover, INT lacks specific target guidelines for completing its investigations, which would provide useful discipline.<sup>36</sup>

92. Part of the delay problem may be short-lived because of a one-time reallocation of resources to the India DIR, the largest DIR ever undertaken by INT. A recurring source of delay is how long it takes INT to draft, review, and revise its reports. The process involves too many layers of review and imposes a burden on the Director personally to review and approve every investigative report. INT management has attributed some delay to a lack of personnel with adequate report writing skills, and these concerns have led INT management to outsource some reports to private law firms.<sup>37</sup>

93. Currently, INT has limited staff resources to handle debarment and sanctions notices. It has tried—at the cost of diverting investigators from their core duties—to use its investigators to prepare the investigative findings and materials necessary to proceed with debarment and sanctions notices; it has also resorted to hiring private law firms. INT may wish to consider centralizing in a small group of in-house attorneys the

preparation of sanctions notices and similar litigation-standard materials arising from INT investigations.

94. The Panel understands the tension between setting time limits and allowing INT sufficient time to conduct full and fair investigations. Despite the need for some investigations to extend longer than anticipated, the Panel believes on balance that INT should strive to complete its external investigations and reports within one year for non-complex matters and within 18 months for complex matters. These targets cannot become rigid limits. Given the varying circumstances and need, they should become a benchmark for special monitoring and reporting to ensure that the delays are justified.

#### Recommendation

*INT should expedite the report review process for external investigations. INT should reduce the number of INT reviewers and set a reasonable time limit of no more than a month for review of all but particularly sensitive or lengthy draft reports. INT should strive to complete most external investigations in less than one year and complex cases in less than 18 months. INT should issue regular reports to the President, the Audit Committee, and any Advisory Oversight Board on the “aging” of all its external cases and address in particular the reasons certain cases will not meet the guidelines for completion.*

### **G INT and the Investigation of Bank Staff**

95. INT investigates “misconduct” as defined under the Bank’s staff disciplinary rules. Nearly half of the allegations received by INT’s internal team involve some form of fraud or corruption; of these, about two-thirds are administrative fraud and corruption (e.g., falsely claiming travel expenses), and the remainder are related to the Bank’s lending operations (e.g., accepting a bribe for the award of a project contract). The balance involves workplace conflicts (e.g., discrimination or sexual harassment) and other violations of Bank rules or policies (e.g., failure of staff member to pay taxes or comply with other legal obligations).<sup>38</sup>

96. When INT receives allegations of possible staff misconduct, its inquiry ordinarily proceeds in three stages: (1) initial review, (2) preliminary inquiry, and (3) full investigation. At the end of an investigation, if allegations have been substantiated, INT submits a final report of factual findings to the Vice President for Human Resources (VPHR), who in turn independently decides whether to impose disciplinary measures. The staff member may appeal an adverse decision to the Appeals Committee—a peer review arbitration process that makes non-binding recommendations to the VPHR for staff who challenge administrative decisions—and ultimately to the World Bank Administrative Tribunal—a group of outside judges who adjudicate staff grievances with final and binding decisions.<sup>39</sup>

97. The Panel’s review of INT’s investigation of internal cases has focused on three questions. Should INT continue to be responsible for complaints of staff misconduct, or should certain cases be investigated by another unit within the Bank? Does INT

effectively and within a reasonable time complete its internal investigations? And are INT's standards and methods fair to complainants, witnesses, and subjects of investigation? Each of these issues is addressed in turn.

### **Range of Internal Staff Misconduct Cases Investigated by INT**

98. A recurring issue is whether INT—rather than the Department of Human Resources, the Legal Department, the Ethics Office, or some other administrative unit—should investigate staff misconduct cases that do not involve serious allegations of fraud or corruption in the Bank's operations. The most recent Thornburgh report noted that “[t]he presence of the internal investigations function in INT has been a distraction for INT in its pursuit of its principal responsibilities and has colored perceptions of INT among some Bank staff members.” On the other hand, the Thornburgh report further acknowledged that separating internal-case investigators from external-case investigators would mean the loss of “a certain degree of economy of scale, and the closeness of the relationship of the two groups.” Accordingly, the Thornburgh report suggested that “the appropriate conclusion is not self-evident” but “warrants the Bank's consideration.”<sup>40</sup>

99. For its part, INT wishes to retain authority to investigate all staff misconduct cases. INT notes its acquired expertise, synergies derived from the commonality of function between “internal” and “external” case investigators, and the benefits of a strict and uniform quality assurance process across all cases. No other entity within the Bank has volunteered to assume responsibility for investigating staff misconduct not involving fraud and corruption of the Bank's operations.

100. Despite the absence of a clear alternative, the Panel believes that the Bank should assign to another department of the Bank responsibility for investigating allegations of staff misconduct that do not involve fraud or corruption seriously implicating the effectiveness of program integrity. INT has already divested itself of cases concerning non-payment of child support and spousal maintenance, and these are now handled by the Ethics Office. The concern for INT's reputation among Bank staff is a serious one, as mistrust dampens staff's cooperation in INT's external investigations of fraud and corruption. INT must address these relationship problems head-on, but it can better do so if not burdened with the investigation of staff misconduct unrelated to INT's principal mission.

101. The Panel's view does not minimize the importance to the Bank of resolving allegations of general staff misconduct. These cases are highly significant to staff morale and to ensuring confidence of stakeholders in the integrity of the Bank's staff. Accordingly, if the Bank decides to reassign staff misconduct cases away from INT, it should ensure that any newly responsible investigating unit has appropriately trained investigators and processes as recommended to ensure the effective and efficacious resolution of misconduct allegations.

### Recommendation

*To underscore INT's core mission to safeguard the Bank's operations and trust funds, the Bank should reassign primary responsibility for the investigation of staff misconduct cases not involving allegations of significant fraud or corruption to an administrative unit or units other than INT (e.g., the Legal Department). Because these internal staff misconduct cases are particularly sensitive for Bank staff morale, the Bank should ensure that, before a transition from INT occurs, any new administrative unit is properly organized and staffed with those having the necessary employment investigatory experience, and will afford appropriate procedural protections for staff subject to investigation.*

### **INT's Prioritization and Management of Internal Cases**

102. In contrast to INT's external-case docket for which INT actively investigates only "high" priority matters, INT addresses all allegations of Bank staff misconduct except for matters referred to management, to the Department of Human Resources, or to the Bank's internal conflict resolution system. From fiscal 2003 to 2007, INT's internal team opened an average of 123 cases each year involving allegations of staff misconduct. At the end of fiscal 2007, INT had just 57 open cases, significantly fewer cases than at the end of recent fiscal years. This reduction reflects in part INT's increased effort to refer cases as described above for informal settlement or where the matter is more appropriately addressed in a performance management context.<sup>41</sup>

103. As INT and other stakeholders acknowledge, the time it takes for INT to complete its investigations is of continuing concern. According to summary statistics furnished to the Panel by INT for fiscal years 2005 to 2007, an average case takes about one year for INT to complete, and many cases take significantly longer.<sup>42</sup>

104. This average applies to two categories of cases. The first category includes cases that INT was able to resolve quickly and without conducting a full-scale investigation—for example, by referring the case elsewhere as described above, by clearing the staff member of the allegations of wrongdoing after conducting a preliminary inquiry, or by working with the Department of Human Resources to offer the staff member an opportunity to resign in lieu of contesting a full investigation. It is accepted that on a number of occasions the cases in this first category, although not involving a full-scale investigation, can make significant demands on the resources and time of INT.

105. The second category includes cases involving a full investigation by INT, and these cases often take far longer than the overall case-length average of one year. The Panel's staff reviewed all 59 cases that were fully investigated by INT between January 2005 and June 2007 and that resulted in substantiated charges of misconduct. The average time to conclude these cases was 471 calendar days (median of 416 days) as measured from the date that INT received an allegation to the date that INT issued its final report to the VPHR. This average included the time that INT waited for a subject staff member to submit a written response to the notice of allegations and later to submit a response to INT's draft final report. When these time periods that INT did not control are excluded,



the Panel's analysis of these 59 cases reflected that INT took an average of 380 days to complete its investigation and to draft and submit its final report to the VPHR.

106. Delay is troubling in the context of serious workplace conflict cases—such as sexual harassment and discrimination where parties in conflict may have to continue to work with one another, be transferred to other duties, or be placed on administrative leave pending completion of the investigation. The data made available to the Panel reflects a large amount of time spent on internal review of investigative reports by the supervisor of the INT internal case unit, INT's quality assurance officer, the INT Director, and a representative of the Legal Department. A common complaint is that there are lags of up to several months between the completion of an investigator's report and signoff by INT management. The Panel respects INT's desire to give careful review to its reports. However, more than a 30-day delay for review of a report appears to exceed the bounds of reasonableness.

#### Recommendation

*For investigations of Bank staff, INT should institute case tracking milestones to ensure that each case moves on a reasonable schedule or that an explanation is offered for the delay. For cases involving fraud, bribery, or other corruption, the Panel considers that no more than nine months should normally elapse from the date that INT receives an allegation to the date that INT submits its report to the VPHR. For cases of workplace conflict such as sexual harassment and discrimination, which are especially significant to the morale of the staff involved, INT should strive to resolve these investigations on an expedited basis and in not more than six months. INT should develop interim targets for when each phase of the case should be completed. INT (or any other investigative unit in charge of investigating staff misconduct) should issue regular reports to the President, the Audit Committee, and any Advisory Oversight Board on the "aging" of all its internal cases and address in particular the reasons certain cases have not met the guidelines for completion.*

#### **Fairness of INT Investigative Process to Bank Staff**

107. Bank staff need assurance that INT's investigation methods are fundamentally fair to subjects of allegations and witnesses. INT publishes on its website a *Staff Guide to INT* that explains in general terms INT's investigative procedures. INT also has a detailed investigation manual and other internal written directives to guide its investigators but, as noted earlier, these are not disclosed to Bank staff.

108. The Panel has received many questions and complaints about the fairness of INT's investigative procedures and, without reaching judgment in individual cases, has considered these in reaching its procedural recommendations. The Panel is satisfied that INT's existing investigative procedures—taken as a whole—are reasonable and fair to Bank staff. They appropriately constrain investigative discretion and contain procedures to ensure that subject staff members have the right to be heard and that exculpatory information is taken into account. INT reports that about one-third of its cases from 2005 to 2007 resulted in a conclusion that allegations of misconduct were unfounded or could

not be substantiated. The Panel's staff has reviewed numerous files in which INT cleared Bank staff of allegations of wrongdoing and notified them of its conclusion.

109. Ultimately, the rights accorded Bank staff—even those staff members who are cleared after investigation—must be balanced against the Bank's interest in detecting and redressing wrongdoing. Every employer has the right to demand upright conduct by its employees and that employees be called to answer when substantial questions are raised of impropriety. At the same time, the Bank is not an ordinary employer. The Bank's privileges and immunities mean that its disciplinary and investigative conduct does not come under the scrutiny of any national legal system. This fact reinforces the need for the Bank to set the highest standards in guarding the procedural rights of staff.\*

110. Although the Panel has received many complaints about the fairness of INT procedures, some of these complaints have been superseded by two recent changes in INT procedures relating to interviews of Bank staff who are under investigation. First, instead of interviewing a staff member without advance warning, INT now furnishes 24-hour advance notice of the interview. This advance notice allows a staff member an opportunity to secure the presence of another staff member or member of the Staff Association at the interview (which is a right already provided under existing Bank rules). Also, to ensure an accurate record of a staff member's statements during an interview, INT retains a court reporter to audio-record and transcribe the interview.<sup>43</sup>

111. Despite these changes, there are several major areas of remaining complaint or concern that warrant some changes to existing procedure: (1) INT's lack of guidelines limiting an investigator's review of a staff member's email after INT has obtained approval of the Bank's management to have access to the staff member's email; (2) INT's failure to give adequate advance notice to staff who are under investigation of the nature of the allegations; (3) INT's practice to prevent a staff member who is under investigation from speaking with others about the investigation; (4) INT's delayed disclosure of final investigative reports to subject staff members; and (5) INT's lack of guidelines requiring its investigators to apprise a complainant or victim staff member in a timely manner of the status of INT's investigation. An overarching issue is the need for greater codification and publication of the rights of Bank staff members in connection with internal misconduct investigations. Each of these issues is addressed below.

#### *Access to and Review of Staff Email*

112. It is a common complaint or suspicion of Bank staff that INT improperly monitors emails of staff members. The Panel has not found credible evidence to support such allegations and does not believe they have merit. The Bank has set forth privacy protections in its Information Security Policy. To obtain access to a staff member's e-mail, INT must have a reasonable basis to suspect misconduct. Moreover, an INT investigator must obtain the personal authorization of the senior INT manager responsible for the investigation and then justify the authorization in writing to both the Bank's

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\* Table 3 of Appendix A to this Report summarizes relevant aspects of procedures bearing on staff rights in connection with internal investigations at INT and other major international institutions.

General Counsel and the Managing Director in charge of the subject staff member's unit. INT does not have its own "pipeline" to the Bank's computer storage systems; it can receive copies of a staff member's email only upon presenting signed authorization to the Bank's Information Systems Group (ISG). ISG gives INT a compact disc with copies of all of the staff member's email on the World Bank system for the range of dates (which may be several months or more) that has been requested by INT as relevant to the investigation.<sup>44</sup>

113. INT records reflect that from 2002 to June 2007 INT requested access to staff member emails a total of 46 times, in relation to the email accounts of a total of 74 staff members. This is a small portion of the staff members who have been subject to INT investigation. The Panel's staff has reviewed INT logs documenting the required approval process and numerous examples of written justification requests by INT. INT states that it has never gained access to any staff member's email except by means of the process authorized under the Bank's rules, and ISG states that it is not aware of instances of unauthorized access by INT.

114. Although the Panel does not have evidence that INT has engaged in improper review of email, a question remains about what limits exist on the discretion of an INT investigator to search a staff member's email once INT is in possession of all of the staff member's email for a given date range. There is little written guidance to limit the manner in which INT investigators conduct their review.

#### Recommendation

*To ensure appropriate limitations on the scope of review of a staff member's email, written guidelines should constrain investigators from reviewing a staff member's email apart from seeking information that is related to the written justification that was presented for obtaining access to email. If while doing an authorized review an investigator encounters email that is suggestive of illicit activity not related to what is under investigation, INT should be required to submit an additional request to the General Counsel and the Managing Director explaining the justification for a broader review. In addition, INT should require its investigators to record in each case the criteria or search queries that were used to conduct their review of any staff member's email, so that there is a basis for audit and third-party verification that the searches performed were within permissible limits and appropriately respectful of the staff member's privacy rights.*

#### ***Notice of Allegations Before Interviews of Subject Staff Members***

115. The Panel has received a large number of complaints relating to the interviews of subject staff members by INT. It has been suggested that staff should receive advance notice of the allegations against them before their formal interview by INT. As discussed above, INT gives 24-hour notice to staff of its intent to conduct an interview and advises them of their rights and of their obligation to cooperate with the investigation. But, because it believes lack of notice about the allegations will lead to "unscripted" interview

responses, INT does not disclose the nature of the allegations to a subject staff member until immediately before the interview begins.<sup>45</sup>

116. In the Panel's view, the Bank's interests would be better served by requiring INT to furnish at least 24-hour pre-interview notice of the allegations against a staff member, unless there is a specific reason to believe that advance notice of the allegations would lead to the destruction of evidence or witness tampering that will obstruct the success of INT's investigation. This would bring INT's position into line with that of some other comparable investigation offices of other international institutions (as described in Table 3 in the Appendix A to this Report). INT's formal interview of the subject staff member ordinarily occurs toward the conclusion of the investigative process, when INT has gathered a large amount of evidence against the staff member. The interview takes place in a formal setting with a court reporter. An INT investigator is prepared to conduct highly detailed and often confrontational questioning in which the staff member will have to explain very specific items of evidence. These circumstances suggest in fairness that the staff member should have some advance notice of the allegations.

#### Recommendation

*INT should furnish a Bank staff member who is the subject of an investigation with at least one day's advance notice of the alleged misconduct (in addition to the notice of rights and responsibilities that INT already provides) before INT conducts a formal interview of the subject staff member, unless there is a specific reason to believe that advanced notice of the allegations would jeopardize the investigation, such as by leading to tampering with witnesses or evidence.*

#### ***Access to Audiotape or Transcript of Interview***

117. Another concern raised in connection with INT's interview of staff is the right of the staff member to a copy of the audiotape and court reporter transcript. For non-subject Bank staff interviews (e.g., complainants and other witnesses), INT allows the interviewee upon request to review a copy of the transcript at INT's office. By contrast, for staff members who are the subject of an investigation, INT does not usually disclose a copy of the transcript to the staff member of his or her own interview until such time as INT has completed its investigation and furnished the subject staff member with a copy of its draft investigative report. The staff member is required to submit a written response to the allegations ten days after the interview, and INT does not allow the staff member access to the transcript or audio-tape before submitting the response. In the Panel's view, there is little investigative value to delaying a staff member's access to his or her own interview transcript, and the staff member should upon request have prompt access to and a copy of the interview transcript and audiotape.

#### Recommendation

*INT should allow a subject staff member to have a copy of his or her own interview audiotape or transcript promptly and before the time limit in which to furnish a written response expires.*

### ***Communications of Subject Staff Members with Potential Witnesses***

118. Another concern has been raised that INT inappropriately restricts staff members from discussing the allegations against them with those they wish to contact as witnesses in their defense. Once a staff member is notified of an investigation, INT issues a standard letter stating that the investigation is “strictly confidential” and the staff member may not discuss the allegations with anyone outside INT without “prior clearance” from INT. The letter provides exceptions to allow the staff member to discuss the allegations with outside counsel, a Staff Association counselor, the World Bank’s Ombudsman, and the staff member’s family members. According to INT, it does not have written guidelines specifying when it would grant “prior clearance” for a staff member to communicate with other persons. INT states that as a matter of practice it grants such clearance only to allow a staff member to facilitate putting a potential witness in contact with INT for an interview. In the Panel’s view, more transparency and clarity about when a subject staff member may speak to proposed witnesses is needed. INT’s prohibiting a staff member from speaking with any person who may be a witness in the matter may prevent a staff member (or counsel) from taking legitimate and innocent steps to prepare a defense.<sup>46</sup>

#### **Recommendation**

*INT should not preclude staff members under suspicion from communicating with staff or others who they may wish to propose as witnesses. INT may, however, warn staff members of the limits of proper communication with potential witnesses to avoid staff improperly influencing them.*

### ***Timely Disclosure of Final Reports to Subject Staff Members***

119. Another concern is the extent and timing of disclosure to relevant staff members of INT’s final investigative reports that are submitted to the VPHR. Although INT discloses a draft of the final report to a staff member to allow the staff member to submit objections or comments, if the staff member’s comments do not result in INT making a substantive change to a finding or conclusion in the report, then INT does not disclose the final version of the report to the staff member until after the VPHR has acted. The difficulty with this practice is that it allows INT—short of changing a finding or conclusion—to make rebuttal arguments to the VPHR in response to a staff member’s comments on a draft report but without allowing the staff member to know what arguments have been made before the VPHR takes action. A staff member should be advised of all materially relevant information and arguments made to the VPHR as a basis for disciplinary decision.<sup>47</sup>

#### **Recommendation**

*A subject staff member should promptly receive a copy of the final report upon its delivery by INT to the VPHR in order to know of any INT rebuttal arguments to the staff member’s objections.*

### ***INT Communications with Complainants and Victim Staff Members***

120. According to the Staff Association and some individual staff members, INT does not adequately apprise complainants or victims of the progress of its investigations. In the Panel's view, INT should do all it can to assure complainants and victims that it is vigorously investigating credible allegations, although it cannot share details of the substance of an investigation. INT lacks written procedures requiring its investigators to keep complainants and victims apprised at regular time intervals.<sup>48</sup>

#### **Recommendation**

*INT should furnish regular updates to complainants and victims on the general status of an investigation and promptly respond to specific queries from complainants and victims. INT should develop written guidelines to ensure that its investigators adequately communicate with complainants and victims of alleged staff misconduct.*

### ***Codification and Publication of Staff Rights***

121. Many of the procedural protections for Bank staff members that are recognized by INT (such as advance notice of a formal interview and the presence of a court reporter) are not incorporated into the Bank's staff rules. To the extent that INT's procedures are described in the *Staff Guide to INT*, it is not always clear that descriptions of INT's usual practices establish these practices as a right of each staff member. This lack of codification means that INT could potentially change its rules without knowledge of staff or an opportunity for staff to object in advance.

#### **Recommendation**

*To ensure the protection and awareness of staff rights, the Bank should clarify, codify, and publicize the rights of Bank staff members in connection with internal staff investigations. In consultation with the Legal Department and the Staff Association, INT should form a working group to identify what additional rights warrant formal inclusion in the Bank's staff rules. These rights should include those that INT now accords Bank staff as a matter of practice and also the additional rights proposed in this Report. These rights should apply with respect to all formal investigations of Bank staff, even if the Bank accepts the Panel's separate recommendation to reassign some internal misconduct investigations to a unit in the Bank other than INT.*

## ***H. INT Personnel Issues***

122. The Bank's Articles of Agreement stipulate that "[i]n appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of

recruiting personnel on as wide a geographical basis as possible.” There has been controversy in the Bank about the extent to which INT has met this requirement.<sup>49</sup>

123. Among INT’s 56 staff members there are 29 nationalities represented. Almost half of INT’s staff are female. Approximately 37% of INT staff and three of the four top officials are United States nationals. The Panel has received data indicating that some other central administrative units at the World Bank’s headquarters have even higher percentages of United States nationals on staff than INT. This compares to 27% United States nationals for the entire headquarters-based workforce in the World Bank Group.

124. The work of INT is highly specialized. The number of suitable applicants for positions when advertised comes predominantly from countries with a common law tradition. There are only two Asian and one African investigators in INT. Given the large number of cases, both internal and external, that involve nationals from or projects in Asia and Africa, this suggests a significant under-representation that does not sit well with INT’s ultimate goal of conducting successful investigations in diverse work environments.

125. Greater representation among senior INT staff from the borrowing countries would be desirable. INT should make more intensive efforts to recruit candidates with needed language skills from these regions. As a corollary to greater diversity, more in-house education and training may be necessary. In the fall of 2006, INT notified a number of appropriate international agencies of its intent to recruit investigators. This measure may have accounted for a significant increase in the number of applicants compared to an earlier recruitment effort by INT in 2006. These recruitment efforts should be subject to the paramount requirement of securing candidates with the highest standards of efficiency and of technical competence.

126. INT should seek to accomplish its diversity goals without contributing to the attrition of capable investigators from developing countries. It should consider an investigator exchange program with countries seeking to build and strengthen their investigative competence. INT training for new investigators from member countries, and INT investigators serving for a time in those countries, would contribute both to capacity building and to INT’s understanding of diverse investigative environments.

127. The Bank’s staff rules provide for Performance Improvement Plans (PIPs) as a mechanism for management to address a staff member’s unsatisfactory performance. Current management of INT initiated PIPs for eight INT staff members who were perceived by management not to be performing effectively. Staff who are put on PIPs are given an opportunity to improve their performance by completing a work program that includes specific tasks, criteria, and standards against which performance is measured. At the end of a PIP program, a staff member may be terminated if performance is deemed to be unsatisfactory. According to data received from the Department of Human Resources, the number of PIPs used by INT far exceeds the relative use of PIPs by any other unit within the Bank.<sup>50</sup>

128. Although PIPs are a permissible management tool at the Bank, the practice that has evolved within the Bank is that a staff member whose performance is thought less than satisfactory will be advised that there is a need for improvement and given the opportunity to improve without management's further intervention. If this fails to produce the desired result, the staff member is ordinarily asked to agree to a monitored work program. If the staff member still fails to meet expectations, a formal PIP is then used.

129. It is clear that improving the standard of work within INT was a needed and laudable goal for the new management team. INT used PIPs as a performance management tool with the concurrence of its designated HR representative. The INT Director also advised former President Wolfowitz that she was taking action to improve her staff's capabilities. However, INT's placement of a relatively large number of staff on PIPs without resort to intermediate management mechanisms led to resentment and a high level of uncertainty among some INT staff. The circumstances giving rise to the extensive use of PIPs are unlikely to arise again as staff who were subject to PIPs have either graduated successfully, resigned, been transferred, or entered into mutually-agreed separation agreements.

130. In general, staff turnover at INT has been high. Intensive time demands and uncertainty about INT's status within the Bank are said to be significant contributing factors. Managerial issues have also been cited by a number of staff. Efforts to address these concerns are clearly needed.

#### Recommendation

*To ensure consideration of the widest range of suitable candidates, INT should advertise the availability of posts globally and beyond the World Bank's website. Given the under-representation of staff from borrowing countries, a concerted effort should be made to ensure that recruitment of competent professionals from these areas is achieved, and consideration should be given to an investigator staff exchange program. Every effort should be made to ensure the widest range of relevant professional skills, linguistic ability, and cultural understanding is reflected within INT, consistent with greater staff continuity. INT should report regularly to any Advisory Oversight Board on its diversity, recruitment, and staff turnover.*

### ***I. Measuring, Auditing, and Evaluating INT***

131. Like any other unit of the Bank, INT should be subject to regular audit, measurement, and evaluation to monitor its financial management and to gauge the success of its efforts and its ongoing value to the Bank. Partly, this is a matter of greater transparency. Although INT's annual reports disclose its general case number statistics, they do not include data about how long INT takes to complete its investigations. Nor have objective benchmarks been established for investigative procedures or arrangements made for systematic peer review, either by Operations staff or by sister investigative units of other major international organizations. In addition, INT itself has stated that its efforts should be measured in terms of outcomes and impact, but the Bank does not in



fact subject INT's efforts to these measurement criteria. The measurement results should be available to the President, the Audit Committee, and any Advisory Oversight Board that the Bank may create.

132. The Panel suggests the Bank develop and apply three kinds of measures of INT's performance. The first are *process measures*, such as reporting of statistics which have been discussed elsewhere in this Report.

133. The second are *peer review measures*, which encourage mutual learning and benchmarking across similar institutions. The Bank has led an effort among international financial institutions to identify common problems and best practices. A qualitative peer review mechanism should be established among those institutions and others to facilitate the spread of "lessons learned" and to encourage appropriate operating procedures. Annual or biennial reports should be prepared providing a description of the extent to which each institution is achieving stated goals.

134. The third are *outcome and impact measures*, which may be more loosely related to INT's own work. Outcome and impact are difficult to measure, and they are heavily influenced by other units of the Bank and by matters beyond Bank control. They require appraisal independent of INT itself. The Bank should, as part of its GAC strategy, develop a strong evaluation capacity to assess program integrity and anticorruption efforts generally. Within its present Bank structure, the Independent Evaluation Group, which is widely respected both within and outside the Bank as objective and professional, should be tasked from time to time to assess progress over a period of years toward the agreed outcomes. In making such assessments, the contribution of INT to promoting effective control systems, building capacity, and enhancing the Bank's reputation in combating corruption should be considered.

#### Recommendation

*In addition to subjecting INT to regular audit, as at present, the Bank should take further steps to measure INT's performance. Such measurements should include at least the following. First, INT should report on an annual basis the length of time it takes to complete investigations, expenditures per case, and, if available, the amount of Bank funds recovered or saved as a result of its investigative and advisory efforts. Second, INT should attempt to establish with its peer groups reasonable benchmarks for assessing systems, processes, and results. Third, an appropriate oversight group such as the Bank's Independent Evaluation Group should, as part of a wider evaluation of the GAC strategy, assess the contribution INT has made to the anticorruption program.*

## *J. The Way Forward*

135. The genesis of this Report has been uncertainty, tension, and conflict about the role and management of the World Bank Group's Department of Institutional Integrity. The Panel, working with an experienced staff, has been provided a unique opportunity to review those matters. Many current and past Bank officials and staff and other experts have been consulted, along with documentary material.

136. In all of this, what quickly became apparent is the key issue. INT cannot reasonably be assessed, and pertinent conclusions reached, without considering the relationship of the Bank's investigating unit to the newly established GAC strategy now in the early stages of implementation.

137. Investigative work is hard. It requires a strong sense of mission, a high degree of professionalism, recognition of the need for confidentiality, and preservation of independence of status and judgment. But INT cannot function well in isolation, insensitive to the purposes and operating needs of the entire World Bank Group. Nor will the Bank-wide attack on corruption be successful without a robust contribution from the investigatory effort.

138. That is why the Panel's analysis and recommendations focus strongly on how INT can work more closely with the operating units of the Bank. The success of the GAC strategy is dependent on a sometimes reluctant Bank bureaucracy to incorporate the work of INT into its strategy and implementation. Assistance of INT in education and training, alerting staff to patterns of risk and vulnerability in projects and programs, is one element. Timely disclosures of investigative initiatives and results, consistent with needed elements of confidentiality, to management, co-funders, and borrowing countries can help restore trust. Clear-cut responsibility for coordinating an effective, Bank-wide response to INT's investigative findings, lacking in the past, is plainly necessary, as is frank discussion with borrowing countries when weaknesses in accountability are present.

139. All of that and more is a challenge for the Bank, for its leadership in all its dimensions, and for staff up and down the line. It is a matter, in the words of the GAC strategy, of an institutional "mindset"—an attitude and a sense of conviction that has been lacking in the past.

140. Today, there is a strong sense in the broad development community generally that good governance and an attack on corruption must be key parts of efforts to sustain economic growth and attack poverty. The Bank itself has been a leader—indeed, the leader—in setting out the intellectual case. The Panel Report is submitted in the hope it can contribute to effective action, building on that intellectual foundation.

141. There should be no illusion about the extent of the challenge. Corruption is pervasive, certainly in areas where the Bank operates. The amounts of money lost and project failures because of bribes, collusion, and other illicit activity has never been

properly estimated, but available evidence from INT investigations suggests that it is a sizable fraction of the funds provided for some Bank projects. Changes in individual attitudes, operational practices, and organizational patterns are never easy.

142. At the same time, a great deal is at stake. The World Bank Group appropriately thinks of itself as leading the attack on poverty and fostering economic development. That leadership rests not only on the financial resources provided by its member states but on the sense that Bank programs incorporate best practice. The Bank provides a vast repository of information and analysis. Where it points the way, others—including nations and international institutions, public agencies, and nongovernmental organizations—are likely to follow.

143. It is also true that in today's globalized financial markets, the World Bank and other official development institutions will not dominate flows of capital to most emerging markets. Its potential comparative advantage—its value in promoting economic development—increasingly rests on other qualities that lending programs can bring to the process.

144. That is both the challenge and the opportunity before the Bank and its affiliates—to show the way in attacking corruption and enhancing good governance by marshalling its own resources, including its investigating unit, with conviction and effectiveness.

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ENDNOTES TO INDEPENDENT PANEL REPORT

Endnote numbers appear at the end of each paragraph where the Report relies upon or quotes from a documentary source. If multiple documents are relied upon or quoted within a single paragraph, the citations of these documents generally appear in the order in which the documents are discussed in the relevant paragraph. Endnotes do not include references to confidential interviews.

<sup>1</sup> James D. Wolfensohn, *People and Development - Annual Meetings Address* (Oct. 1, 1996).

<sup>2</sup> James D. Wolfensohn, *Remarks at the 9<sup>th</sup> International Anti-Corruption Conference* (Oct. 11, 1999); The World Bank, Poverty Reduction and Economic Management, *Helping Countries Combat Corruption: The Role of the World Bank*, p. 3 (Sept. 1997).

<sup>3</sup> Jules Muis, "The C----- Word\*: The World Bank's Exposure and How to Address It" (Nov. 8, 1995) (expressing views of Bank Controller "rather than a Bankwide consensus" about "the issue of corruption and its implications for the World Bank"); Dick Thornburgh, Ronald L. Gainer & Cuyler H. Walker, *Report to Shengman Zhang, Managing Director and Chairman of the Oversight Committee on Fraud and Corruption, the World Bank, Concerning Mechanisms to Address Problems of Fraud and Corruption*, pp. 8-11 (Jan. 21, 2000) (describing history of Bank's response to corruption) (hereinafter "First Thornburgh Report"). Mr. Thornburgh and his colleagues authored two more reports for the Bank in 2002 and 2003. See Dick Thornburgh, Ronald L. Gainer & Cuyler H. Walker, *Report Concerning the Debarment Processes of the World Bank* (Aug. 14, 2002) (hereinafter "Second Thornburgh Report"); Dick Thornburgh, Ronald L. Gainer & Cuyler H. Walker, *Report Concerning the Proposed Strategic Plan of the World Bank's Department of Institutional Integrity, and the Adequacy of the Bank's Mechanisms and Resources for Implementing that Strategy* (July 9, 2003) (hereinafter "Third Thornburgh Report").

<sup>4</sup> Daniel Kaufmann, *Myths and Realities of Governance and Corruption*, in World Economic Forum, *Global Competitiveness Report 2005-2006*, pp. 85-86 (World Bank 2006) (discussing adverse effect of corruption on development and on success of Bank projects) (hereinafter "Kaufmann, *Myths and Realities*"); see also Daniel Kaufmann, *Rethinking Governance: Empirical Lessons Challenge Orthodoxy*, in *Global Competitiveness Report 2002-03* (World Economic Forum - Washington, D.C. March 2003) (hereinafter "Kaufmann, *Rethinking Governance*"); World Bank Institute, *A Decade of Measuring the Quality of Governance - Governance Matters 2007: Worldwide Governance Indicators 1996-2006* (2007) (discussing World Bank Institute's governance indicators).

<sup>5</sup> Daniel Kaufmann and Pedro Vicente, "Tough Love: The Message on Aid and Corruption from Citizens Worldwide" (preliminary draft, forthcoming 2007) (reflecting citizen survey data about "main role" for World Bank showing that a greater number of respondents identified governance and anticorruption as the "main role" for the Bank than four other alternatives, including funding the central government, funding local government, funding the private sector, and transferring knowledge or know-how and helping build in-country capacity); Kaufmann, *Myths and Realities*, pp. 84-86 & Figure 2 (business survey data reflecting high significance of corruption as among "the five most problematic factors for doing business in your country" and listing numerous developing countries "where over one-half of the respondents claim that corruption is one of the top constraints to their business").

<sup>6</sup> The World Bank, *Strengthening World Bank Group Engagement on Governance and Anticorruption* (Mar. 21, 2007) (hereinafter "*GAC Strategy Paper*").

<sup>7</sup> IBRD Articles of Agreement, art. III, § 5; WORLD BANK ANNUAL REPORT 2006, Operational Summary – Fiscal 2006 (reflecting gross disbursements by IBRD of \$11.8 billion and by IDA of \$8.9 billion in fiscal year 2006); *id.*, pp. 63-64 (noting growing portfolio of trust fund and co-financing relationships); WORLD BANK GROUP 2006 TRUST FUNDS ANNUAL REPORT, p. 2 (reflecting 2006 disbursements of nearly \$4.4 billion from trust funds administered by the World Bank Group).

<sup>8</sup> *GAC Strategy Paper*, p. 56; see also *id.*, p. 10 (noting in part that "[d]onor-financed projects can have an important demonstration effect, as well as direct impact, when strong safeguards against corruption are applied in project design and execution").

<sup>9</sup> World Bank - Independent Evaluation Group, *Governance and Anti-Corruption: Ways to Enhance the World Bank's Impact*, pp. 9-10 (July 2006) (Evaluation Brief) (noting that "[m]any countries have

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embarked on institutional reforms” but that “performance in the area of public sector reform appears to be relatively weak, and sector-wide assessments show relatively lower success rates than any other sector,” and that “such reforms will take a long time to show results and are sometimes more cosmetic than real” due to influence of political elites in borrowing countries).

<sup>10</sup> *Id.*, pp. 56-57.

<sup>11</sup> *Cf.* Kaufmann, *Rethinking Governance*, p. 44 (“the focus of efforts to combat corruption and improve governance needs to shift from passing laws and rules, and on procedures within the public administration, to a much broader agenda of greater political accountability, transparency, independence of the media” and similar “participatory voice mechanisms”).

<sup>12</sup> *GAC Strategy Paper*, p. 57.

<sup>13</sup> *Id.*, p. 58.

<sup>14</sup> *Id.*, pp. 25-29 (discussing measures against corruption affecting Bank operations).

<sup>15</sup> *The Department of Institutional Integrity – Strategic Directions and Business Plan: A Summary*, pp. 9-11 (July 10, 2003) (hereinafter “*INT Strategic Plan*”); THE WORLD BANK GROUP ANNUAL REPORT ON INVESTIGATIONS AND SANCTIONS OF STAFF MISCONDUCT AND FRAUD AND CORRUPTION IN BANK-FINANCED PROJECTS, FISCAL YEAR 2004, pp. 9-10 (Feb. 2005) (hereinafter “*2004 INT Annual Report*”); INT External Unit Investigation Policy & Procedures Manual, §§ 2.2, 2.3 (3d Rev. Feb. 23, 2007) (hereinafter “*INT External Unit Manual*”).

<sup>16</sup> *Id.*, §§ 1.2.3, 1.4, 2.4.

<sup>17</sup> *INT Strategic Plan*, pp. 9-11; *INT External Unit Manual*, §§ 1.6(3), 2.2; INT, ANNUAL INTEGRITY REPORT – FISCAL YEARS 2005-06 (Feb. 2007) (hereinafter “*2005-06 INT Annual Report*”), pp. 6-8.

<sup>18</sup> *INT External Unit Manual*, Intro. ¶ 6 & §§ 5.2, 5.5, 6.1, 6.4 (describing INT’s guidelines for issuing recommendations in investigative reports).

<sup>19</sup> *Id.*, § 3.3.3.

<sup>20</sup> *Id.*, §§ 4.5, 11.

<sup>21</sup> *See, e.g., id.*, §§ 3.3.3, 13.2 (providing guidance for INT on communications with Bank staff regarding investigations).

<sup>22</sup> *See, e.g., id.*, §§ 3.3.3, 5.2.2, 6.2 (providing guidance for INT on communications with Bank staff regarding investigations and the review process for INT investigative reports).

<sup>23</sup> The Bank’s disclosure policies are set forth in a number of policies and discussed in numerous documents, including, *e.g.*, *Information Note on Access to Information by the Executive Directors* (May 15, 2002); *The World Bank Policy on Disclosure of Information* (Sept. 2002); Administrative Manual Statement 1.11, “Staff Communication with Executive Directors” (June 2003); Department of Institutional Integrity in consultation with the External Affairs Department, *External Communications Strategy Related to Investigations and Sanctioning of Fraud and Corruption in World Bank-Financed Projects* (June 3, 2004) (endorsed by the Board and including a Proposed Amendment to World Bank Disclosure Policy with Relation to Investigations and Sanctions approved by the Board in July 2004); Bank Procedure 17.30, “Communications with Individual Executive Directors” (Aug. 2004); *World Bank Disclosure Policy: Additional Issues* (Feb. 14, 2005); INT, “The World Bank—Department of Institutional Integrity—Voluntary Disclosure Program” (July 5, 2006; approved by the Board, Aug. 2006) (hereinafter “*Voluntary Disclosure Program Paper*”); The World Bank, “Sanctions Procedures” (eff. Oct. 15, 2006) (hereinafter “*Sanctions Procedures*”); Administrative Manual Statement 10.11, “Management of Records” (Dec. 2006); Maarten de Jong memorandum to INT Roster, “Policy Memo 01/2005 - Disclosure of INT’s Investigative Findings” (Feb. 10, 2005).

<sup>24</sup> *Information Note on Access to Information by the Executive Directors*, p. 2 (May 15, 2002); *The World Bank Policy on Disclosure of Information*, part II, part III-¶ 52 & part IV-¶ 90 (Sept. 2002).

<sup>25</sup> *Id.*, part II, part III-¶ 52 & part IV-¶ 84, 86.

<sup>26</sup> Maarten de Jong memorandum to the Trust Fund Action Committee, “Guidelines for Notification to Donors in Cases of Alleged Fraud or Corruption involving Trust Funds” (Apr. 16, 2002).

<sup>27</sup> IBRD, “General Conditions for Loans,” art. V, § 5.10 (July 1, 2005, as amended through Oct. 15, 2006); IDA, “General Conditions for Credits and Grants,” art. IV, § 4.10 (July 1, 2005, as amended through Oct. 15, 2006).

<sup>28</sup> *2005-06 INT Annual Report*, pp. 15-16 (describing DIR methodology).

<sup>29</sup> For documents recommending, codifying, or explaining the Bank’s sanctions process, *see Second Thornburgh Report; 2005-06 INT Annual Report*, p. 23; The World Bank, “Sanctions Reform: Expansion

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of Sanctions Regime Beyond Procurement and Sanctioning of Obstructive Practices” (revised) (approved by the Board Aug. 2006) (hereinafter “2006 Sanctions Reform Paper”); The World Bank, “Reform of the World Bank’s Sanctions Process” (revised) (approved by the Board July 2004) (hereinafter “2004 Sanctions Reform Paper”); IBRD, IDA, IFC and MIGA—Sanctions Board Statute (undated) (hereinafter “Sanctions Board Statute”); *see also* Sanctions Procedures, pp. 1-7 (describing procedures for submitting sanctions notices).

<sup>30</sup> Sanctions Procedures, pp. 5-7 (describing procedures after submission of sanctions notices); *see also* 2005-06 INT Annual Report, p. 23; 2006 Sanctions Reform Paper; 2004 Sanctions Reform Paper; Sanctions Board Statute.

<sup>31</sup> *Second Thornburgh Report*, pp. 27-28; Sanctions Board Statute, arts. V-VII (describing the composition of the Sanctions Board); Sanctions Procedures, pp. 12-14 (describing the range of sanctions that may be imposed by the Sanctions Board); *see also* 2005-06 INT Annual Report, p. 23; 2006 Sanctions Reform Paper; 2004 Sanctions Reform Paper.

<sup>32</sup> *Third Thornburgh Report*, p. 29. For documents describing INT’s referral policies, *see INT External Unit Manual*, § 8.2; Maarten de Jong memorandum to INT Roster, “Policy Memo 01/2005 - Disclosure of INT’s Investigative Findings” (Feb. 10, 2005); Maarten de Jong memorandum to INT Roster, “Policy Memo #2: Factors to Consider Prior to Preparing a Referral Report” (Aug. 23, 2005).

<sup>33</sup> *Second Thornburgh Report*, p. 74; 2004 Sanctions Reform Paper, p. 16 (approving preparation of guidelines for implementation of the VDP); Voluntary Disclosure Program Paper (codifying the Bank’s VDP).

<sup>34</sup> *Id.*; 2005-06 INT Annual Report, p. 27; INT, Voluntary Disclosure Program Terms & Conditions (Aug. 2006).

<sup>35</sup> Voluntary Disclosure Program Paper, p. 13.

<sup>36</sup> *See, e.g., INT External Unit Manual*, § 4.2.1.3 (providing that INT should conduct investigations expeditiously).

<sup>37</sup> *Id.*, §§ 5.8, 6.1-6.2 (describing the review and quality assurance process for INT’s reports).

<sup>38</sup> World Bank Staff Manual, Staff Rule 8.01 (defining “misconduct” subject to investigation). For case description figures, *see* 2005-06 INT Annual Report, p. 19; 2004 INT Annual Report, p. 13; INT data provided to the Panel for fiscal year 2007.

<sup>39</sup> INT, *Standards and Procedures for Inquiries and Investigations* (Apr. 2001); INT, *Staff Guide to INT* (Sept. 2007); *D v. IFC*, WBAT Decision No. 304 [2003] ¶ 56 (describing INT’s investigative processes in general).

<sup>40</sup> *Third Thornburgh Report*, pp. 11-12.

<sup>41</sup> 2005-06 INT Annual Report, p. 18; 2004 INT Annual Report, p. 11; INT data furnished to the Panel for fiscal year 2007.

<sup>42</sup> INT data provided to the Panel for fiscal years 2005-2007; *see also L v. IBRD*, WBAT Decision No. 353 [2006], ¶ 31 (noting that a lengthy investigation is not *per se* an interference with due process if the length is reasonably proportionate to the complexity of the case).

<sup>43</sup> *Staff Guide to INT*, pp. 17, 36 (noting that INT “normally” gives 24-hour advance notice of interview and that INT uses court reporter for interviews “to ensure absolute accuracy of the interview proceedings”). The *Staff Guide to INT* also describes other recent procedural changes by INT. *Id.*, pp. 35-37.

<sup>44</sup> *Id.*, pp. 23-24 (describing email access procedures under the Bank’s Information Security Policy); *D v. IFC*, WBAT Decision No. 304 [2003], ¶ 59 (noting that INT must ordinarily have “some objective corroboration” of an initial allegation before it may seek access to a staff member’s email).

<sup>45</sup> *Staff Guide to INT*, pp. 30-31 (explaining INT’s reasons for declining to furnish 24-hour advance notice of the nature of the allegations about which INT wishes to interview a staff member who is subject to investigation).

<sup>46</sup> *Id.*, p. 43 (describing restrictions on staff member’s right to discuss allegations with third parties).

<sup>47</sup> If a staff member’s comments to the draft report results in INT making a *substantive* change to its report, then INT discloses the revised draft to the staff member for an opportunity again to comment. *Id.*, pp. 18-19; *see also Ismail v. IBRD*, WBAT Decision No. 305 [2003], ¶ 66 (noting that although it was not “essential” for the Bank “to refer every minor amendment to a draft report, including its response to submissions, to the person whose conduct is in question,” it was a “breach of procedural fairness” where the Bank submitted in rebuttal “a substantial document containing argument on virtually every point raised by the Applicant”).

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<sup>48</sup> It has been suggested by some that a complainant or victim of another staff member's misconduct should not only receive general case status updates but receive a copy of INT's draft or final report. The Panel agrees with INT's view that a complainant or victim should not be privy to this information.

<sup>49</sup> IBRD Articles of Agreement, art. V, § 5(d).

<sup>50</sup> World Bank Staff Manual, Staff Rule 5.03. According to INT, eight staff in INT were proposed to be put on PIPS; two staff members left INT rather than agreeing to participate in a PIP, while six others participated in PIPs.

## ANNEX A

### Biographies of the Panel and its Senior Staff

**Mr. Paul A. Volcker**, Chair, worked in the United States government for almost 30 years and served for two terms as Chairman of the Board of Governors of the Federal Reserve System from 1979 to 1987. He divided the earlier stages of his career between the Federal Reserve Bank of New York, the Treasury Department, and private banking. Mr. Volcker retired as Chairman of Wolfensohn & Co. upon the merger of that firm with Bankers Trust. Mr. Volcker previously headed a committee formed to determine existing dormant accounts and other assets in Swiss banks of victims of Nazi persecution. He also served as Chairman of the Trustees of the International Accounting Standards Committee Foundation. He headed the National Commission on the Public Service recommending a sweeping overhaul of the organization and personnel practices of the United States federal government. Most recently, he was Chairman of the Independent Inquiry Committee into the United Nations Oil-for-Food Program in Iraq.

**Mr. Gustavo Gaviria** has worked since 1974 in the coffee and finance industries in Colombia. Mr. Gaviria is third generation in the coffee industry of Colombia and is founder and President of Industrias Aliadas S.A. and founder and chairman of Coffeecol, Inc. Mr. Gaviria is also founder and President of Vision de Valores S.A. Since 2004 he has served on the Board of Directors of Ecopetrol, the largest company in Colombia, where he heads the Committee on Corporate Governance. From 1999 to 2004, he was a Senior Advisor in an Executive Director's office at the World Bank.

**Mr. John Githongo** is a former journalist and anti-corruption official in Kenya. In 1999, he founded the Kenya chapter of Transparency International, and in 2003, President Mwai Kibaki appointed him Permanent Secretary of Governance and Ethics, a position from which he resigned in early 2005. He is currently a Senior Associate Member of St. Antony's College at Oxford University in the United Kingdom.

**Mr. Ben W. Heineman, Jr.** is a Senior Fellow at Harvard Law School and at Harvard's Kennedy School of Government, where he is teaching and writing in the area of governance. He spent much of his early career in private practice and in government in Washington, D.C., including as law clerk to Supreme Court Justice Potter Stewart, and he now maintains an association with WilmerHale as Senior Counsel. From 1987 to 2005, he was Senior Vice President and General Counsel, and then Senior Vice President for Law & Public Affairs, for the General Electric Company where he dealt with matters directly relevant to maintaining high ethical standards in an international organization.

**Mr. Walter Van Gerven** is a distinguished European Union legal author and law professor at Leuven (Belgium) and Tilburg (the Netherlands) Universities with visiting fellowships at, among others, Chicago, Stanford, Michigan, Paris II, and King's College London. From 1962 to 1967, he was an associate in the Brussels office of Cleary, Gottlieb, and then a founding partner in 1970 of a leading Brussels law firm which was subsequently acquired by Linklaters. From 1982 to 1988, he served as the President of the Belgian Banking



Commission; from 1988 to 1994, he was Advocate-General in the European Court of Justice; and in 1999 he served as one of five members of the Committee of Independent Experts investigating allegations regarding fraud, mismanagement, and nepotism in the European Commission, and formulating recommendations resulting in various reforms.

**Sir John Vereker** is the Governor and Commander in Chief of Bermuda, an overseas territory of the United Kingdom. Briefly a staff member of the World Bank from 1970 to 1972, he has spent most of his career in the United Kingdom government, including three years in the Policy Unit of the Prime Minister's Office from 1980 to 1983. In 1994, he became the Permanent Secretary of the United Kingdom's Overseas Development Administration and its successor, the Department for International Development (DFID), a position that he held until becoming Governor of Bermuda in 2002.

*The Panel's Senior Staff:*

**Ms. Maria A. Barton**, Counsel to the Panel, has been a Managing Director with Richard C. Breeden & Co., a firm providing consulting services on governance, monitoring and oversight, and ethics and compliance systems. She was formerly a Senior Counsel for the Independent Inquiry Committee into the United Nations Oil-for-Food Program. She also served as a federal prosecutor for the United States Attorney's Office in the Southern District of New York for over 13 years.

**Mr. Paul Lachal Roberts**, Counsel to the Panel, is a British barrister employed by the European Anti-Fraud Office (OLAF) of the European Commission. He is Adviser to the Director General on matters concerning international institutions and has recently finished an appointment as Chairman of the Procurement Task Force at the United Nations.

**Ms. Georgina Costello**, Associate Counsel to the Panel, has practiced law as a barrister in Australia and as a litigator in New York. She has also undertaken independent research into human trafficking issues in various parts of the world and published articles on that topic.

**Mr. Jeffrey A. Meyer**, Editor and Counselor, teaches criminal procedure and international law at Quinnipiac University School of Law in the United States. He was formerly Senior Counsel for the Independent Inquiry Committee into the United Nations Oil-for-Food Program, a law clerk at the United States Supreme Court, and served for nearly ten years as a federal prosecutor with the United States Department of Justice.

*The Panel's Other Staff Members:*

**Emily Bolton**, Special Assistant to the Chair

**Faisal Ariff**, Staff Associate

**Winta Menghis**, Staff Associate

## **ANNEX B**

### **Terms of Reference Independent Panel Review of the World Bank Group Department of Institutional Integrity**

#### **Purpose and Scope**

The World Bank Group's Department of Institutional Integrity (INT) plays an important role in the Bank's overall good governance and anti-corruption drive. The President and the Board of Directors have asked an independent panel of experts to carry out a comprehensive review of INT to assess how it can best contribute to the Bank's poverty reduction mission and to safeguard the institution from legal, fiduciary, and other risks.

The Panel will review and evaluate the mandate and authorities, the policies, procedures, practices, independence, reporting lines, and oversight mechanisms related to the World Bank Group's Department of Institutional Integrity (INT). The review will consider INT's work and relationships with all components of the Bank Group including IBRD, IDA, MIGA and IFC and other internal and external stakeholders. The Panel also will assess and provide recommendations on the World Bank Group's implementation of recommendations from previous such reviews. The Panel should provide findings and recommendations with a view to supporting effective, efficient, equitable, transparent and accountable standards for INT's operations, and, to update, as needed, INT's Terms of Reference as well as its Strategic Directions and Business Plan, as approved by the World Bank's Board of Executive Directors in July 2003.

In carrying out the review, the panel will take into consideration the standards and procedures of similar investigative bodies within the United Nations, the European Union, multilateral institutions, governments, private sector and other best practices, as well as any relevant international standards. The Panel also should evaluate INT's operations and activities in the context of the Bank's Governance and Anti-Corruption Strategy.

In conducting this review, the Panel should engage with a broad range of the Bank's partners, including other multilateral institutions, governments, civil society organizations and other bodies, and with the Bank's staff and shareholders (both borrowers and donors).

#### **Mission**

The Panel will assess and make recommendations regarding:

1. The mandate of INT (including assessing the changes that have taken place since its inception). In so doing, it should look at the roles INT has in setting policy, reviewing implementation, investigating complaints and imposing sanctions.

2. INT's goals and strategy, the management of its priorities and workload, its contribution to achieving the Bank Group's mission and its approach to measuring results and development impact;
3. The quality of its internal and external reviews and investigations, including the effectiveness and transparency of its consultation, collaboration and communication within the organization and with member governments and other external stakeholders as well as the timing, content and mechanisms for disclosure of information to member governments;
4. The speed with which cases are referred to governments for criminal or civil prosecution and the quality of those referrals;
5. INT's approach to remedial measures and sanctions;
6. The Voluntary Disclosure Program; including arrangements for oversight and the processes for disclosure of information to member governments;
7. The timing and content of disclosure of information to Bank staff in country offices, senior management, affected governments (both borrower and donor), Executive Directors, Committees of the Board, with consideration given regarding the status of the investigation or Detailed Implementation Review and other stakeholders;
8. INT's procedures and protocols to provide due process to staff alleged to have engaged in misconduct, to assure communication with staff of their rights and obligations as well as INT's standards for initiating and conducting investigations;
9. The oversight mechanisms for INT, including the reporting relationship to the President, other members of senior management, the Audit Committee, and the Board of Directors, as well as the nature and frequency of this reporting and further options for strengthening oversight;
10. The appropriate role and responsibilities for INT in providing rules based, equitable operational advice to Bank management on project design and oversight, including incorporation of anti-corruption action plans in Bank projects;
11. The effectiveness of INT's experience in providing capacity building support, including lessons learned, to World Bank member governments and private sector clients and other stakeholders; and
12. INT's budget and staffing requirements, including the education and professional backgrounds, number of staff, the balance between managers, investigators, policy and other professional and administrative staff, their overall skills sets and diversity in nationality and gender.

The Panel may suggest any additional areas of inquiry which may emerge during its review.

### **Timeframe**

The Panel periodically should report back progress with a view to providing a final report no later than 1 July 2007.

1. 12.07

## ANNEX C

### Special Review Group Consulted by Panel

The Panel and individual members consulted with many distinguished experts in matters of development and corruption, not all of whom are listed here but to whom the Panel is very grateful. The Panel also consulted with a special review group about its preliminary thinking on recommendations. The conclusions and recommendations in the Report are entirely the responsibility of the Panel. The members of the review group are listed below:

**Franz-Hermann Brüner** of Germany is currently serving his second five-year term as the Director-General of the European Anti-Fraud Office (OLAF) of the European Commission. He formerly served as Head of the Anti-Fraud Unit of the Office of the High Representative of Bosnia and Herzegovina and as a Senior Prosecutor in Germany.

**Ravi Kanbur** of India and England is T. H. Lee Professor of World Affairs, International Professor of Applied Economics and Management, and Professor of Economics at Cornell University. His main areas of interest are public economics and development economics. He has served on the staff of the World Bank as, among other positions, Senior Economic Adviser, Chief Economist of the African Region of the World Bank, Principal Adviser to the Chief Economist, and Director of the World Development Report.

**Huguette Labelle** of Canada is Chair of the Board of Directors of Transparency International. She served for 19 years as Deputy Head of Canadian Government Departments including Secretary of State, Transport Canada, the Public Service Commission, and the Canadian International Development Agency. She continues to serve on the Board of several organizations including the UN Global Compact and the International Union for Conservation of Nature.

**Johannes Linn** of Germany is a Senior Fellow at the Brookings Institution and Executive Director of the Wolfensohn Center for Development. He worked for 30 years at the World Bank, most recently serving as Vice President, Europe and Central Asia from 1996 to 2003. From 2004 to 2005, he led the preparation of the United Nations Development Program's Central Asia Human Development Report.

**Mieko Nishimizu** of Japan is a Consulting Fellow at the Research Institute of Economy, Trade and Industry, and also advises governments, private corporations and NGOs in various capacities. After teaching economics at Princeton University, she worked for more than 20 years at the World Bank, most recently serving as the Vice President of the South Asia Region from 1997 to 2003.

**Augustine Ruzindana** of Uganda is Chair of the African Parliamentarians Network against Corruption. Between 1986 and 1996, he served as Inspector General of Government for Uganda. He is a founding member of Transparency International. He

was elected to the Ugandan Parliament in 1996 and re-elected in 2001; he chaired the Public Accounts Committee from 1996 to 2001 and the Budget and Finance Committee from 2001 to 2006.

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The Panel also consulted with the following three experts who authored the series of Thornburgh Reports from 2000 to 2003 on matters related to the work of INT:

**Dick Thornburgh** of the United States served as Governor of Pennsylvania, Attorney General of the United States and Under-Secretary-General of the United Nations during a public career which spanned over 25 years. He chaired three independent reports relating to the work of INT between 2000 and 2003. He is counsel to the law firm of Kirkpatrick & Lockhart Preston Gates Ellis LLP in Washington, D.C.

**Ronald L. Gainer** of the United States is a former Associate Deputy Attorney General at the United States Department of Justice where he supervised the Department's 15-year effort to develop a new federal criminal code. He served for 12 years as an expert-member on the United Nations Committee on Crime Prevention and Control. He has worked with Dick Thornburgh on three independent reports relating to the work of INT.

**Cuyler H. Walker** of the United States served in the United States Department of Justice and at the United Nations as a key aide to Dick Thornburgh. He is a partner in the law firm of Pepper Hamilton LLP located in Philadelphia and participated in previous studies of INT between 2000 and 2003.

## APPENDIX A

### Tables Comparing International Institutions

The following three tables compare a number of key points between the investigation offices of certain multilateral development banks (MDBs) and other international institutions. The tables summarize selected aspects of each office, such as its budget, staffing and caseload (Table 1), its forms of oversight and reporting lines (Table 2), and its due process and other procedural rights accorded to staff members under investigation (Table 3).

The relevant offices selected for comparison with INT in the tables are:

1. The Anti-Corruption and Fraud Investigation Division (**ACFD**) in the Office of the Auditor General of the African Development Bank (**Afr. DB**),
2. The Integrity Division of the Office of the Auditor General (**OAGI**) at the Asian Development Bank (**ADB**),
3. The Office of the Chief Compliance Officer (**OCCO**) of the European Bank for Reconstruction and Development (**EBRD**),
4. The Office of Institutional Integrity (**OII**) of the Inter-American Development Bank (**IDB**),
5. The Ethics Office of the International Monetary Fund (**IMF**),
6. The Investigations Division of the Office of Internal Oversight Services (**OIOS**) of the United Nations (**UN**),
7. The European Anti-Fraud Office (**OLAF**) of the European Commission (**EC**), and
8. The Investigations Section (**IS**) of the Office of Audit and Performance Review (**OAPR**) of the United Nations Development Programme (**UNDP**).

**Comparative Table 1: Caseload, staff and budget in 2006<sup>1</sup>**

	2006 Caseload	No. of staff in 2006	2006 Budget (in USD millions)
<b>INT</b>	In fiscal year ending 30 June 2006, opened 292 new cases and closed 241 cases.	57	\$13.3
<b>Afr. DB</b>	Not available.	2 (and 3 vacancies)	\$1.2
<b>ADB</b>	147 cases open as of May 2007.	12	\$1.9
<b>EBRD</b>	Between June 2005 and June 2006, dealt with 12 new cases of alleged misconduct.	7	\$1.4 (£730,000)
<b>IDB</b>	Completed 137 investigations of allegations received in 2006 and in prior years.	9 (and 4 vacancies)	\$1.9
<b>IMF</b>	52 allegations received.	2	\$0.3
<b>OIOS<sup>2</sup></b>	298 cases open as of June 2006.	71	\$7.3
<b>OLAF</b>	Received 826 complaints, of which 210 were “non-cases;” opened 196 cases and completed 216 investigations.	244 operational staff.	\$35.6 (€27 million) operational budget from a total budget of \$79.2 (€60 million).
<b>UNDP</b>	Opened 122 new cases and closed 108.	8	\$1.2

<sup>1</sup> Some institutions reported data for the 2006 calendar year, others for periods ending in or around 2006.

<sup>2</sup> These figures for OIOS do not include the UN Procurement Taskforce.

**Comparative Table 2: Oversight of the investigation offices of MDBs and international institutions**

	<b>To whom does the office report?</b>	<b>Is there an oversight committee?</b>	<b>Composition of oversight committee?</b>	<b>Mandate of oversight committee?</b>	<b>Appointment of oversight committee?</b>	<b>Who audits the office?</b>
<b>INT</b>	The President; dotted reporting line to Audit Committee.	No.	Not applicable.	Not applicable.	Not applicable.	The Internal Audit Department can audit INT.
<b>Afr. DB</b>	The Auditor General, who in turn reports to the President and the Audit Committee of the Board of Directors. <sup>1</sup>	Yes, Oversight Committee on Corruption and Fraud. <sup>2</sup>	Vice President and two senior managers. General Counsel and Auditor General are <i>ex-officio</i> committee members.	Oversees compliance with due process requirements, approves debarments and imposition of sanctions, recommends cancellation of loans where necessary, reviews and approves referrals to national authorities, makes recommendations to President regarding recovery of Bank assets lost to fraud or corruption, makes recommendations to President regarding publication of completed investigation findings, and reviews and considers appeals by firms found guilty and makes recommendations to President accordingly.	The President.	Office is not audited. However, being newly established, there is a requirement for a review of the function after two years.
<b>Asian DB</b>	The President and the Auditor General.	Yes, Integrity Oversight Committee.	Three regular voting members and three alternate members. <sup>3</sup>	Determines if parties to ADB-financed activity failed to comply with ADB's anti-corruption policy or procedures and determines appropriate remedial action. May make operational recommendations about cases.	Nominated by Auditor General and approved by President.	OAGI is audited annually by its external auditors. No specific audit of the Integrity Division.
<b>EBRD</b>	The President and the Board's Audit Committee. <sup>4</sup>	No.	Not applicable.	Not applicable.	Not applicable.	Internal and external auditors. <sup>5</sup>
<b>IDB</b>	The President; dotted reporting line to the Board; reports ongoing activities and significant findings to senior management and the Board's Audit Committee. <sup>6</sup>	Yes, Oversight Committee on Fraud and Corruption (OCFC).	Executive Vice President, Vice President for Administration, General Counsel, Auditor General and Vice President for Countries.	Oversees investigations into fraud and corruption, including by providing policy guidance and recommendations to OII and other relevant offices, reviewing allegations of fraud and corruption, reviewing results of investigations, deciding whether sanctions proceedings should commence, making recommendations regarding referral to outside authorities, making recommendations about actions to take regarding fraud and corruption, and reviewing recommendations of OII to end or close investigations.	The President.	The Auditor General can audit OII's expenditures.

**Comparative Table 2 continued: Oversight of the investigation offices of MDBs and international institutions**

	<b>To whom does the office report?</b>	<b>Is there an oversight committee?</b>	<b>Composition of oversight committee?</b>	<b>Mandate of oversight committee?</b>	<b>Appointment of oversight committee?</b>	<b>Who audits the office?</b>
<b>IMF</b>	The Managing Director and upon request, makes informational reports to the External Audit Committee.	Yes, Oversight Committee. <sup>7</sup>	Three senior officials of the Fund, with the Director of Human Resources as <i>ex officio</i> chairperson.	Approves commencement of an investigation at initiative of Ethics Officer if, in its judgment, there is sufficient cause to go forward with the matter. Retains discretion to exercise ongoing oversight of any investigation conducted by Ethics Officer. <sup>8</sup> Rules if staff member appeals a request by Ethics Officer for access to confidential and/or personal information in the context of any investigation by Ethics Officer.	Appointed by Managing Director.	Not audited.
<b>OIOS</b>	The General Assembly and also the Administrative and Budgetary Fifth Committee (Fifth Committee). <sup>9</sup>	No specific oversight mechanism for OIOS or ID, but Fifth Committee and Joint Inspection Unit both oversee OIOS and ID. <sup>10</sup>	Not applicable.	Not applicable.	Not applicable.	UN Board of Auditors can audit the Investigations Division, as can internal auditors. Such audits happen rarely.
<b>OLAF</b>	Reports annually to the European Parliament. <sup>11</sup>	Yes, Supervisory Committee of external investigative experts.	Composed of five independent outside persons highly qualified in the Office's areas of activity appointed by consensus of the European Parliament, the Council and the Commission.	The Supervisory Committee regularly monitors implementation of OLAF's investigative function and provides advice to OLAF, without interfering with the conduct of investigations in progress.	Nominated and approved by the three European institutions (Council, Parliament, and Commission) for a three-year period.	The Court of Auditors can audit OLAF. <sup>12</sup> EC's internal audit services may also audit OLAF, but does not, due to a view that OLAF should be independent. OLAF also has an internal audit capability.
<b>UNDP</b>	Director of OAPR, who reports to UNDP Administrator; UNDP Audit Advisory Committee oversees OAPR. <sup>13</sup>	No (except the Audit Advisory Committee oversees UNDP and as such has oversight over IS). <sup>14</sup>	Not applicable.	Not applicable.	Not applicable.	The UN Board of Auditors audits the UNDP (of which the IS is a part).



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- <sup>1</sup> The Audit Committee is comprised exclusively of Executive Directors of the Bank. ACFD, through the Auditor General, reports regularly to the Audit and Finance Committee of the Bank's Board of Directors.
- <sup>2</sup> The Bank's Board of Directors has approved establishment of an Oversight Committee on Corruption and Fraud (OCCF) but it is not yet operational.
- <sup>3</sup> The head of Central Operations Services Office and an Assistant General Counsel designated by the General Counsel advise the Integrity Oversight Committee.
- <sup>4</sup> The Audit Committee approves the OCCO's budget and reviews its annual work plan.
- <sup>5</sup> Internal audit can conduct an audit of OCCO procedures (planned for 2008); OCCO's processes and procedures are reviewed annually as part of the External Auditors' annual internal controls certification.
- <sup>6</sup> OII also provides notices of all allegations to OCFC.
- <sup>7</sup> The Oversight Committee meets as needed.
- <sup>8</sup> For example, involving particularly complex or significant allegations of misconduct.
- <sup>9</sup> From time to time, the Investigations Division may be inspected by the Joint Inspection Unit, which is an independent external oversight body of the UN system that conducts evaluations, inspections and investigations system-wide.
- <sup>10</sup> For example, the Fifth Committee oversees administration and budgetary matters for the General Assembly and the Joint Inspection Unit looks at UN-wide administrative and management issues.
- <sup>11</sup> In addition, the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) provides policy and coordination advice and the Data Protection Supervisor oversees processing and collection of data.
- <sup>12</sup> The Court of Auditors examines performance and management issues, but does not examine the conduct of investigations.
- <sup>13</sup> The Audit Advisory Committee is made up of members external to UNDP and its mandate is to assist the Administrator of UNDP with financial management reporting, internal and external audit matters, risk management arrangements, and systems of internal control and accountability.
- <sup>14</sup> The UN General Assembly has oversight over UN funds and programs such as UNDP. The Joint Inspection Unit (described in relation to the OIOS) also has an oversight role over UN programs, including UNDP.

**Comparative Table 3: Selected due process and fairness rights in internal investigations**

	<b>Presumed innocent</b>	<b>Subject’s right to be heard</b>	<b>Subject’s receipt of notice of allegations</b>	<b>Subject’s duty to cooperate</b>
<b>INT</b>	Yes.	Subject has opportunity to respond in an interview, propose witnesses, provide written response to allegations, and comment on draft investigative report.	Generally, at the beginning of the formal investigation interview.	All staff are obliged to cooperate with an investigation. Failure to cooperate may constitute misconduct.
<b>Afr. DB</b>	Yes.	Subject is given a reasonable opportunity to put forward his or her case in the interview and in writing, and to propose witnesses.	Subject is informed of allegations as soon as formal inquiry launched and before being interviewed, unless such communication would, in Auditor-General’s view, interfere with the investigation. <sup>1</sup>	Failure or refusal to cooperate may be misconduct.
<b>Asian DB</b>	Not explicitly. Objectivity, impartiality, and fairness are required throughout investigative process.	Yes, during an interview and at other times, subject can present information on his or her behalf. <sup>2</sup>	Investigator has discretion to delay notification until threat of concealment or destruction of evidence or improper influence of witnesses reasonably abated. Generally, subject informed of allegations before interview.	Failure/refusal to cooperate may be misconduct. Refusal to answer questions may lead to adverse inferences.
<b>EBRD</b>	No, but investigation is administrative and designed to probe both inculpatory and exculpatory evidence. <sup>3</sup>	Once preliminary assessment concludes that an allegation warrants further inquiry, any investigation complies with principles of natural justice, including the right to be heard.	The CCO determines who should be told about the investigation and when. In practice, notification of allegations occurs before the end of the inquiry, so that subject can respond to allegations. <sup>4</sup>	Failure/refusal to cooperate constitutes misconduct.
<b>IDB ♦</b>	Yes.	Subject has opportunity to be interviewed and to respond to the investigative report.	Upon initiating a full investigation, prompt notification must be given to subject, unless there is reason to believe such notification may jeopardize the investigation, in which case notice may be deferred.	Staff obliged to cooperate with investigation. Failure to cooperate may constitute misconduct.
<b>IMF</b>	Yes.	Subject given opportunity to respond in writing or orally to allegations, suggest names of witnesses with relevant information, and present relevant documentary evidence. <sup>5</sup>	Subject receives notice of allegations and is interviewed during preliminary inquiry. Once formal inquiry launched and before the interview, Ethics Officer must inform subject that investigation has begun, reasons for investigation, and major elements of the case.	Failure/refusal to cooperate with an investigation may be additional grounds for misconduct.
<b>OIOS</b>	Yes, in practice. <sup>6</sup>	Subject given reasonable opportunity to present his or her case, including by submitting relevant information, evidence, or witnesses and by responding to allegations in an interview. <sup>7</sup>	Notice of allegations is provided during subject’s interview. Subject does not know the allegations, or that he or she is under investigation, prior to attending the interview.	Staff members obliged to cooperate with investigations.
<b>OLAF</b>	Yes. <sup>8</sup>	Subject has right to respond in an interview, propose witnesses, and make written submissions.	Subject informed of allegations as soon as investigation opened, unless absolute secrecy needed, or at request of judicial authority. <sup>9</sup> Can conduct interview “here and now.” In practice, notice given two weeks before interview.	Subjects obliged to cooperate with OLAF investigation, but have a right against self-incrimination.
<b>UNDP</b>	Yes. <sup>10</sup>	Subject has right to attend an interview, propose witnesses, and make written submissions. Subject has right to review all evidentiary material.	Subject informed in writing of allegations at earliest possible time, provided such disclosure does not put documentary evidence, witnesses, or potential victims at risk.	Failure or refusal to cooperate may be misconduct. <sup>11</sup>

♦ The policies and procedures applicable to investigations by OII are currently under review by IDB.

**Comparative Table 3 continued: Selected due process and fairness rights in internal investigations**

	<b>Number of investigators at interview</b>	<b>Interpreter at interview</b>	<b>Receipt of record of interview</b>	<b>May subject speak with proposed witnesses?</b>	<b>Disciplinary consequences for false allegations</b>	<b>Lawyer present at subject's interview</b>
<b>INT</b>	One or more. All interviews recorded and transcribed unless there are exigent circumstances.	Yes, in practice, if needed.	Interview transcript provided to subject with draft investigative report. Subject may access transcript upon request, after giving written response to allegations.	Not without prior clearance from INT. <sup>12</sup>	Yes, knowingly making a false allegation to INT constitutes misconduct and could be grounds for disciplinary action.	No.
<b>Afr. DB</b>	Two, if possible. Interviews tape recorded or transcribed to provide a formal record.	Yes, interviews generally carried out in one of Bank's two working languages. <sup>13</sup>	Copy of transcript of interview provided at subject's request. If not recorded, investigators may provide a summary of interview to subject.	Subjects instructed not to speak with witnesses.	Yes, for false allegations not made in good faith, or made maliciously.	No.
<b>Asian DB</b>	Two, to the extent possible. <sup>14</sup>	At investigator's discretion.	Not specifically provided. <sup>15</sup>	Not specifically prohibited. <sup>16</sup>	Yes, for knowingly making false allegations.	No.
<b>EBRD</b>	Two, in practice. <sup>17</sup>	Yes, in practice. <sup>18</sup>	In more complex cases, interview may be verbatim transcribed. If not transcribed, officer will take notes and send subject a copy of notes.	Depends on directions by OCCO. <sup>19</sup>	Yes, a frivolous, vexatious or malicious allegation could be misconduct under the Bank's rules.	No.
<b>IDB</b>	Two, to the extent possible.	Yes, if needed. In practice, interview conducted in subject's chosen language.	At the latest, upon receipt of investigative report, which generally includes a copy of subject's record of interview.	No.	Yes.	Attendance of lawyers not prohibited by the rules.
<b>IMF</b>	One, in practice.	Yes, in practice, if needed.	Subject does not receive a copy of the subject's record of interview.	Yes, within limits. <sup>20</sup>	Yes, provision of knowingly false accusations may be independent ground for finding of misconduct.	Within discretion of Ethics Officer. Yes, in practice, upon request.
<b>OIOS</b>	Normally, two.	Yes, as necessary at discretion of investigators.	Provided after investigation completed and sent to the administrative law unit. <sup>21</sup>	Yes.	Yes.	No.
<b>OLAF</b>	Not fewer than two.	Yes, if necessary. <sup>22</sup>	Provided as soon as practicable, usually at the end of the interview. <sup>23</sup>	Yes.	Not specifically. <sup>24</sup>	Yes, counsel may assist subject during investigative interview.
<b>UNDP</b>	Two.	Yes.	Transcript is provided as soon as completed, usually at the end of the interview. <sup>25</sup>	Directed not to do so without permission of investigators. <sup>26</sup>	Yes, if allegation not made in "good faith."	Yes, subjects can bring counsel to observe, but not interfere with the interview.

**Comparative Table 3 continued: Selected due process and fairness rights in internal investigations**

	<b>Investigators' search rights</b>	<b>Copy of investigative report provided to subject?</b>	<b>Right for subject to know accuser and witnesses</b>	<b>Time limits to investigate</b>
<b>INT</b>	Can search Bank premises without subject's permission. <sup>27</sup> For electronic records, written permission required from General Counsel and Managing Director.	Subject receives a copy of draft final report, and if draft changes substantively, a copy of the final report.	Accuser's identity normally revealed to subject with notice of allegations. Witnesses upon whose evidence INT relies are revealed in draft final report.	No.
<b>Afr. DB</b>	Unrestricted access to all material relevant to subject matter under investigation to the extent the Bank has such a right of access. <sup>28</sup>	Subject only receives the extracts/charges concerning the subject, not the whole report.	No right to know accuser. <sup>29</sup> Witness identities may be revealed at investigating office's discretion and may require witness' consent.	No.
<b>Asian DB</b>	Authorization is not specifically required to do searches, but is normally obtained from subject's manager if the search is done without subject's authorization. <sup>30</sup>	Following the investigation, if charged, subject receives a memorandum or confidential report describing the evidence and misconduct.	Not as a rule. The Integrity Division keeps confidential any information that could compromise whistleblowers or witnesses. <sup>31</sup>	No, but prompt action is required. <sup>32</sup>
<b>EBRD</b>	Can enter all Bank premises and examine, copy, and remove contents of any paper or electronic file, subject to CCO and VPHRA's authorization. <sup>33</sup>	No, however, subject will be notified about any decision of the CCO based on the inquiry officer's report.	Complainants not granted absolute confidentiality because this might conflict with fairness to subject. VPHRA informs subject of evidence in support of the accusation so subject has opportunity to rebut. <sup>34</sup>	No, but must be done expeditiously.
<b>IDB</b>	Direct and unrestricted access to all records, documents, other materials or premises. In practice, OII seeks authorization for electronic searches from Executive Vice President or another senior Bank officer.	Yes.	Subject has no right to know accuser's identity. Subject receives copies of those witness statements that are included in final investigative report.	This is currently under review by IDB.
<b>IMF</b>	May search premises upon authorization by Director of Human Resources (HRD). Electronic searches require dual authorization by Director of subject's department and HRD.	In practice, subject receives the investigation report and has opportunity to make a written response or rebuttal if misconduct was substantiated.	Left to discretion of Ethics Officer, who must explain the extent to which, in her judgment, it may prove necessary to make disclosures.	No.
<b>OIOS</b>	Direct, prompt and unfettered access to all United Nations work areas and electronic documents. If practicable, access is in the presence of subject, or subject's supervisor.	When investigation completed and referred to ALU, ALU provides subject with a copy of investigative report and invites comment upon it.	ID protects identity of those who come forward with allegations in good faith. Witnesses approached by ID are obliged to cooperate and their identities may be revealed to subject.	No.
<b>OLAF</b>	Immediate and unannounced access to premises of a European Community organ for purpose of gathering any relevant information, including electronic material. Various authorization forms for such a search need to be signed by an OLAF director. <sup>35</sup>	OLAF does not provide a copy of the report to subject, but the report may be provided to subject by judicial authorities/EC disciplinary bodies to which OLAF refers its findings, depending on applicable law and procedure of the authorities/EC disciplinary bodies.	During the investigation, subject has a right to know the facts against him or her, but not the source of the facts. Once OLAF refers the case to judicial authorities/EC disciplinary bodies, witnesses may be disclosed, depending on applicable law and procedure of the authorities/EC disciplinary bodies.	No time limits, but after 9 months, investigator reports to Supervisory Committee. <sup>36</sup>
<b>UNDP</b>	Absolute, unrestricted and immediate access to everything, including emails if access is necessary in relation to the allegation being investigated.	If IS considers allegations to be established, Director of Legal Support Office (LSO) provides a copy of the written report to subject within 20 days of receiving it. LSO also notifies subject if allegations not established.	No protocol; left to investigator's discretion. Subject is given all evidentiary material, including witness statements. IS can request that certain information, such as witness identity, be withheld, but is required to show that the request is reasonable.	No, but IS aims to complete all investigations within one year.

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- <sup>1</sup> Notice may also be delayed if it would interfere with related investigations within the Auditor General's jurisdiction.
- <sup>2</sup> OAGI states that it conducts interviews in accordance with accepted principles of "Investigative Interviewing," which require interviewees to be given the opportunity to provide their version of events. Once notified of allegations, subject has 10 days to submit a written response (which may include witness statements) and five further days to submit mitigating circumstances if the charges are not denied.
- <sup>3</sup> EBRD states that the investigation is a fact finding inquiry to which criminal concepts, such as presumption of innocence, do not explicitly apply.
- <sup>4</sup> If, on receipt of the CCO's report, the Vice President of Human Resources and Administration (VPHRA) decides that the staff member should be formally accused of misconduct, the staff member shall be notified of the decision in writing.
- <sup>5</sup> Opportunity to be heard is provided both during the investigative stage (by the investigating officer) and after the subject has been formally charged with misconduct (by the official responsible for imposing disciplinary measures).
- <sup>6</sup> OIOS rules have no explicit presumption of innocence, but investigators are required to approach the investigation with an open mind and gather both inculpatory and exculpatory material.
- <sup>7</sup> Once the investigation is finalized and the matter referred to the Administrative Law Unit of the Office of Human Resources Management (ALU/OHRM) for disciplinary decision-making, the subject can submit comments on the investigation report.
- <sup>8</sup> OLAF investigators are required to act impartially and to take into account inculpatory and exculpatory information.
- <sup>9</sup> The OLAF Head of Unit must justify reasons for deferral of notice in a written file note.
- <sup>10</sup> The burden of proof always remains with IS.
- <sup>11</sup> Only questions that relate to the notified allegations must be answered.
- <sup>12</sup> Subject may only discuss the case with outside counsel, a Staff Association counselor, the Bank's Ombudsman, and the subject's family members (and others but only with prior clearance by INT).
- <sup>13</sup> If the Investigator is bilingual, he or she may choose to conduct the interview in the native language of the subject.
- <sup>14</sup> Unless there are very sound and compelling reasons to the contrary, all interviews with suspects or persons of interest in staff cases must be electronically recorded.
- <sup>15</sup> Subject staff members do not specifically receive a record of interview, but receive a memorandum or confidential report describing the evidence and the misconduct, which may have a record of interview attached to it.
- <sup>16</sup> Subjects are not specifically prevented from speaking to witnesses, but the identity of witnesses is protected and confidentiality of information that would compromise a witness or jeopardize the investigation is maintained. OAGI protects unauthorized disclosure of whistleblower and witness identities throughout and following an investigation. It maintains confidentiality of information that could compromise whistleblowers or witnesses. OAGI pursues all reasonable steps to ensure whistleblowers and witnesses acting in good faith are not retaliated against or punished.
- <sup>17</sup> This is not specifically provided for in the rules. Most interviews are recorded and conducted by the inquiry officer.
- <sup>18</sup> This is not covered by the Bank's rules. In practice, when an interview is conducted in the field, an interpreter is provided as required.
- <sup>19</sup> OCCO investigators can direct the subject not to speak to anyone, including witnesses, about the investigation.
- <sup>20</sup> Subjects may not coach or prepare witnesses or try to impede their cooperation in an investigation, but may ascertain the overall nature of the information that a witness will provide.
- <sup>21</sup> Investigators prepare written records of interviews. Upon completion of investigation, and once the report is referred to ALU, ALU provides the subject of investigation with a copy of the report and his or her record of interview.
- <sup>22</sup> Subject may be interviewed in a European Union language of his or her choice. OLAF provides an interpreter whenever required.
- <sup>23</sup> Investigator makes a contemporaneous written record of the interview. Subject has the right to read and add to the interview record before signing it at the end of the interview.
- <sup>24</sup> All staff have a duty to assist with investigations, which implies a duty not to make false allegations.
- <sup>25</sup> Interviews with subjects are tape recorded, transcribed, and signed by the subject.
- <sup>26</sup> IS directs subjects of investigations not to speak about the investigation with anyone outside OAPR or Legal Support Office (formerly OLPS) without permission from the investigators or LSO legal advisors.
- <sup>27</sup> In practice, physical searches are conducted in the presence of either the subject and/or the responsible manager.
- <sup>28</sup> Officers have the authority to examine, copy and/or remove for safe-keeping all or any portion of the contents of files, desks, cabinets, and any storage including computers in the Bank without any restrictions, in relation to matters under investigation.
- <sup>29</sup> Allegations may be made anonymously to the Bank.
- <sup>30</sup> Subject's duty to cooperate includes allowing searches of his or her person and work area.
- <sup>31</sup> Subject has the right to know accuser in sexual harassment cases.
- <sup>32</sup> ADB does not have any codified timeframe in which to conduct an interview but must take prompt action to determine the substance and circumstances of the matter if an incident of misconduct is alleged or discovered.
- <sup>33</sup> OCCO avoids unreasonable intrusion into subject's privacy.
- <sup>34</sup> At VPHRA's discretion, subject may cross-examine key witnesses in the presence of VPHRA.
- <sup>35</sup> The relevant institution is confidentially informed when such a search is to take place.
- <sup>36</sup> The reports summarize the allegations, the status of the case, the reasons for delay, and the anticipated timeframe for completion.

## APPENDIX B

### Recommendations of the Independent Panel Review of the World Bank Group Department of Institutional Integrity

#### INT in the World Bank Group Structure

1. **INT Status and Reporting Lines.** *The importance and status of INT within the organization should be reflected in its Director retaining a direct reporting line to the President. The Director should also carry the rank of a Vice President, placing INT's status on a par with its organizational counterparts. The Bank should remove from the present title and responsibilities of the INT Director the term "Counselor to the President."*
2. **The Need for an Independent Advisory Oversight Board.** *A small external Advisory Oversight Board should be established to protect the independence and strengthen the accountability of INT. Reporting to the President and the Audit Committee, it should meet periodically to review the administration of INT, its professionalism, its diversity, and its progress toward stated objectives.*
3. **The Need for an INT Consulting Unit.** *To address the need for non-investigative services from INT, the Bank should provide resources for the creation of a consulting unit within INT, staffed by professionals with experience in investigations, operations management, auditing, and the Bank's legal framework. The consulting unit should furnish problem-solving advice to the Bank's regional and country teams and build their ability to deal with lower priority cases that cannot be investigated by INT. The consulting unit should respond to requests from Operations staff for information on frequently observed project risks and useful risk mitigation measures against fraud and corruption. The unit also should spearhead INT's general training, education, and outreach efforts.*
4. **The Need for an Action Plan to Follow INT Findings of Corruption.** *To ensure coherence, effectiveness, and accountability for the Bank's unified response to final INT findings of fraud and corruption, the President should designate the relevant Managing Director (or other senior official) as accountable for a timely and comprehensive action plan for the President's approval with respect to issues of remedies, disclosures, referrals, and future prevention related to INT's findings. The participants in developing the action plan should include the Regional Vice President, the Country Director, the Director of INT, and senior representation from OPCS, the Legal Department, and other appropriate staff units. The Managing Director should further ensure a periodic review and report of progress on each aspect of the action plan. As part of the ongoing implementation of the GAC strategy, these action plans should be reviewed periodically for broader lessons learned.*

## **INT and Investigation of the Bank's External Operations**

5. ***INT and Confidentiality in General.*** *INT's policies, practices, and procedures should be transparent. To enhance INT's relations with Operations staff and to facilitate appropriate disclosures, INT in consultation with the Legal Department should re-evaluate some of its practices that are taken under perceived concerns of confidentiality.*
6. ***Disclosure of Ongoing Investigations to Operations Staff.*** *To address the competing concerns of protecting investigations and ongoing projects, INT senior management should consider at all stages of an active investigation what interim warning or other assistance may feasibly be given to Operations personnel to protect against the Bank's future commitment of resources to the custody, control, or influence of persons and entities that are strongly implicated by a pending investigation.*
7. ***Disclosure of Report Drafts to Operations Staff.*** *To enhance the ultimate accuracy and usefulness of its reports, INT should share a copy of draft investigative reports with the Regional Vice President (and at his or her discretion the Country Director) and with the Legal Department, for a limited factual review before it submits the report as final to the President. INT should redact the draft report as necessary to protect confidential witnesses and should be given adequate assurance by recipients that the report and its contents will be kept confidential. In rare cases when there may be specific conflict-of-interest circumstances suggesting that it would not be appropriate for INT to disclose a draft of its report to Operations staff, INT should seek authorization from the President or designated senior management. To avoid undue delay in the issuance of INT's final report, the review period should be no more than 30 days. Because the review of INT's draft reports is only for factual accuracy, disagreements concerning substance or recommendations can be voiced by Operations managers to the President or relevant Managing Director after INT has issued its report.*
8. ***Disclosure to Executive Directors.*** *To aid Executive Directors in discharging their duties, the Bank should as a general matter disclose INT's appropriately redacted final investigative findings to them. The Panel believes that the timing and substance of a disclosure of investigative findings to Executive Directors should remain in the President's discretion. Concerns that circulation of investigative findings may have a "deleterious impact" on internal decision-making or relations with the affected country should not as a regular matter inhibit disclosure of final reports. Whether the redacted report should be disclosed to the public should be left to the discretion of the President, taking account of a strong presumption that the information should be made public.*
9. ***Disclosure to Funding Partners.*** *To ensure the protection of its donors and funding partners, the Bank should as a matter of general practice share information with its donors and funding partners where fraud and corruption*

*present a risk of loss to the funds. The donors and funders must commit to maintain the confidentiality of the information unless the Bank makes the information public. First, unless the President determines otherwise, the Bank should promptly disclose to substantial donors and funding partners that INT has found sufficiently credible allegations of fraud and corruption to initiate an investigation. Second, the Bank should not generally disclose the progress of its investigations to any outside parties, but if during the investigation the Bank decides that the risks are so large that it must take interim corrective measures to protect its own funds, then the Bank should also disclose that matter to substantial donors and funding partners. Third, when INT issues a final report to the President, the Bank should also promptly disclose this report (redacted as appropriate) to all donors and funding partners, unless the President decides otherwise. The Bank should also coordinate with funding partners with respect to the Bank's intended action plan resulting from INT's findings.*

10. ***INT Relations with OPCS and IAD.*** *To facilitate productive cooperation among related areas of the Bank, INT and IAD should work more closely together. As noted above, INT should regularly share and discuss investigative findings with OPCS, and OPCS should regularly include INT in discussing procurement and fiduciary guidelines that relate to INT's investigative findings. The Bank should include INT in the Bank's operational committees that address anticorruption policy. With respect to IAD, if the necessary resources are made available, there should be opportunities for cooperation between INT and IAD.*
11. ***Detailed Implementation Reviews (DIRs).*** *The Bank should continue to use DIRs, which can be a useful technique for advancing anticorruption efforts, potentially contributing to capacity building efforts and investigations of fraud and corruption. The effectiveness may be enhanced where both the country concerned and Operations staff take the initiative and are supportive; however, there will be circumstances when INT should take the initiative and control the process.*
12. ***Sanctions Board Chair.*** *To enhance the effectiveness and perceived independence of the new sanctions process, the Bank should require that the Chair of the Sanctions Board and of any Panel thereof be one of the outside members of the Board.*
13. ***Speed of External Investigations of Fraud and Corruption.*** *INT should expedite the report review process for external investigations. INT should reduce the number of INT reviewers and set a reasonable time limit of no more than a month for review of all but particularly sensitive or lengthy draft reports. INT should strive to complete most external investigations in less than one year and complex cases in less than 18 months. INT should issue regular reports to the President, the Audit Committee, and any Advisory Oversight Board on the "aging" of all its external cases and address in particular the reasons certain cases will not meet the guidelines for completion.*



## **INT and the Investigation of Bank Staff**

14. **Reassignment from INT of Internal Cases Not Involving Fraud and Corruption.** *To underscore INT's core mission to safeguard the Bank's operations and trust funds, the Bank should reassign primary responsibility for the investigation of staff misconduct cases not involving allegations of significant fraud or corruption to an administrative unit or units other than INT (e.g., the Legal Department). Because these internal staff misconduct cases are particularly sensitive for Bank staff morale, the Bank should ensure that, before a transition from INT occurs, any new administrative unit is properly organized and staffed with those having the necessary employment investigatory experience, and will afford appropriate procedural protections for staff subject to investigation.*
  
15. **Speed of Internal Investigations.** *For investigations of Bank staff, INT should institute case tracking milestones to ensure that each case moves on a reasonable schedule or that an explanation is offered for the delay. For cases involving fraud, bribery, or other corruption, the Panel considers that no more than nine months should normally elapse from the date that INT receives an allegation to the date that INT submits its report to the Vice President for Human Resources (VPHR). For cases of workplace conflict such as sexual harassment and discrimination, which are especially significant to the morale of the staff involved, INT should strive to resolve these investigations on an expedited basis and in no event more than six months. INT should develop interim targets for when each phase of the case should be completed. INT (or any other investigative unit in charge of investigating staff misconduct) should issue regular reports to the President, the Audit Committee, and any Advisory Oversight Board on the "aging" of all its internal cases and address in particular the reasons certain cases have not met the guidelines for completion.*
  
16. **Fairness of INT Investigations to Staff Members**
  - a. **INT Review of Staff Members' Email.** *To ensure appropriate limitations on the scope of review of a staff member's email, written guidelines should constrain investigators from reviewing a staff member's email apart from seeking information that is related to the written justification that was presented for obtaining access to email. If while doing an authorized review an investigator encounters email that is suggestive of illicit activity not related to what is under investigation, INT should be required to submit an additional request to the General Counsel and the Managing Director explaining the justification for a broader review. In addition, INT should require its investigators to record in each case the criteria or search queries that were used to conduct their review of any staff member's email, so that there is a basis for audit and third-party verification that the searches performed were within permissible limits and appropriately respectful of the staff member's privacy rights.*

- b. **Advance Notice to Staff Member of Allegations before Interview.** INT should furnish a Bank staff member who is the subject of an investigation with at least one day's advance notice of the alleged misconduct (in addition to the notice of rights and responsibilities that INT already provides) before INT conducts a formal interview of the subject staff member, unless there is a specific reason to believe that advanced notice of the allegations would jeopardize the investigation, such as by leading to tampering with witnesses or evidence.
- c. **Staff Members' Prompt Access to Interview Transcript.** INT should allow a subject staff member to have a copy of his or her own interview audiotape or transcript promptly and before the time limit in which to furnish a written response expires.
- d. **Staff Members' Right to Communicate with Witnesses.** INT should not preclude staff members under suspicion from communicating with staff or others who they may wish to propose as witnesses. INT may, however, warn staff members of the limits of proper communication with potential witnesses to avoid staff improperly influencing them.
- e. **Staff Members' Right to Prompt Receipt of Final Investigation Report.** A subject staff member should promptly receive a copy of the final report upon its delivery by INT to the VPHR in order to know of any INT rebuttal arguments to the staff member's objections.
- f. **Rights of Complainant and Victim to Notice of Case Status.** INT should furnish regular updates to complainants and victims on the general status of an investigation and promptly respond to specific queries from complainants and victims. INT should develop written guidelines to ensure that its investigators adequately communicate with complainants and victims of alleged staff misconduct.
- g. **Clarification, Codification, and Publication of Staff Rights.** To ensure the protection and awareness of staff rights, the Bank should clarify, codify, and publicize the rights of Bank staff members in connection with internal staff investigations. In consultation with the Legal Department and the Staff Association, INT should form a working group to identify what additional rights warrant formal inclusion in the Bank's staff rules. These rights should include those that INT now accords Bank staff as a matter of practice and also the additional rights proposed in this report. These rights should apply with respect to all formal investigations of Bank staff, even if the Bank accepts the Panel's separate recommendation to reassign some internal misconduct investigations to a unit in the Bank other than INT.

## **INT Personnel Issues**

*17. **Diversity, Recruitment, and Turnover.** To ensure consideration of the widest range of suitable candidates, INT should advertise the availability of posts globally and beyond the World Bank's website. Given the under-representation of staff from borrowing countries, a concerted effort should be made to ensure that recruitment of competent professionals from these areas is achieved, and consideration should be given to an investigator staff exchange program. Every effort should be made to ensure the widest range of relevant professional skills, linguistic ability, and cultural understanding is reflected within INT, consistent with greater staff continuity. INT should report regularly to any Advisory Oversight Board on its diversity, recruitment, and staff turnover.*

## **Measuring, Auditing, and Evaluating INT**

*18. **The Need for Audit, Measurement, and Evaluation of INT.** In addition to subjecting INT to regular audit, as at present, the Bank should take further steps to measure INT's performance. Such measurements should include at least the following. First, INT should report on an annual basis the length of time it takes to complete investigations, expenditures per case, and, if available, the amount of Bank funds recovered or saved as a result of its investigative and advisory efforts. Second, INT should attempt to establish with its peer groups reasonable benchmarks for assessing systems, processes, and results. Third, an appropriate oversight group such as the Bank's Independent Evaluation Group should, as part of a wider evaluation of the GAC strategy, assess the contribution INT has made to the anticorruption program.*