

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

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Independent Review Panel Calls for Strong Anticorruption Efforts as Essential Part of the World Bank's Mission

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Washington, DC: The Independent Panel appointed early this year to review the work of the World Bank's Department of Institutional Integrity (INT) today issued a 40-page report of findings and recommendations.

Based on extensive interviews and analysis, the Report evaluates the work of INT, the unit of the Bank that investigates allegations of fraud and corruption in the Bank's lending operations. The Report also places that work in the broader context of the strategy of the Bank adopted earlier this year to help borrowing countries develop effective governance and anticorruption programs.

In concluding its Report, the Panel stressed the key role that INT must play in the Bank's anticorruption effort. Each year the Bank commits more than \$20 billion in loans and credits to the developing world. INT investigates allegations that the Bank has been victimized by corruption in its projects. Given its experience and expertise, INT also can and should contribute to the Bank's efforts to detect and prevent corruption in its own operations and to assist borrowing countries in building anticorruption protection.

"The World Bank Group needs strong leadership up and down the line and a coordinated effort against corruption," said Paul A. Volcker, chairman of the Panel. "It must not only do more to expose corruption in particular projects, but as important, build safeguards against future abuse of its operations."

In its review, the Panel found that INT, established in 2001 is staffed by competent and dedicated investigators, and its investigative work has been carried out with professionalism. However, counterproductive tension and frictions in operating relationships have been apparent. The failure of the Bank to coordinate effective responses to investigative findings has also impaired the value of INT's work.

The Panel's Report sets forth a series of recommendations to improve INT's effectiveness and the relations between INT and the rest of the Bank. Major recommendations include:

- **Status and Reporting Line of INT** - INT should maintain the existing reporting line to the Bank President, and its status should be reinforced by the Director having the rank of Vice President. The relationship to the Audit Committee of the Board of Executive Directors can be strengthened.
- **Creation of an External Advisory Board** - The Bank should create a small external Advisory Oversight Board of experts to monitor and advise Bank management about INT's practices and performance. This Board should help protect the essential independence of INT from operational and political pressures, while strengthening INT's accountability to the Bank's President and Board of Executive Directors.
- **Enhancing Prevention of Fraud and Corruption** - The Bank's efforts to promote program integrity have emphasized investigation at the expense of prevention. The Bank should create within INT an internal consulting group unit, drawing on personnel with operational, legal and auditing as well as investigatory experience, to work collaboratively with operational units. Protective anticorruption measures should be encouraged, the sensitivity of project managers to potential fraud enhanced, and means of dealing with allegations of corruption better understood.
- **Ensuring a Comprehensive Response to Fraud and Corruption** - The Bank lacks clear procedures to ensure that it will take and coordinate appropriate action upon INT findings of fraud and corruption. The Bank should designate a Managing Director as accountable for developing a comprehensive action plan addressing the full range of remedial responses that may be warranted by INT findings.
- **Broader Disclosure** - The Bank needs greater disclosure of INT's investigative findings, but without disclosing information and names that must be kept confidential. The Bank should modify its disclosure policies to enable operation managers and co-donors to be told when INT initiates an investigation, and when a response to interim findings is necessary. INT's draft investigative reports should ordinarily be disclosed to regional or country managers for the limited purpose of assuring factual accuracy. There should be a stronger presumption of fuller disclosure of INT's final investigation reports to all relevant stakeholders.
- **Evaluation of Effectiveness** - INT should work with peer groups to develop criteria for evaluating the impact of its efforts and with an appropriate Bank oversight group to consider the contribution made to improving controls, building capacity and enhancing the Bank's reputation.

In addition to investigating fraud and corruption affecting the Bank's programs, INT's responsibilities extend to investigating misconduct by Bank staff. Protection of staff member rights is particularly sensitive in international organizations, and the Panel has received a number of protests and allegations about investigative procedures. The Panel found INT procedure to be generally reasonable and fair, but the Panel proposes certain detailed recommendations for improvement.

- **Broader Rights for Bank Staff Under Investigation** - The Bank should better publicize the rights of all staff members and enhance specific safeguards with respect to review of staff member emails, interviews of staff members who are under investigation, and the access of staff members who are under investigation to final investigation reports. Also, to avoid compromising INT's core mission to investigate fraud and corruption in the Bank's lending operations, the Bank should reassign to another unit of the Bank responsibility for investigations of staff members that do not involve alleged fraud or corruption.

The Bank should be at the frontier of best international practice in tackling corruption," noted Mr. Volcker. "Our recommendations are designed to ensure that the Bank as a whole, and the Department of Institutional Integrity in particular, can play that part with conviction and effectiveness."

The six members of the Independent Panel are:

- **Paul A. Volcker, Chair, of the United States** - formerly Chairman of the United States Federal Reserve Board, Chairman of the Independent

Inquiry Committee into the United Nations Oil-for-Food Program in Iraq, and Chairman of the International Accounting Standards Committee Foundation.

- **Gustavo Gaviria of Colombia** - formerly Senior Advisor in the Executive Director's office at the World Bank and now a leading coffee industry executive in Colombia.
- **John Githongo of Kenya** – formerly Permanent Secretary of Governance and Ethics in Kenya and now a Senior Associate Member of St. Antony's College at Oxford University in the United Kingdom..
- **Ben W. Heineman, Jr., of the United States** – formerly Senior Vice President and General Counsel of the General Electric Company and now a senior fellow both at Harvard Law School and at Harvard's John F. Kennedy School of Government in the United States.
- **Prof. Walter Van Gerven of Belgium** - 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 of the United Kingdom** - formerly Permanent Secretary of the United Kingdom's Department for International Development and now the Governor and Commander in Chief of Bermuda.