

**IMPLEMENTING THE RECOMMENDATIONS OF THE  
INDEPENDENT PANEL REVIEW OF THE WORLD BANK  
GROUP'S DEPARTMENT OF INSTITUTIONAL INTEGRITY  
(INT)**

**Report of the Working Group**

**January 23, 2008**

This report was presented by management to an informal meeting of the Board of Executive Directors on January 22, 2008. While there will be additional discussions with the Board on the details of implementation of specific proposals, management has indicated its intention to carry out the report's recommendations.

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## **Implementing the Recommendations of the Independent Panel Review of the World Bank Group's Department of Institutional Integrity (INT)**

January 23, 2008

*“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.”* The Volcker Panel Report, paragraph 140.

### **Introduction**

On February 16, 2007, the President of the World Bank Group, in consultation with the Board of Executive Directors, appointed the Volcker panel to review INT's work and to find more systematic ways to integrate it into Bank Group operations. The Volcker panel published its report on September 13, and President Robert B. Zoellick subsequently appointed an internal working group (WG), led by Jeff Gutman, to prepare management's response to the report and recommend an action plan.<sup>1</sup>

This document prepared by The Working Group draws on the internal and external feedback provided during a 45-day comment period, which followed the release of the Volcker report. The feedback revealed broad support for the review, for attention to corruption as a critical development issue, and for strengthening the Bank Group's ability to prevent and deter corruption. In addition, the report has been reviewed by Management and comments have been incorporated.

The WG agrees broadly with the Volcker panel's recommendations, including for:

- Establishing an advisory board;
- Forming a consulting unit within INT for non-investigative services;
- Preparing and monitoring specific action plans for following up on INT reports;
- Articulating a protocol for disclosing INT reports to various stakeholders;
- Transferring responsibility for some staff misconduct cases to a unit other than INT; and
- Strengthening specified staff rights in internal investigations.

While the Volcker report specifically focuses on the role of INT, it also makes clear that its recommendations for INT must be seen and integrated within the Bank Group's broader governance strategy. Therefore, part I of the WG's report focuses on the broader context in

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<sup>1</sup> The other members of the working group are: Suzanne Rich Folsom, director, INT (Glenn Thomas Ware, chief investigative counselor, INT, alternate INT representative); Carl Patrick Hanlon, manager, EXTCC; Eva Mennel-Hartung, manager, Human Resources, IFC; John Roome, operations director, SARVP; Hartwig Schafer, operations director, AFRVP; and Scott B. White, deputy general counsel, LEG. In addition, the Staff Association is participating in the working group on a consultative basis and is represented by William Hurlbut, second vice chair.

which recommendations will be implemented, while part 2 considers each of the panel's recommendations in detail.

## **Part 1**

### **Leadership**

Leadership, and “tone” at the top, play a critical role in advancing the Governance and Anti-Corruption (GAC) agenda. Real change will only happen if staff across the Bank are fully committed to fighting fraud and corruption and collaborate effectively across the institution towards this end. For this to occur, Bank Group leadership must continue to articulate a clear policy framework, with defined responsibilities and accountabilities, operational systems and processes which send clear signals to staff and to partner countries.

The existing depth and breadth of management commitment to this agenda is evident in the recent endorsement of the GAC strategy by the Group's Governors and Executive Directors, the President's launch of the GAC implementation plan, and the establishment of a Governance Council led by the Managing Directors to oversee implementation. Many Bank Group staff, managers, and teams are also modeling new behaviors and establishing examples of good practice in fighting fraud and corruption—often in collaboration with country counterparts.

The challenge now—a challenge addressed in the GAC strategy—is to expand staff skills and broaden behavioral change in order to deepen, systematize and mainstream good practices across all of the Bank Group's work. Good practice should be showcased and celebrated. This will involve developing tools and knowledge-sharing mechanisms to equip staff at all levels with the skills and resources needed to fight fraud and corruption in their day-to-day work. In addition, staff incentives (performance reviews, promotions, rewards, and visibility) will need to be reviewed regularly to ensure they are and continue to be fully aligned with strategic intent. The WG urges the GAC Council to address these issues as a high priority in moving forward under the GAC implementation plan.

There is no doubt the role of management at all levels will be an important success factor. Individually and collectively, managers need to take staff concerns seriously, support staff in addressing those concerns, and help staff steer a clear course through the tougher governance issues. The work of management should focus not only on addressing fraud and corruption when it is manifested, but also on strengthening efforts to prevent the occurrence of fraud and corruption in the first place.

Ultimately, improved tools and processes should create a more effective risk management framework, so staff and managers have the information needed to exercise good judgment and make better decisions in support of country partner efforts to further development results.

### **Project design and implementation**

Project design that enhances the ability of staff and country counterparts to detect and deter corruption is critical to success. The Bank Group is already taking a stronger approach in this area, with INT playing a key role. INT's investigative work, often initiated at the request of staff who have noted an irregularity, has uncovered a variety of schemes which corrupt individuals

use to divert public money for their own gain. The next step for the Bank Group is to subject its control systems to systematic checks of their effectiveness in flagging evidence of these schemes in Bank-supported projects and then undertaking the appropriate follow-up. The GAC implementation plan emphasizes Bank support for creating appropriate incentives, fiduciary systems and accountability mechanisms at the project and sector levels to make good sector governance a reality. The key is early identification of GAC risks and potential mitigation efforts.

The GAC implementation plan sets out a variety of approaches to “smart” project design—approaches which are not new, but are now being systematically incorporated upstream. Some projects now include explicit governance and accountability action plans which detail GAC risks as well as measures which should be taken to mitigate those risks. In addition, regions are appointing GAC focal points or advisory teams to ensure that GAC issues are assessed appropriately in projects and analytical work. But improved project design is only part of the solution. Effective supervision, properly resourced, is also essential.

### **Impact at the country level**

Ultimately, the GAC strategy aims not only to ensure the integrity of Bank-supported projects but also and more importantly to develop the capacity, systems and conditions for countries to fight fraud and corruption themselves. As Bank efforts gain recognition, the number of complaints is likely to increase. INT investigations will continue to be focused on cases of strategic importance, while supporting a strengthened operational capacity to handle other complaints.. The need for non-investigative and preventative services to client countries will also take on increasing importance.

## **Part 2**

The remainder of this report sets out the WG’s response to the Volcker panel’s 18 recommendations. They provide a comprehensive program for clarifying the roles, procedures and organization of the various parts of the World Bank Group for handling external investigations; providing more upstream non-investigative support by INT to operational teams and to client countries; and rationalizing the Bank Group’s approach, responsibilities and procedures for handling internal investigations. In implementing the following recommendations, references to the Region or Bank operations staff or units should be understood as references to the Executive Vice President, staff or units of IFC or MIGA, as appropriate.

These recommendations would need to be incorporated in the GAC implementation plan as it is the effective integration of these recommendations with the rest of the GAC strategy that will bring about the envisaged development outcomes. The WG considered each of the Panel’s 18 recommendations in turn.

### **Recommendation 1: INT Status and Reporting Lines**

*1(a) The importance and status of INT within the organization should be reflected in its Director retaining a direct reporting line to the President. 1(b) The Director should also carry the rank of a Vice President, placing INT's status on a par with its organizational counterparts. 1(c) The Bank should remove from the present title and responsibilities of the INT Director the term "Counselor to the President".*

### **Working Group Response**

The WG agrees with recommendations 1(a) and 1(c). It does not take a position on recommendation 1(b). The President has indicated his agreement with 1(b) and his intention to seek a vice president for INT through a competitive process.

### **Issues and Considerations**

1(a) The WG considered that the head of INT should report directly to the President, given INT's nature as an investigative entity and the need to preserve INT's independence from operational management.

1(c) It also considered that the title of "Counselor to the President", which the current INT Director also holds, should be eliminated as it creates confusion as to its significance; and in addition the advisory nature of a counselor's role may be in conflict with the INT Director's primary role as the head of an independent investigative unit.

1(b) Given the composition of the WG, the WG did not feel that it was appropriate for it to opine on recommendation 1(b).

### **Implementation**

1(a) requires no action; 1(b) and (c) to be implemented by the President with support of HR.

## **Recommendation 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.*

### **Working Group Response**

The WG agrees with this recommendation, and proposes that this board be designated as an independent Advisory Board. The President has indicated his support for creation of an Advisory Board.

### **Issues and Considerations**

While the WG recognizes that establishing an Advisory Board potentially risks confusing responsibilities and complicating internal deliberative processes, it also believes that such a Board can be an important source of advice as the Bank faces the challenges of fighting corruption and the need continuously to adapt its approaches to ensure an effective, transparent and credible response to that challenge.

The WG believes that it is important to define the mandate of the Advisory Board in a way that strengthens existing governance structures within the Bank, respecting the institutional roles of the Board, the President and INT, while also enhancing the credibility of the Bank's efforts on anticorruption, both inside and outside the Bank. To this end, the WG examined the mandates of several boards of this nature that are active in other organizations, including particularly the Supervisory Committee (SC) of the European Anti-Fraud Office (OLAF). The SC aims to ensure the independence and strategic relevance of OLAF as well as the effectiveness of its working relationships with other relevant bodies in the EU system and among Member States. It is comprised of five outside persons who possess the qualifications related to OLAF's areas of activities. All except one are senior public lawyers with high-level expertise in prosecutions and investigations. While they advise and monitor the activities of OLAF, they do not get involved in individual cases.

The WG believes that the SC constitutes a suitable comparison for the Bank. It therefore proposes that the Advisory Board, at the request of the President, the Audit Committee (AC) or the head of INT advise on: (i) investigative policy matters; (ii) conflicts arising in collaborative matters; (iii) INT managerial matters, including performance; and (iv) the overall implementation of the Volcker Panel recommendations. The Advisory Board would look retrospectively at issues of timeliness, cooperation, and systemic problems.

To carry out this mandate, the WG recommends that the Advisory Board be comprised of three independent, internationally-recognized professionals with expertise in anti-corruption. It should meet 3 to 4 times per year and be served by a small secretariat (equivalent of one World Bank Group professional staff member) situated in OPCS. The estimated annual cost, including fees, travel and secretariat support, would be between \$300,000 to \$400,000, assuming that each member would provide about one month's service per year. The term of the advisory board members would be for three years, and there would be a review of the Board, its composition and its role prior to the end of the first three year period.



**Implementation**

Management will agree on TORs for the advisory board, in consultation with the Executive Directors. In addition, LEG will prepare a memo setting out options for appointing the members of the advisory board.

### **Recommendation 3: The Need for an INT Consulting Unit**

*To address a need for non-investigative services from INT, the Bank should provide resources for the creation of a new 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.*

### **Working Group Response**

The WG agrees with this recommendation and believes that it is vital to the effective integration of INT and its expertise into operations. The unit's key business lines would include: (i) *fraud and corruption risk assessment and mitigation advice*, provided to staff and Country Teams for specific projects and incorporated into the country-level GAC quality enhancement process, lending and supervision protocols; (ii) *training*, targeted at both Bank Group staff and client stakeholders; (iii) *research*, based on INT's work, to distill lessons learned and promulgate best practices; and (iv) *support to client anti-corruption functions*, working in close collaboration with the regions.

### **Issues and Considerations**

The WG considered the name, mandate, location, and resourcing of the unit. The WG believes that the name "Preventive Services Unit" is in line with practice in similar investigative bodies, and so proposes adopting that name. The WG proposes that the unit not have a clearance function, as this could present a conflict of interest for INT. While alternative locations (e.g., OPCS) were considered, the WG proposes that INT is the appropriate home, as unit staff will need to access INT's confidential documents to be effective. The WG believes that, while there needs to be a separation between INT's investigative staff and its consulting staff, this separation should not be permanent (i.e., investigators need to be rotationally part of the consulting group); in addition, it believes that it may be useful to rotate operational (non-investigative) staff into the consulting unit to help ensure that its work more fully meets operational needs.

INT informed the WG that the unit, when fully established, should include seven staff members or equivalents (1 GH, 1 GG, 2 GF, 2 GE, and 1 GC); staff would have expertise in Bank operations, procurement, financial management, training, research, outreach, and database management; and INT's Chief Investigative Counselor would likely manage the unit. The staffing budget would be about \$1,300,000, and additional costs (including database design and maintenance, travel, material production, and other consulting-related staff expenditures) would total about \$500,000 per year. Early indications are that demand will exceed this capacity.

### **Implementation**

Management has prepared ToRs and INT has prepared a budget, appointed a head of unit, and started to recruit staff.

#### **Recommendation 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 all of the 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 ongoing GAC implementation, these action plans should be reviewed periodically for broader lessons learned.*

#### **Working Group Response**

The WG broadly agrees with this recommendation and proposes the following process:

1. Within 45 days of the President's receipt of INT's final investigative report, the RVP prepares an action plan covering (i) remedies, (ii) design changes, and (iii) changes in Bank practices.
2. The draft action plan is reviewed by INT, OPCS, LEG, and other units as relevant.
3. The draft action plan is submitted to the MD for approval.
4. Following MD approval, the action plan is submitted to OPCS for monitoring purposes.
5. OPCS follows up with the RVPs semi-annually, and provides a summary report to the President and the MDs.

#### **Issues and Considerations**

This process is intended to ensure that the operational MD is accountable for preparing and implementing the action plan; that the operational RVP is accountable for developing the action plan, drawing on staff from the region, OPCS, Legal, INT and elsewhere as needed; and that OPCS is accountable for documenting action plans, ensuring consistency across regions, tracking implementation against an explicit timeline (using systematic and automatized tracking tools) and reporting to Management. The WG does not believe that the President needs to approve every action plan, as this could constitute a considerable burden; instead, the President can delegate approval to the relevant operational MD. The WG also proposes that the action plan be an internal document that is not normally disclosed to parties outside the Bank, but, if the underlying INT report is shared with the Executive Directors, then the action plan for responding to that report also should be shared with them.

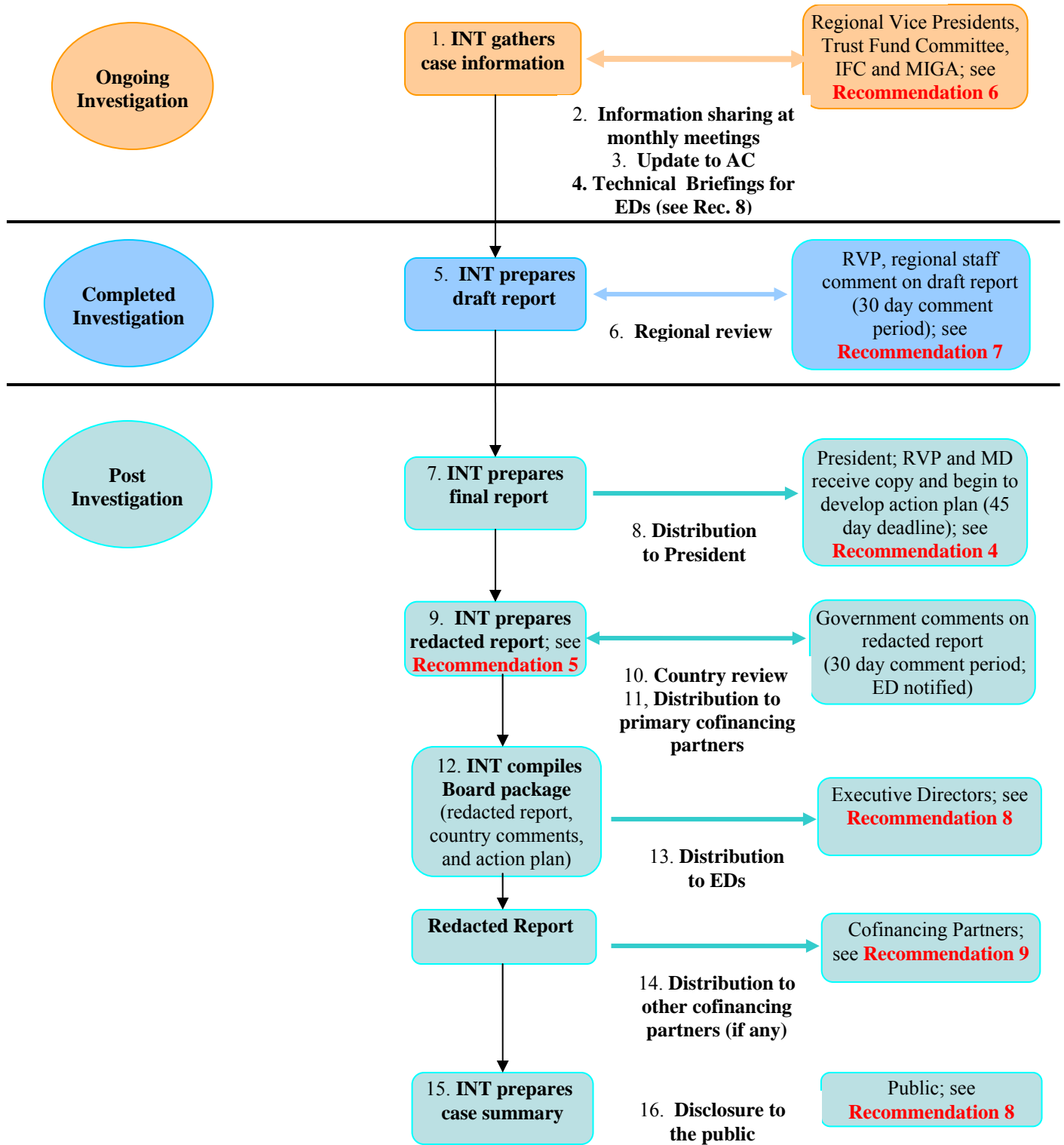
#### **Implementation**

This requires assigning staff, publishing guidelines, and developing systems (all of which will be the responsibility of OPCS).

#### **Note:**

The WG noted that recommendations 4 through 9 concern, in various aspects, the disclosure of DIRs and INT investigative reports. The WG articulated the **disclosure sequence** that appears in Figure 1 (see page 9) to help situate the Volcker panel's recommendations across the sequence of actions relating to INT's investigative work.

**Figure 1: Disclosure Sequence for DIRs and INT Investigative Reports  
(Recommendations 4 through 9)**



## **Recommendation 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 undertaken under perceived concerns of confidentiality.*

### **Working Group Response**

The WG agrees with this recommendation and notes that most external and internal commentators who addressed this issue favored increased transparency. The WG welcomes INT work, already underway, to prepare and publish a “*Guide to External Investigations*” by July 2008 that will provide a user-friendly description of INT methods and practices for investigations in fraud and corruption not involving World Bank Group staff.

The WG agrees with the panel's recommendation 8 that there be a general presumption of disclosure for INT investigative and DIR reports. Notwithstanding this presumption, the WG also recognizes that the nature of INT's work implies that certain material may need to be redacted from INT's workproduct prior to disclosure. In order to ensure that the World Bank Group applies a consistent set of standards and procedures for exempting material, the WG proposes that the following **redaction protocol** be applied bearing in mind a presumption favoring maximum possible disclosure:

1. Prior to release of a final INT investigative product, INT shall prepare a redacted report. INT will redact the following information from its products:
  - a) Internal deliberative material of Bank Group staff (including internal deliberations, recommendations and matters relating to internal control matters of the Bank Group);
  - b) Information that could reasonably be expected to disclose the identity of a confidential source that furnished information on a confidential basis (including VDP participants);
  - c) Information that would disclose investigative techniques if such disclosure could reasonably be expected to risk circumvention of the law or Bank procedure by subjects of the investigation;
  - d) Information that could reasonably be expected to endanger the life or physical safety of any individual;
  - e) Trade secrets and commercial or financial information that is privileged or confidential;
  - f) Information that will be necessary to protect the investigative activity of a member government;
  - g) Information regarding personnel information of Bank Group staff members restricted from disclosure under Bank Group Staff Rules;
  - h) Information that is otherwise privileged or the subject of ongoing debarment proceedings; and
  - i) Information the disclosure of which could result in significant legal risk; and
  - j) Information that is otherwise restricted from disclosure by World Bank Group policy.
2. Upon completion by INT of the redacted report, INT will submit this report to the relevant Bank Group legal department to ensure compliance with this redaction protocol.
3. The relevant legal department will conduct a review and may recommend that INT modify its initial redaction.

4. Upon review of the redaction process by the relevant legal department, INT will submit the report to the Region concerned for consultation in preparation for delivery.
5. INT shall maintain records within its case file of the appropriate redacted reports and legal department review.
6. The consistency of INT application of this protocol is subject to review not only by the President but also by the advisory board (if constituted). The advisory board may periodically review, consistent with executing its advisory function, a sample of redacted reports for compliance with this protocol.

### **Issues and Considerations**

The WG agrees with the panel's sense that the mission of the Bank Group will be enhanced by disclosure of evidence of fraud and corruption, whatever transitory difficulties such disclosure may entail. INT's work is important because it can help the Bank to maintain program integrity in its own operations and also help partner countries to build their capacity for good governance, but it can only do so if it is adequately communicated to Bank staff, government counterparts and other stakeholders involved in administering the activities under investigation. This implies ensuring that INT reports are normally made available to Bank staff, government counterparts, cofinancing donors, and Executive Directors, so that they can incorporate INT findings into their decision-making.

### **Implementation**

The redaction protocol will be adopted and incorporated into the Policy and Procedures Manual of the INT External Unit Investigation, replacing the existing redaction protocol contained in section 8.3.4.

### **Recommendation 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.*

#### **Working Group Response**

The WG agrees with this recommendation. To put it into action, INT will enhance its engagement with the RVPs during its ongoing monthly meetings with the regions (see Figure 1, page 8). These meetings aim to provide updates on active ongoing INT investigations and missions. The enhanced meetings will maintain the current briefing format but contain additional features, including discussions of projects in the pipeline that may be related to ongoing INT investigations, country level action concerning INT referrals, pending debarment actions, allegations that may receive media attention, matters that INT feels requires AC-level briefing, and fraud and corruption trend analyses being undertaken by INT. In addition, it will be possible for either INT or the RVP to put specific operations forward in advance for more detailed discussion, drawing on auxiliary staff as needed.

The WG also discussed how INT should handle low and medium priority cases, which INT cannot address fully with its current budget and manpower. The WG agreed that INT should continue to close low-priority cases and maintain its current practice of keeping medium-priority cases open for 12 months to allow further information to come into the file, while also standardizing its emerging practice of advising the TTL/RVP, in a one page report, of the steps that can be taken in the interim to handle/mitigate the matter (e.g. obtain additional information, strengthen supervision in specified ways, refer the matter to the government, and so on).

#### **Implementation**

Paragraph 3.3.3 of the INT's External Investigative Manual, which discusses INT's monthly meetings, will be revised.

### **Recommendation 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 the 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 officials to the President or relevant Managing Director after INT has issued its report.*

### **Working Group Response**

The WG broadly agrees with this recommendation, but proposes that the region be permitted to comment on all aspects of the report, including such matters as tone, balance, methodology, observations, findings, recommendations, and so on. INT has full discretion to take those comments into account.

### **Issues and Considerations**

The WG believes that what constitutes a “factual review” is contestable (for example, when there is disagreement among different parties regarding the relevance of omitted facts). Because the WG believes that it is difficult in general terms to determine what is or what is not “factual”, it proposes that the Region and LEG be able to comment on all aspects of an INT-led DIR or investigative report, factual and otherwise, recognizing that INT, as an independent unit, has full discretion to take those comments into account as it sees fit.

Given recent experience with INT final reports, the WG anticipates that the standard presentation of an INT report to the President, in future, will include a separate regional response that sets out regional views on INT's findings and recommendations (if any). See Figure 1, page 8.

### **Implementation**

INT will amend its Policies and Procedures Manual, paragraph 6.2.4, to state that prior to the issuance of a report to the President and during CIC and legal review, INT will issue for comments its draft Detailed Implementation Review Report, Interim Investigative Reports, Final Investigative Reports, Referral Reports and other such investigative and review reports to the Regional Vice President and the Country Director, as well as other Regional staff as agreed between INT and the Region for a review not exceeding 30 days.



### **Recommendation 8: Disclosure to Executive Directors**

8(a) *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 reports.* 8(b) *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.*

### **Working Group Response**

The WG broadly agrees with this recommendation and proposes that, for INT investigative and DIR reports, the President determine that a presumption of disclosure exists and that disclosure be made on the basis of this presumption unless the President, in his discretion, directs that a disclosure not be made after recommendation by the relevant MD. It also agrees with the panel's recommendation that the President retain discretion about the nature and timing of disclosure. See Figure 1, page 8.

In line with the redaction protocol (see recommendation 5), the WG proposes that INT seek to prepare, as the primary output for any DIR or investigation, a single report that will consist in two parts: a first part that is redacted and will normally be disclosed to staff, government counterparts, cofinancing donors, and the Board (unless the President determines otherwise); and a second part, to be submitted to the President, that contains the redacted materials as well as INT's recommendations for corrective action, any action plan developed in light of such recommendations, or any report on its implementation.

Drawing on experiences to date, the WG also proposes the following **disclosure protocol** for INT reports:

1. INT prepares a draft report and submits it to the relevant RVP for regional review, with a copy to the relevant operational MD. The RVP provides comments within 30 days.
  - a. After consideration of RVP comments, INT finalizes the report and submits it to the President, with copies to the relevant RVP and MD.
  - b. If the President decides to disclose the report, he will ensure that the report prepared for disclosure has all exempted material—which will normally be contained in a separable annex—removed.
2. The President and responsible MD transmit a referral report to the relevant government for a specified comment period (normally 30 days), and notifies the Executive Director for the country concerned. If the President or the responsible MD so determines, a copy of the referral report will also be sent to primary cofinancing donors. The transmission informs the government that the Bank intends to make the DIR or the final investigative report (FIR) available to the Board and, if applicable, to specified donors or funding partners, and that the government's comments, if any, will also be made available to the Board and the donors or funding partners, if the government so desires. During the government's 30-day comment period, the RVP will prepare an action plan based on the DIR or FIR.

3. Thirty days after the final report is transmitted to the government, or at such other date as the President or the responsible MD determines, the DIR or FIR, including any comments that the government wishes to provide, will be made available to the Board for information. (Note: The INT report will be provided to the host government where the alleged wrongdoing occurred and to the sending government of any public or private sector entity involved in the conduct.)
4. After the DIR or FIR has been made available to the Board, INT or the RVP (consulting to determine who is better positioned to do so) will make the FIR available, on a confidential basis, to donors or funding partners mentioned in the transmission communication to the government that have not yet received the report. If a donor or funding partner is not able to respect a confidentiality agreement (e.g. because national laws mandate a referral to certain authorities), then the report will not be made available to that donor or funding partner until such time as the Bank makes the report available to the public.
5. INT reports, appropriately redacted and summarized, will be made public after submission to the Executive Directors, unless the President in consultation with the relevant MD, RVP, and INT, decides otherwise.

With regard to IFC, the above process will need to be appropriately modified to take into account the commercial nature of IFC's funding partners and the specific risks that apply to IFC commercial transactions.

In addition, the WG proposes that the AC be periodically informed of the progress of ongoing INT investigative work. When proposed projects are put forward for Board consideration, the region should advise the Board if there are, in the relevant sector and country, any ongoing INT investigations rated "high priority" in INT's rating system; if so, a Technical Briefing will be offered.

### **Issues and Considerations**

8(a) The WG believes that it is appropriate to inform the concerned government of INT's findings before disclosure to the EDs, to report back on work underway (typically, work that has involved the government), to alert the government to information that may be sensitive or embarrassing, and to enable the government to take remedial action and provide comments, so that EDs have available as full an account as possible. Given the nature of the reports, the WG recognizes that the President may, at times, recommend that a higher level of confidentiality apply to disclosure to the EDs than would ordinarily be required, and/or that the disclosure occur through a means that is more restricted than document distribution (e.g. a review *in camera*).

8(b) The WG notes that the main investigative bodies of most governments do not routinely make investigative reports public, and so does not believe that full INT reports should routinely be made public; instead, a short report could be prepared to make public the general results of any investigations.

### **Implementation**

INT and the World Bank Group legal departments will work together to codify the disclosure protocol. INT will work with the AC to determine an appropriate format for periodic updates

and for proposed Technical Briefings on ongoing INT investigations. To establish a presumption in favor of disclosure and also to enable routine public disclosure, there would need to be amendments to the Bank Group's Disclosure Policy.

### **Recommendation 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 retain the information confidential 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 itself decides that the risks presented 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 prepares a final report for the President, the Bank should also promptly disclose this report 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.*

### **Working Group Response**

The WG generally agrees with this recommendation. In particular, unless the President determines otherwise, the Bank will promptly disclose to substantial donors and funding partners that INT has found sufficiently credible allegations of fraud and corruption to initiate an investigation. Second, if during an investigation the Bank itself finds that the risks presented are so large that it must take interim corrective measures to protect its own funds, then the Bank will disclose that matter to donors and funding partners that are significantly affected by those findings. Third, when the President decides to transmit an INT report to the government of the affected client country, the Bank will also disclose this report to any donors or funding partners that are significantly affected by the findings, unless the President decides otherwise.

The responsible MD will determine when a donor or cofinancing partner is “substantial” or “significantly affected by the findings” of an INT report. The MD or RVP will also advise the government of the relevant client country that it intends to share the report with specified donors or cofinancing partners when the report is submitted to the government for comment.

With regard to IFC, the above process will need to be appropriately modified to take into account the commercial nature of IFC's funding partners and the specific risks that apply to IFC commercial transactions.

The report will be made available to the donor(s) or cofinancing partner(s) on a confidential basis. If a donor or funding partner is not able, because of its legal or policy requirements, to maintain confidentiality, then the report will not be made available to that donor or funding partner until such time as the Bank makes the report available to the public.

### **Issues and Considerations**

The WG noted that some donors are obligated under national laws to disclose reports that they receive to the public or to refer matters of possible fraud or corruption to specified authorities for administrative prosecution.

**Implementation**

Disclosure to cofinancing donors will be incorporated into the disclosure protocol, and implementation will occur, as set out in recommendation 8.

**Recommendation 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. If the necessary resources are made available, there should be opportunities for cooperation between INT and IAD. 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.*

**Working Group Response**

The WG agrees with this recommendation and the following actions are being taken: (i) INT (and IAD) are being copied on notices of Operational Committee and Operational Vice President meetings to enable INT (or IAD) to determine whether their presence or inputs are warranted; and (ii) monthly as well as special issue meetings are being undertaken between OPCS and INT (and also IAD).

**Implementation**

This is already underway.

### **Recommendation 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.*

#### **Working Group Response**

The WG agrees with this recommendation. The WG proposes alternative options for carrying out DIRs, with the Regions taking the lead when the review aims to identify and mitigate risks within the Bank's portfolio, and INT taking the lead when the review requires that INT operate independently. Given these different models, the WG also proposes that, before any DIR is initiated, INT and the Region agree on the key elements of the review and the appropriate division of labor.

#### **Issues and Considerations**

The WG recognizes that DIRs employ specialist skills, that quality improves through the deeper experience of those involved, and that INT staff are therefore best placed to conduct the technical and forensic work as well as to determine what further in-depth investigations should be opened. At the same time, the WG notes that operational staff are better placed to help integrate anti-fraud and anti-corruption actions into the Bank's and the government's development activities, and so should take the lead on developing action plans that result from DIRs.

The WG also noted that DIRs can have a number of different objectives:

1. *Identifying risks in a portfolio*, with the objective of putting in place mitigating measures in the Bank's projects and/or government procedures in the sector;
2. *Systematically following-up a number of separate allegations of fraud and/or corruption*, to obtain a more analytical sense of the scope of the problem, and to identify a proposed program of further investigations; and
3. *Reviewing the performance of Bank's portfolio oversight* from an anti-corruption perspective.

Given these different objectives, the WG noted that DIRs can be managed in different ways. For objective (1), regional staff could take the lead in a Region-led DIR, with INT providing expertise and managing any database or document capture on a turnkey basis. For objectives (2) or (3), when INT's independence is a pre-eminent concern, INT could conduct the entire DIR on a turnkey basis, relying on operational staff only for logistical support and engaging operational and government staff only after the full DIR has been completed.

Given these different models, and the permutations between them, the WG proposes that, before any DIR is initiated, INT and the region agree on the key elements of the review (objectives, scope, roles and composition of the review teams, treatment of confidential information, protocol for dealing with government, timeline, budget, and so on). In cases where INT and the region cannot agree, the WG proposes that the operational MD determine how to proceed, in consultation with OPCS and INT.

The WG also proposes that experience with DIRs be reviewed on a rolling basis to capture the impacts achieved and to build a body of “good practice” to help shape the evolution of such products, and that a consolidated review should be undertaken once sufficient experience has been acquired to inform a policy discussion and provide guidance to staff on what is expected in terms of AAA, lending and supervision to take these lessons into account.

**Implementation**

OPCS and INT will work together to develop guidelines for these different types of DIRs.



### **Recommendation 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.*

### **Working Group Response**

The WG agrees with this recommendation.

### **Issues and Considerations**

The WG agrees with the Volcker panel that the Sanctions Board, with an appropriate outside majority, should operate within a structure free from any question of undue institutional or political bias and conflicts of interest. While the Bank's institutional point of view should be represented, in the last analysis decisions should reflect the considered judgment of individuals with judicial temperament and experience.

The WG noted that, while an internal candidate would have a stronger knowledge of Bank operations and could perhaps handle more easily the episodic and administrative duties required of the Chair (as full-time presence at headquarters would be beneficial), an external candidate would be perceived to be more credible, more independent, and less likely to have a conflict of interest. Given the prominence of due process issues in sanctions proceedings, it appears to the WG to be desirable that the Chair have some legal expertise. The WG acknowledges the argument that the Chair should not be external, because the decisions taken are and should be seen to be decisions of the Bank, but believes that this argument is not material, as the functions of the Chair affect process and administration but not the disposition of cases except in the rare case that there is a tie (and that can only occur when one Board member is absent, as the Board has seven members and five constitutes a quorum).

The WG also noted that the Bank Group already has two quasi-judicial bodies that are composed entirely of external members, namely the Inspection Panel and the Administrative Tribunal.

### **Implementation**

Board approval is required to amend the existing sanctions framework set forth in R2004-0025/2004. In addition, Management will need, with LEG's advice, to decide on the selection process for the Chair. There are substantial implementation issues regarding support to be given an external chair, with budgetary implications, that need to be detailed by OPCS and Legal.

### **Recommendation 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.*

### **Working Group Response**

The WG agrees with this recommendation, but notes that meeting the targets will involve tradeoffs between budgetary considerations and number of cases to be handled.

### **Issues and Considerations**

The WG notes that INT’s current investigator-to-case ratio, for high-priority external (non staff misconduct) investigations, is about 1:11, and that an optimal (industry-established) ratio would be about 1:5. To achieve this ratio with the same caseload, INT would need to recruit an additional seven investigators (GE through GG) to supplement the 19 currently employed. This recruitment would involve additional staff expenditures of about \$600,000, if the recruitment is accomplished exclusively through ETCs, to \$1 million, if accomplished through additional staff at level GF (taking into account current market reference points). Various combinations of ETCs, GE staff and GF staff would result in costs between these limits.

The WG notes that INT could also meet the performance targets recommended by the Volcker panel, without any additional recruitment, by reducing the number of cases that undergo a full investigation. INT currently investigates about 110 “normal” medium and high priority cases per year, with each case requiring an average of about 460 days to be completed. Without a budget increase, INT would need to reduce that number by about one-fifth to obtain the desired case-to-investigator ratio and meet the recommended performance target of 365 days. Over the past two years, INT has found that “complex” investigations (i.e., those ending in debarment and referral) have an average lifespan of about 780 days. Without a budget increase, INT would need to reduce the number of these complex cases by about one-third (i.e. from about 21 to about 14 per year) to obtain the desired case-to-investigator ratio and meet the recommended performance target of 547 days.

The WG recognizes that these estimates assume that we are in a “steady state”, and that we may in fact be in a scenario where case numbers do not remain steady but rise, due to factors such as heightened visibility of GAC issues, learning from the VDP pilot, and country developments.

### **Implementation**

This recommendation will be put forward for a decision on the tradeoffs to be made; the decision should involve INT, CSR and senior management.

## **Recommendation 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.*

### **Working Group Response**

The WG broadly agrees with this recommendation and proposes (i) that the responsibility for the investigation of staff misconduct cases not involving significant fraud or corruption be transferred to the Ethics Office and (ii) that a regulatory framework specifically adapted to such cases be developed. It also proposes to define “significant fraud and corruption” as fraud or corruption involving Bank Group financed operations; offering or accepting bribes; undertaking collusive practices; receiving or soliciting kickbacks from vendors; embezzling funds from the Bank Group’s administrative funds or loan, credit or grant funds; or misusing donor trust funds. Staff misconduct cases of this nature—about 25% of INT’s caseload over FY05-08—would remain with INT; cases involving fraud associated with travel, P-cards, petty cash, tax allowances, corporate credit cards, or benefits and allowances (e.g. for housing, tuition, dependencies, and the medical insurance program)—would be transferred to the Ethics Office together with all other staff misconduct cases, including sexual harassment.

### **Issues and Considerations**

Each one of the options mentioned in the Volcker report (Legal, HR, Ethics) presents a number of pros and cons (see below). Within the Bank Group, a number of avenues have been tried in the past and other comparable organizations have also chosen different options, indicating that there is no obvious choice in the matter. The views expressed by staff and external parties on the dedicated comment line were also quite divergent. Following extensive consultation with the Staff Association, Ombudsman, INT, and representatives of the three potential host units mentioned in the Volcker panel’s report, the Ethics Office emerged as the option that appeared to present the fewest downsides. Additionally, the ongoing search for a new Chief Ethics Officer presents a window of opportunity to redefine the function, select the new Head accordingly and fundamentally review the way the unit is organized, managed and staffed.

### **Implementation**

To implement the Volcker panel’s recommendation, the following steps should be taken:

- (i) The job description of the new Chief Ethics Officer (CEO)—now under recruitment—should reflect these additional responsibilities;
- (ii) Once the new CEO is recruited, a task force should be established (composed of the CEO and representatives from INT, LEG, HR and SA) to:
  - Define the mission, scope, organizational set-up (including oversight), staffing plan, budget and logistics for the expanded Ethics Office;

- Establish guidelines with regard to the type and nature of investigations to be transferred to the Ethics Office;
  - Establish a protocol regarding interface and collaboration between INT and the Ethics Office (triaging, referrals, ‘hybrid’ cases); and
  - Agree a transition plan aiming to have the new set-up operational by July 1, 2008.
- (iii) In parallel, the task force established in (ii) should define and agree parameters of a ‘streamlined’ process, outside the procedures established by Staff Rule 8.01, for dealing with staff misconduct cases not involving significant fraud or corruption;
- (iv) LEG and HR should prepare and implement Staff Rule changes in accordance with outcomes (ii) and (iii) above;
- (v) The Ethics Office should define objectives and metrics that will allow monitoring and assessment of the effectiveness of the new organization and procedures, and establish reporting requirements; and
- (vi) EXT and HR should prepare a comprehensive communication and training plan to ensure the successful launch of the new unit as well as the new operational procedures for the investigation of staff misconduct cases not involving significant fraud or corruption.
- (vii) It is understood that all decisions made with regard to speed of internal investigations (recommendation 15) and staff rights in an investigation (recommendation 16) will apply equally to INT and the newly created investigative unit with the Ethics Office.

<u>INT (status quo)</u>	<u>Legal VPU</u>
+ Has the staff, tools and experience to undertake such investigations	- LEG has the mandate to defend management decisions and is therefore potentially conflicted
+ Synergy between F/C and non F/C cases can be leveraged	- LEG has the mandate to implement/enforce the decisions made by HR and is therefore potentially conflicted
+ Practice in many comparator organizations	- LEG advises INT on limits of investigative process and is therefore potentially conflicted
- Workplace and F/C cases require different approaches	- Not the practice in most comparator organization
- INT’s focus is rightly on F/C cases – non F/C cases may detract from this focus and also tend to be relegated to secondary priority and thus take too long	- Not acceptable to Staff Association
- Not acceptable to Staff Association	
- Would run counter to Volcker recommendation	

<u>Human Resources</u>	<u>Ethics Office</u>
<ul style="list-style-type: none"> <li>+ Practice in many comparator organizations</li> <li>- HR is decision maker in disciplinary actions and is therefore conflicted</li> <li>- HR's role is to advise staff and managers on application of Staff Rules; if investigations were conducted by HR, it might led to a reluctance to consult HR</li> <li>- Has been tried before, did not work well</li> <li>- Not recommended by Staff Association</li> </ul>	<ul style="list-style-type: none"> <li>+ Ongoing recruitment of a new Chief Ethics Officer affords the opportunity to redefine role, structure and staffing of the unit and thus of a 'fresh start'</li> <li>+ Already currently has a compliance mandate with regard to financial disclosure and plays an active role concerning personal legal obligations of staff</li> <li>+ Preferred option for SA, HR, and LEG</li> <li>- Ethics' role is to advise staff and managers on ethical matters; if investigations were conducted by Ethics, it might lead to a reluctance to consult Ethics</li> <li>- Has been tried before, did not work well</li> <li>- Not the practice in many comparator organizations</li> </ul>

### **Recommendation 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 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.*

### **Working Group Response**

The WG agrees with this recommendation.

In response to this recommendation, INT has already developed a series of thirteen case-tracking milestones that will serve to strengthen case management and oversight and shorten the average duration of an INT Internal Unit investigation to 8.5 months. On those occasions where INT is unable to meet a particular milestone, the responsible investigator will enter the reason(s) for this departure into the case chronology. These exceptions will be reviewed by the INT Internal Unit Manager, and reported periodically to the President, AC, and advisory board (if established). Unlike the potential tradeoffs between cases and staff in external investigations, all internal investigations must be pursued, which has budgetary implications.

### **Issues and Considerations**

The WG notes that the Bank Group has determined that all internal cases are high priority and must be pursued to a logical point of resolution; and that, over time, the investigative process has become more elaborate to adhere to the jurisprudence of the Administrative Tribunal, benefit from lessons learned from Appeals Committee proceedings, and ensure that investigations are carried out in a rigorous, competent, fair, and balanced manner.

The WG notes that the length of an internal investigation is affected by many factors. In particular, the ability of INT’s Internal Investigative Unit to meet the 13 case-tracking milestones is affected by: the investigator-to-case ratio; case complexity; number of allegations; number of victims or complainants; whether mission travel is required; whether the subject staff member has requested extensions in which to respond in writing to the allegations notice and/or to the draft final report; delayed availability of subjects or witnesses due to operational mission travel; whether there are parties external to the Bank whose cooperation cannot be mandated; and additional non-case taskings.

### **Implementation**

Implementation of this recommendation will require a review of resources by the Task Force set out in Recommendation 14.

## **Recommendation 16: Fairness of INT investigations to staff members**

16(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 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.*

### **Working Group Response**

The WG agrees with this recommendation.

### **Implementation**

The Information Security Policy, INT's internal procedures manual [and the Administrative Manual] will be amended to reflect that INT is required to obtain General Counsel and MD approval for all email reviews/searches.

16(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.*

### **Working Group Response**

The WG agrees with this recommendation and clarifies that a 24 hour advance notice period would be required.

### **Issues and Considerations**

Consultations confirmed that current practices stress staff under investigation and do not leave them with the impression that they are presumed innocent. While advance notice might tempt staff to tamper with evidence and influence witnesses, the WG believes that, on balance, the creation of a level playing field for staff was the key consideration and that the risks can be mitigated by providing staff with clear and explicit guidance regarding the potential consequences of tampering with evidence or witnesses.

### **Implementation**

INT's internal procedures manual will be amended accordingly.

16(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.*



### **Working Group Response**

The WG agrees with this recommendation.

### **Issues and Considerations**

The WG acknowledges that, for INT to provide an accused staff member with access to the transcript in advance of the staff member's deadline for submitting a written response to the allegations, the staff member's obligation to respond within 10 business days of receipt of INT's Staff Rule 8.01 Notice will be affected. INT outsources the production of audio files and written transcripts, and this typically takes two weeks in the case of interviews conducted in Washington and four weeks for interviews conducted in the field. The WG therefore proposes that the accused staff member be required to submit a written response within 10 business days of receipt of the interview transcript or the 8.01 Notice, whichever is later.

### **Implementation**

INT's internal procedures manual as well as Staff Rule 8.01 will be amended accordingly. "Prompt" will be defined as "within five days of receipt by INT from the certified court reporter".

16(d) *Staff members' right to communicate with witnesses: INT should not preclude staff members under suspicion from communicating with staff who they may wish to propose as a witness. INT may, however, warn staff members of the limits of proper communication with potential witnesses to avoid staff improperly influencing them.*

### **Working Group Response**

The WG agrees with this recommendation.

### **Issues and Considerations**

The WG recognizes that there is a risk of retaliatory behavior if staff under investigation are allowed to contact witnesses, but also believes that staff may have legitimate needs to check facts. On balance, the advantages of allowing witnesses to be contacted were deemed greater than the risks, as this supports the presumption of innocence and will be seen by staff as creating a more level playing field. As in 16(b), the risk can be mitigated by providing staff with clear and explicit guidance regarding potential consequences of retaliatory behavior.

### **Implementation**

INT's internal procedures manual will be amended accordingly.

16(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.*

### **Working Group Response**

The WG agrees with this recommendation.

### **Issues and Considerations**



Under INT's previous practice, a subject staff member was provided with a draft report and supporting exhibits for comment. If the comments resulted in a substantive revision to the report's findings or conclusions, the staff member was given an opportunity to comment on the revised draft report before it was finalized and submitted to the VPHR for decision.

Under the new policy, now in effect, the staff member will be entitled to receive a copy of the final report (without the supporting exhibits), concurrent with its delivery to the VPHR, to enable the staff member to know of any INT rebuttal to the staff member's comments.

The staff member will not be allowed to copy the final report without written consent from INT, and will return the copy to INT within five business days from the date of receipt.

### **Implementation**

INT's internal procedures manual will be amended accordingly, and Staff Rule 8.01 may be amended to recognize this right.

16(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.*

### **Working Group Response**

The WG agrees with this recommendation. In particular, the investigator will contact the victim and complainant and provide case updates at the following stages of investigation:

1. Within two business days of INT's receipt of the original complaint;
2. When INT completes its assessment on whether a preliminary inquiry is warranted;
3. At the conclusion of the preliminary inquiry;
4. One business day before INT issues an 8.01 Notice to the subject staff member;
5. When INT provides the draft investigative report to the staff member for comment;
6. When and if INT decides to close the case (because, e.g., the allegation is unfounded or there is insufficient evidence to substantiate that misconduct occurred);
7. When INT submits its final report of investigation for decision; and
8. Within two business days following INT's receipt of a disciplinary decision.

In the event that the span of time between these stages exceeds one month, the investigator will provide the victim and complainant with a case status update at 30-day intervals. Unless circumstances suggest that a more personalized communication is prudent, INT will provide case updates by e-mail. When the complaint originates from an anonymous caller to INT's Alertline, the investigator will e-mail the Alertline a call-back message to specify a means for the complainant to obtain status updates from INT.

### **Implementation**

INT's internal procedures manual as well as Staff Rule 2.01 will be amended accordingly.

16(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.*

**Working Group Response**

The WG agrees with this recommendation.

**Implementation**

A task force composed of INT, LEG, HR and SA representatives will be mandated to review all Staff Rules affected by changes implemented as a result of the Volcker panel and to work with EXT to devise a communication plan that ensures that staff are aware of the changes and their implications.

### **Recommendation 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 the Advisory Oversight Board on diversity, recruitment, and staff turnover.*

### **Working Group Response**

The WG agrees with this recommendation and proposes that INT take the following actions:

- *Hire more junior (level GE) investigative staff as ETCs and grow them from within:* INT can then train these individuals alongside experienced Institutional Integrity Officers (IIOs), enabling them to acquire the experience needed to be competitive at the GF level.
- *Advertise job postings more globally in industry-specific media and targeted audiences,* including, e.g., university law programs with a concentration of international students, law enforcement groups in foreign countries, and global professional organizations.
- *Explore investigator staff exchange programs:* The challenge lies in initiating contacts with partner organizations, and avoiding the loss of staff who do not return after the experience.
- *Retain diverse individuals who become part of the INT team:* To do so, INT will need to continuously improve staff mentoring, work-life balance, the promotion process, and the manager feedback-provider process.

### **Issues and Considerations**

INT's 56 staff members at the start of FY08 spanned 28 different nationalities and 27 different language proficiencies. As a weighted measurement of four diversity categories (Part II, female GF-GG, female GH, and race (SSA)), the Diversity Index for INT was 0.63 at mid-year FY07 and has declined slightly since. Since the Bank's Diversity Index is based on regular professional staff (i.e. level GF and up), and 90% of INT's GF and above staff are Lead/Senior IIOs, INT's Diversity Index as it stands is essentially an indicator of diversity among the IIOs—a role that is best described as investigative and documentary, striving to build a well-composed, factual, objective legal argument—in writing—with the proper evidence to either substantiate or not substantiate allegations of fraud and corruption.

The WG is aware that INT over the past year has made extensive and repeated efforts to increase diversity in its recruitment, with mixed success. Nonetheless, the WG believes that more could be done, along the lines mentioned above, to increase diversity in the future.

### **Implementation**

INT will take the actions proposed in the WG's response.

### **Recommendation 18: Measuring, auditing, and evaluating 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.*

### **Working Group Response**

The WG agrees with this recommendation but also recognizes that developing metrics to evaluate INT's performance will take time.

### **Issues and Considerations**

There is a need to establish a credible, concrete and measurable set of metrics and indicators for all key INT functions, covering both outputs and – as far as possible – the outcomes resulting from INT's investigative, consulting and outreach functions. While INT currently provides the President and the AC with quarterly performance reports, these reports have limited information. In essence, they provide a statistical breakdown of casework (including number of cases opened, closed, and substantiated, and Notices of Debarment and Referral produced) as well as a description of special interest items (including changes in INT procedures, developments in international co-operation, and cases likely to attract media attention or identify systemic weaknesses in Bank processes). In addition, the Volcker panel recommended measuring INT's core investigative function through reporting on the length of time to complete investigations, expenditure per case and, if quantifiable, the amount of Bank funds recovered. The monitoring of these statistics should provide an indication of any developing problems within INT's processes and case triage.

Key to measuring INT's performance is a metric concerning the outcomes and results of INT's casework. In November 2007, the AC emphasized that debarments were one of the most important measures of INT's success. In this light, INT could objectively quantify the number of companies debarred; the number of criminal referrals; the number of companies joining the VDP; and the number of requests by other MDBs for information with a view to possible debarment. But these measures may not capture the impact of high-profile complex cases that take longer to resolve but have a greater impact and deterrent effect: for example, complex cases can teach substantial lessons and yield rich recommendations for control adjustments. Useful effectiveness metrics emerging from complex cases might include: the rate of acceptance of additional control recommendations or the rate of secondary case development from the first (complex) case, as these demonstrate effectiveness in getting to larger problems.

INT also needs to develop a system by which to measure the *impact* of its core activities. These metrics should cover:

- *Impact within the Bank:* INT will consult with its core customers in the Bank (initially RVPs) to determine a cost-benefit ratio by which to assess the INT activities which they consider to bring the most value.
- *Impact with country partners:* This can be assessed in a variety of ways (e.g., the initiation of new legislation, tighter controls on procurement, and initiation or development of a WBG relationship with local anti-corruption agencies leading to increased capacity, training and awareness-building of fraud and corruption issues). The most appropriate measurements will need to be determined, and should enable an assessment of the extent to which INT's activities are contributing to implementation of the GAC strategy.

### **Implementation**

INT is in the process of identifying, in consultation with the Independent Evaluation Group, the key consultants and academics who would be able to advise on the development of relevant indicators and metrics to measure the impact of its activities. It is also working with MDB representatives to establish a set of evaluation metrics for their investigative bodies; once established, this shared metric would enable INT to benchmark its performance against its peers. Whatever metrics and performance indicators are chosen, they will need to be reviewed regularly to ensure that they are measurable, remain relevant and continue to be in line with INT's and the Bank's overall strategy and priorities.