

## **Report on MDB Reform Commitments**

Consistent with Section 7082 of the Consolidated Appropriations Act, 2012 (P.L. 112-74), the Department of the Treasury is providing a report detailing the extent to which the World Bank, African Development Bank (AfDB) and Inter-American Development Bank (IDB) have continued to make progress in seven areas.

The report highlights significant developments since submission of the last report. Beyond a broad set of updates, the key area of discussion for this report is a review of the IDB's general capital increase (GCI) reforms by the IDB's independent evaluator, the Office of Oversight and Evaluation (OVE). As part of the IDB's GCI agreement, the United States successfully advocated for a time-bound commitment for a comprehensive and independent review, which was completed earlier this year. Composed of 22 separate reports, OVE's evaluation is an exhaustive and, we believe, fair assessment of both the implementation and effectiveness of the IDB's GCI reforms.<sup>1</sup>

We report on progress in seven areas.

***(1) Implementing specific reform commitments agreed to by the World Bank and the AfDB as described in the Pittsburgh Leaders' Statement issued at the Pittsburgh G20 Summit in September 2009 concerning sound finances, effective management and governance, transparency and accountability, focus on core mission, and results.***

The Pittsburgh Leaders' statement noted that "additional resources must be joined to key institutional reforms to ensure effectiveness; greater coordination and a clearer division of labor; an increased commitment to transparency, accountability, and good corporate governance; an increased capacity to innovate and achieve demonstrable results...."

Following this G-20 Summit, the shareholders of the World Bank, the AfDB and the IDB negotiated reform commitments consistent with the Leaders' statement, in conjunction with shareholders' commitments to provide additional resources. As discussed in this and previous reports, each MDB has undertaken robust implementation of and made substantial progress in these reform commitments since September 2009.

### **World Bank:**

- ***Sound Finances:*** As reported previously, the World Bank adopted a new and significantly improved financial framework in 2010 requiring that major financial decisions take into account implications for the administrative budget, pricing of loans, and net income transfers in a unified, comprehensive analysis.

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<sup>1</sup> These reports can be found here: <http://www.iadb.org/en/office-of-evaluation-and-oversight/mid-term-evaluation-of-idb-9-commitments,7990.html>

Since the last report, the Board of Directors approved an administrative budget and transfers to the International Development Association (IDA)<sup>2</sup> consistent with long-term capital adequacy. Bank management is also revising the model that it uses to make capital adequacy projections. The new model should reduce volatility in long-term capital projections.

*Effective Management and Governance:* The Bank's comprehensive compensation and benefits review, which is examining how to use compensation to better provide incentives for exceptional performance, will run through Bank fiscal year 2014 (ending June 2014). Since the last report, the Human Resources Department has begun implementing changes to improve performance management at the Bank, including more regular assessments of performance. In addition, a new performance management system, building on the experience at the World Bank's private sector arm, the International Finance Corporation (IFC), was implemented bank-wide on July 1, 2013.

*Transparency and Accountability:* Since the last report, an expanding number of Bank operations are receiving formal beneficiary feedback, consistent with a key commitment under the Bank's 2012 "Modernization Agenda." This fiscal year, 44 percent of the Bank's projects include a mechanism for beneficiary feedback during project implementation, up from 22 percent the year before.

The Bank is also using a broader range of tools to share information and increase accountability. For example, a new "Geo-Results" tool allows for the sharing of social content and "before and after" pictures and videos of project locations.<sup>3</sup> This tool, which is currently being piloted in eight countries, allows faster tracking of the impact of Bank projects. Another interactive web tool called "On Track" enables citizens to provide feedback on the implementation of Bank projects in the form of suggestions, problems, and stories using SMS, Twitter, and the web. Finally, the "Mapping for Results" platform, which has been rolled out in Vietnam, Nepal, Bolivia, Rwanda, Georgia, and Kenya, now includes pictures, videos, audio, and stories about results that have been achieved. These tools rely on the Bank's new practice of geocoding project locations, an essential step in making the monitoring of progress faster and more accurate.

In March 2013, the Bank hosted a forum on beneficiary feedback and citizen engagement. Approximately 150 people participated in the forum, which focused on how to advance the mainstreaming of citizen engagement and beneficiary feedback into Bank policies and operations.

- *Focus on Core Mission:* Ahead of the 2013 World Bank-International Monetary Fund (Bank/Fund) Spring Meetings, the Bank reaffirmed its core mission of a world free of poverty by defining two specific goals as part of its new "Common Vision for the World Bank Group". This common vision (i) targets a reduction in the percentage of people

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<sup>2</sup> IDA is the World Bank's entity that provides grants and highly concessional loans to the poorest countries that are unable to borrow on international markets.

<sup>3</sup> Available at: <http://maps.worldbank.org/content/georesults#home>

living on less than US\$ 1.25 a day to three percent by 2030 and (ii) promotes the income growth of the bottom 40 percent of the population in every country. These corporate goals are meant to guide the development of a unified strategy to focus Bank activities and resources on achieving its mission. Bank Management has indicated its intention to finalize the common vision by the 2013 Bank/Fund Annual Meetings in October 2013. This strategy will build on the Bank's Modernization Agenda, launched in 2010, as well as the 2013 reforms in the IFC and Multilateral Investment Guarantee Agency (MIGA)<sup>4</sup> that focus on improved client and on-the-ground engagement. These efforts are leading all of the entities that comprise the World Bank Group— International Bank for Reconstruction and Development (IBRD)<sup>5</sup>, IDA, IFC, and MIGA to work together more cohesively.

- *Results:* The Bank's key tool for reporting results is the "Corporate Scorecard," introduced Bank-wide in fall 2011. Its key objective is to provide information on the Bank's performance and efficiency, and on the results achieved jointly with Bank clients. The Corporate Scorecard uses indicators in four areas (or tiers) to track development results and Bank performance. *Tier I* indicators show progress in long-term development outcomes at a very high level (e.g., global/regional trends in health, education, and poverty levels). *Tier II* indicators show country-specific results, using data on human development, infrastructure, and access to services for the poor and the vulnerable. *Tier III* indicators show the effectiveness of the Bank's products and services in its client countries. *Tier IV* indicators are designed to capture the main dimensions of the Bank's organizational efficiency and modernization agenda to determine if it is becoming more responsive and accountable.

Since the last GCI report, the first bi-annual discussion of the Bank's performance in generating development results based on the Corporate Scorecard was held among the Bank President and the Executive Directors in December 2012.

The most recent Corporate Scorecard was published in March 2013. Examples of successful projects and results supported by the Bank include:

- An increase by more than three-fold in the kilometers (from 10,740 to 36,354) of transmission lines constructed or rehabilitated between FY 2011 to FY 2012;
- A near tripling in the number of pregnant women receiving antenatal care from 17 million in FY 2011 to 50 million in FY 2012; and
- A decrease in the time required for starting a business in countries where the Bank operates from 50 days in calendar year 2007 to 34 days in calendar year 2012.

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<sup>4</sup> MIGA offers political risk insurance guarantees to help investors protect foreign direct investments against political and non-commercial risks in developing countries.

<sup>5</sup> The IBRD provides commercial-grade or concessional financing to sovereign states to fund projects that seek to improve transportation and infrastructure, education, domestic policy, environmental consciousness, energy investments, healthcare, access to food and potable water, and access to improved sanitation.

Key results on Bank performance and efficiency included:

- An increase in the percentage of projects with satisfactory quality of design for investment lending operations from 76 percent in FY 2009 to 83 percent (compared to a target of 90 percent) in FY 2012; and
- A decrease in the average time to design and prepare a Bank-financed project from 16 months in FY 2008 to 14 months in FY 2012.

African Development Bank (AfDB):

- *Sound Finances:* As reported previously, the AfDB is moving towards an income management model that balances net income projections, administrative costs, loan charges and the notional lending program. The major credit rating agencies reaffirmed the Bank's prudent financial management with an AAA rating on long-term debt and an AA+ rating on subordinated debt in 2013.<sup>6</sup>
- *Effective Management and Governance:* Recent improvements in the AfDB's risk management and anti-corruption agendas include:
  - Risk Management. The enterprise risk management dashboard, completed in December 2012, provides a comprehensive view of all the key risks faced by the institution (including credit, market, liquidity, and capital management risks), and highlights areas of concerns to be monitored. In addition, the Credit Risk Committee (CRC) became fully operational from the 3rd quarter of 2012. It meets on a regular basis, generally weekly, and has strengthened the assessment of credit risk issues, particularly for private sector operations. The CRC also oversees country risk ratings/reviews, overall portfolio credit risk monitoring, and waivers. In addition, the AfDB has acquired an integrated platform to enhance and automate the credit risk process.
  - Anti-corruption. In December 2012, the AfDB Board approved the appointments of the new independent Sanctions Commissioner and the members of the Sanctions Appeal Board. The AfDB has updated its website to show the cross debarments with other multilateral development banks (MDBs) as part of its new cross debarment policy, introduced in 2012.<sup>7</sup> In June 2012, the AfDB followed the World Bank and other MDBs in approving this new policy under which debarred firms are ineligible to participate in any MDB-financed contract.

The United States also pressed the AfDB to delegate cases of staff misconduct that do not constitute fraud or corruption to Human Resources personnel, enabling the Integrity and Anti-Corruption Department (IACD) to dedicate its time to

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<sup>6</sup> The rating agency reports can be accessed at: <http://www.afdb.org/en/about-us/financial-information/ratings/>

<sup>7</sup> <http://www.afdb.org/en/projects-and-operations/procurement/list-of-debarred-entities/>



corruption cases. In February 2013, the Human Resources Committee considered a proposal to establish a new office that would be responsible for these cases of misconduct. In addition, the Board has taken steps to strengthen IACD by approving the creation of two separate divisions, a preventative division and an investigation division.

- *Transparency and Accountability:* The AfDB continues to implement its new policy on disclosure and access to information, with the aim of strengthening the transparency and accountability of the AfDB. In line with best practices across the MDBs, the new policy includes a shift from a “positive list” approach, in which disclosure is considered exceptional, to a presumption of disclosure, or “negative list” approach, in which disclosure is considered the norm. The policy sets deadlines for responding to requests for information and establishes an appeals process for requests that are denied. Since the last report, the AfDB has released detailed guidelines to staff and has begun an awareness campaign both within the AfDB and externally. There is also now an online process that helps individuals find documents and request items that do not appear on the AfDB website.<sup>8</sup>
- *Focus on Core Mission:* The AfDB began preparation of a new Long Term Strategy (LTS) in late 2011 and, after a thorough consultation process, the LTS was approved by the Board in April 2013. The LTS articulates an overarching focus on inclusive and green growth. It consolidates the AfDB’s successes in infrastructure, regional integration, governance, and private sector development, while striving to respond to the changing needs of a diverse continent that includes fragile states, newly emerging frontier markets, and North African nations in transition. The LTS is designed to make the AfDB more outcome-oriented.
- *Results:* The AfDB recently published its Annual Development Effectiveness Review (ADER), which assesses the AfDB’s development impact by providing an overview of Africa’s development trends and describing the AfDB’s contributions to those results.<sup>9</sup> The AfDB is also reviewing its results measurement framework to ensure that it is measuring relevant variables.

In addition to the ADER, the AfDB has published three thematic Development Effectiveness Reviews on governance, regional integration, and fragile states, which indicate that progress is being made both in project development and outcomes. For example, with regard to regional integration, AfDB financed projects have decreased wait times at ports from 31 days in 2005 to 26 in 2012. Also, the Governance Development

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<sup>8</sup> Available at: <http://www.afdb.org/en/disclosure-and-access-to-information/>

<sup>9</sup> Similar to the World Bank’s Corporate Scorecard, the ADER uses four tiers: (1) level one measures Africa’s overall development progress in nine areas, including growth, human development, and public service delivery; (2) level two presents the aggregate outputs of AfDB operations in the same nine areas, showing how the AfDB has contributed to Africa’s development; (3) level three assesses how well the AfDB manages its portfolio of operations; and (4) level four describes how well the AfDB manages its institutional effectiveness, measured against progress in areas like decentralization and human resource management.

Effectiveness Review concludes that the AfDB is helping some countries reduce the time to both start a business and pay taxes.

The AfDB is implementing a new Results Reporting System that will provide a platform to track projects and results and build better results-based monitoring and management tools.

***(2) Implementing specific reform commitments agreed to by the IDB in Resolution AG-7/10 “Report on the Ninth General Capital Increase in the resources of the Inter-American Development Bank as approved by the Governors on July 12, 2010, including transfers of at least \$200,000,000 annually to a grant facility for Haiti.”***

As part of the GCI agreement, the United States successfully pressed for the inclusion of a comprehensive midterm review by the IDB’s independent Office of Evaluation and Oversight (OVE) of all agreed reforms. The breadth and depth of this commitment is unprecedented, and Treasury applied the full measure of our influence to achieve it. The scope of OVE’s review squarely addressed whether the reforms are on track to be completed under the agreed timeframes, and extended beyond implementation to consider the actual effectiveness of each reform. OVE’s review proposed several mid-course corrections to improve the effectiveness of certain reforms, as outlined below.

In December 2012, OVE completed the review and delivered 22 papers detailing progress on each reform to the IDB Board.<sup>10</sup> In each of the 22 evaluations, OVE provided recommendations on how to strengthen reform implementation.

OVE’s overall judgment was that the IDB had made significant progress in fully implementing nearly all of the agreed reforms, although OVE’s review noted that some of these reforms had not been as effective as intended. Management responded constructively to OVE’s findings, agreeing with most of the conclusions and recommendations.

In terms of reforms judged to be highly effective, OVE’s review highlighted changes in financial and risk management and information disclosure. OVE’s review also praised IDB’s progress in combating fraud and corruption, enhancing environmental and social safeguards and implementing the Development Effectiveness Framework. OVE’s review negatively assessed the Independent Consultation and Investigation Mechanism (ICIM), the Macroeconomic Stability Assessments (MSAs) and the IDB’s work on private sector development. Furthermore, OVE’s review raised serious concerns about Haiti country programming, citing troubling implementation problems, cost overruns and delays.

We provide more detail on the key findings from OVE’s review below:

- ***Financial and Risk Management:*** The Income Management Model (IMM) established a firm link between the IDB’s loan charges and its administrative expenses. OVE’s review

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<sup>10</sup> All of these reports are publicly available on the IDB website at:  
<http://www.iadb.org/en/office-of-evaluation-and-oversight/ove-homepage,1556.html>

confirmed that the IMM (along with other financial management reforms in the capital adequacy policy and the risk management framework) had been fully implemented and working as intended by creating budgetary discipline. OVE's review noted that the parameters imposed on the IMM were stricter than those at comparable institutions, and thus recommended that IDB management periodically review the mechanism to see if the IDB could stretch its balance sheet further without jeopardizing its AAA credit rating or its financial stability.

- *Information Disclosure:* The GCI agreement required that the IDB's information disclosure policy be revised, and the new policy took effect on January 1, 2011. OVE's review concluded that the new and more expansive policy was a major step forward, and confirmed that it was broadly consistent with other MDBs. However, OVE's review criticized the policy's approach towards excluding "country specific information" (i.e., information that the country might consider to be confidential) as too accommodating, and recommended that this exception be narrowed significantly. IDB management agreed, and will bring forward a proposal to address this concern.
- *Combating Fraud and Corruption:* OVE's review found that the IDB has made substantial progress in combating fraud and corruption in IDB operations and promoting a high level of staff integrity within the IDB. Reforms have included strengthening the independence of the Office of Institutional Integrity, adopting an improved sanctions structure and finalizing a cross-debarment agreement with other MDBs. Under this policy, debarred firms are ineligible to participate in any MDB-financed contract. Further, ineligibility may extend to any firm or individual that directly or indirectly controls the debarred firm or any firm that the debarred firm directly or indirectly controls. Currently, the IDB website contains information on 164 firms and 134 individuals sanctioned under its cross-debarment policy. This includes an additional 58 firms and 14 individuals since the last GCI report.<sup>11</sup>
- *Independent Consultation and Investigation Mechanism (ICIM):* The ICIM is a mechanism through which people affected by IDB projects can register complaints about harm that they believe that they have suffered due to IDB projects as well as instances in which they believe that the IDB has not adhered to its policies. In its evaluation of the ICIM, OVE's review identified gaps in the original policy that have undermined the ICIM's effectiveness, particularly in terms of the respective roles and authorities (i.e., that there was an absence of clear accountability). OVE's review highlighted that these gaps had been exacerbated by tensions among personnel. In response to these concerns, the IDB Board appointed an interim director to oversee existing ICIM operations and personnel while the mechanism is under revision. An external consultant with expertise in this area will be hired to help the Board revise the mechanism. The IDB has committed to publicly consult with all interested stakeholders before a final ICIM structure is put in place, likely by end 2013.

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<sup>11</sup> Available at:

<http://www.iadb.org/en/topics/transparency/integrity-at-the-idb-group/sanctioned-firms-andindividuals,1293.html>

- Macroeconomic Sustainability Assessment (MSA)*: In response to the GCI mandate to safeguard against lending into unsustainable environments, the IDB created a process under which the IDB undertakes rigorous assessments of all 26 borrowing member countries' macroeconomic frameworks and makes a determination on the sustainability of the macro policy environment. Under a finding of "unsustainable," new funding is automatically constrained unless the IDB Board overrides this constraint. OVE's review concluded that while the MSA process has been fully implemented, its effectiveness and utility are questionable. Specifically, OVE's review raised concerns about the cost to the IDB of conducting these assessments, the concentration of decision making with the Chief Economist, the duplication of the work already performed under the Independent Macroeconomic Assessments (IMA), and the ability of the MSA to limit effectively the risk to IDB resources. OVE's review recommended that the MSA process be replaced by more robust risk assessments, and strengthened and publicly disclosed IMAs. IDB management concurred with this recommendation. The IDB Board and management established a task force to review potential ways to improve the MSA process consistent with the GCI-9 mandate. Deliberations on a way forward will continue through the end of this year.
- Private Sector Development*: OVE's review found that, while the IDB has taken all the formal steps outlined in the GCI-9 to improve private sector operations, these steps have not been effective. OVE's review pointed to a lack of vision on the purpose of private sector lending in the IDB and insufficient coordination among its four private sector windows (despite management's efforts to enhance coordination). OVE's review recommended a complete restructuring of the IDB's private sector operations to improve development effectiveness and impact, as well as increase coordination both among the private sector windows and between the public and private sector programming. In response to OVE's review, IDB Governors instructed the IDB to undertake a thorough review of its private sector operations with the aim of improving effectiveness and efficiency. Management is working on a vision for the IDB's private sector operations as well as possible structural options to achieve increased coordination.
- Haiti*: The OVE review affirmed the importance of the \$200 million per year transferred from the IDB's net income into the Haiti Grant Facility. However, the review concluded that pressure to disburse the total annual allotment has come at the expense of results-based programming and development effectiveness. While recognizing the enormous challenges of working in Haiti, OVE's review pointed to troubling implementation problems, cost overruns, and delays. The review argued that the pressure to disburse has led to a focus on large infrastructure and fast-disbursing projects, rather than on those projects that may have the most impact on poverty reduction or economic growth. OVE's review recommended that country programming should better match Haiti's absorptive capacity. Management disagreed with this assessment, arguing that programming is based on six clearly articulated policy priorities and is not a result of undue pressure to disburse the annual transfer of funds. The IDB Board has made clear its support for the annual transfers, while urging that country programming be improved to match Haiti's absorptive capacity.

***(3) Implementing procurement guidelines that maximize international competitive bidding in accordance with sound procurement practices, including transparency, competition, and cost-effective results for borrowers.***

**World Bank:**

The Bank launched the first ever comprehensive review of its procurement policies in May 2012 to assess how these policies should be updated in light of an evolution in the Bank's lending portfolio, changes in global procurement practices, and development of capacity in some countries to manage procurement processes. While the Bank's procurement policies are comprehensive and have set the standard for other international institutions, there are claims that the policies are also extremely complex, proscriptive, and challenging to implement for many borrowers and Bank staff. The goal of the review is to develop a new set of procurement policies that are transparent, equitable and efficient, encourage competition, and strengthen borrower procurement processes and systems.

In the initial phase of the review (May 2012 – December 2012), the Bank conducted consultations with hundreds of stakeholders worldwide. Summaries of the consultations, along with additional background and analysis, are posted on the Bank's procurement review webpage.<sup>12</sup> The Bank also established an International Advisory Group on Procurement (IAGP) to advise on the procurement review. The IAGP is comprised of procurement experts from governments, international organizations and private companies. U.S. participants include Microsoft, General Electric, and the former Administrator for Federal Procurement Policy. U.S. government agencies participated in consultations with other stakeholders that the Bank hosted, and met separately with Bank staff to exchange views. Treasury briefed Hill staff on the outcomes of the initial phase.

Following the initial phase of the review, the Bank circulated a draft framework for procurement to its Board. The framework includes a number of proposed improvements to the Bank's procurement policy, such as a more robust complaints mechanism for bidders, greater engagement by the Bank across the entire contract cycle, and a commitment to strengthen the capacity of both borrowing countries and Bank procurement staff. A key issue is how the Bank would assess the capacity of a borrower's procurement systems. Bank management is in the process of revising the framework paper, after which the Bank will undertake a second set of consultations with external stakeholders.

**AfDB:**

As noted in the previous GCI report, the AfDB approved and implemented a new cross debarment policy under its procurement guidelines in July 2012, bringing it in line with the other MDBs. Under this policy, sanctioned entities at any MDB are ineligible to bid on AfDB contracts and these entities will be published on the AfDB's external website.

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<sup>12</sup> Available at:

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:23226925~pagePK:84271~piPK:84287~theSitePK:84266,00.html>



In addition, the AfDB has expanded its efforts to help borrowing countries improve their procurement procedures. The AfDB undertook a review of the National Competitive Bidding procedures of most borrower countries to assess their quality. This review is helping the AfDB assist countries in pursuing procurement reform. In addition, more AfDB procurement specialists are being housed in field offices, allowing for closer supervision of procurement activities at the country level. Indices relating to procurement have improved in recent years, as procurement contracts are now being processed more quickly. For procurement of consulting services, the average time elapsed from receipt of the draft Request for Proposal (RFP) by the AfDB from the borrowers to the signing of the contract is about 296 days, down by 56 days from 2010. For procurement of goods and works, the average time elapsed from receipt of the draft bidding documents by the AfDB from the borrowers to the signing of the contract is about 291 days, a reduction of 87 days from 2010.

#### IDB:

As noted in the previous GCI report, the IDB approved and implemented a new sanctions policy, bringing it in line with the other MDBs. This includes a cross-debarment policy, described above in Section 2 on OVE's review of the Bank's progress in combating fraud and corruption.

***(4) Implementing best practices for the protection of whistleblowers from retaliation, including best practices for legal burdens of proof, access to independent adjudicative bodies, results that eliminate the effects of retaliation, and statutes of limitation for reporting retaliation.***

#### World Bank:

As noted in the previous GCI report, the World Bank's most recent whistleblower protection policy, issued in 2008, expanded the scope of protection for whistleblowers to be consistent with international best practice.

Since the last report, the three units that deal with whistleblower retaliation have received the following cases, covering the period from July 1 to December 31, 2012:

*Office of Ethics and Business Conduct (EBC):* EBC reports that it received three cases involving claims of retaliation in response to whistleblowing. One of the three cases is still open and being investigated. In the other two cases, the complaining staff member informed EBC investigators that they were not reporting a retaliation claim, but wanted guidance in case of retaliation by their supervisors in the future. EBC provided guidance to the staff member on steps that they could take in the case of retaliation.

In EBC's annual report for 2011-12, the Bank published aggregate data on whistleblower retaliation cases received and resolved, and it plans to do so in future years.

*Peer Review Services (PRS):* PRS reports that it received two cases involving claims of retaliation in response to whistleblowing. Both of these requests were resolved in the first

quarter of 2013. In one case, the PRS Panel dismissed the claim. In the other, the Panel found in favor of the staff member. Specifically in this case, the Panel concluded that, with respect to the retaliation claim, management failed to show by “clear and convincing evidence” that it would have undertaken the same employment actions (failing to provide the staff member with a work program and integrate her/him into the work of the department) absent the staff member’s protected activity (raising concerns about unethical behavior by previous management). The Panel recommended compensation in the amount of six months’ net salary. Management accepted the recommendation.

*Administrative Tribunal:* The Tribunal neither received nor decided any whistleblower cases in the second half of 2012.

In addition to information provided by the units that deal with whistleblower retaliation, a total of 33 staff and consultants made protected disclosures to the Integrity Vice Presidency (INT) of alleged misconduct that falls within the framework of the Bank’s Whistleblower Policy. No retaliation cases were filed with INT during that time.

#### AfDB:

As part of the ongoing reforms relating to the restructuring of the integrity function at the AfDB, the Integrity and Anti-Corruption Department (IACD) is conducting a comprehensive review of the 2007 Whistleblowing and Complaints Handling Policy. While the existing policy is broadly consistent with best practice, the review aims to further strengthen the mechanisms for combating corruption.

Some areas in which the AfDB may seek to add clarity to the existing policy include: (i) reporting and confidentiality; (ii) statute of limitations; (iii) protection of whistleblowers (internal and external); (iv) retaliation and standards of proof; (v) mechanisms for conciliation; and (vi) streamlined responsibilities.

Since the last GCI report, an investigation of an outstanding 2011 retaliation case was completed. That case had been filed by an AfDB staff member who complained of discrimination and marginalization from his/her department’s management in retaliation for reporting corruption. As an interim measure, AfDB Management agreed to the staff member’s request to be transferred to another department while the investigation was ongoing. The investigation of the alleged corruption that was reported by the whistleblower is ongoing.

There have been no new complaints of retaliation under the whistleblowing policy since the last report.

IACD is currently preparing its 2011 and 2012 annual reports, which will include, if applicable, data on receipt and resolution of whistleblowing complaints by the AfDB.

## IDB:

As noted in the previous GCI report, the IDB issued a new whistleblower policy in mid-October 2012 that incorporated the recommendations of the consulting firm Global Compliance, which was engaged at the urging of the United States to conduct a comprehensive review of the IDB's ethics, conduct, and grievance systems.

In March 2013, the IDB amended the Statute of its Administrative Tribunal, which has jurisdiction over whistleblower cases. The revised provisions of this Statute incorporate most of the relevant recommendations made by Global Compliance. Key improvements relevant to whistleblower protection under the revised Statute include:

- Increasing the statute of limitations for claims from 90 to 120 days, consistent with best practice for international organizations, and permitting waivers of this statute of limitations for whistleblower cases;
- Permitting interim relief in appropriate cases while claims are pending;
- Allowing successful claimants to receive costs and attorneys' fees, while permitting tribunals to require that a claimant pay up to six months' salary for the IDB's costs and legal fees if the tribunal finds her/his case to be "malicious or abusive;" and
- Eliminating the cap on damages in instances when IDB management determines that reinstatement or specific performance is not practicable or in the best interests of the IDB.

In addition, on April 1, 2013, the IDB issued its new policy on formal and informal mediation, which allows whistleblowers to take their complaint in the first instance to nonbinding mediation before an independent, external professional mediator. (If the mediation is unsuccessful, complainants can take their claims to the Administrative Tribunal.)

The IDB reports that, in 2012, its Ethics Office received six requests from whistleblowers for protection from retaliation. For five of these requests, the Ethics Office has completed its investigations, which are due to be reviewed by the Ethics Committee later this year. The sixth request was determined, after investigation, not to involve any alleged retaliation, and was instead a conflict between an employee and supervisor that was referred to the Human Resources Department for resolution.

The IDB Ethics Office's annual report for 2012 is still in progress. The IDB will be publishing aggregate data on whistleblower retaliation cases received and resolved for 2012 and in future years.

***(5) Requiring that each candidate for budget support or development policy loans provide an assessment of reforms needed to budgetary and procurement processes to encourage transparency, including budget publication and public scrutiny, prior to loan approval.***

### World Bank:

As noted in the previous GCI report, the World Bank requires that, prior to seeking Board approval for a development policy loan (DPL), a borrowing country must submit to a review of its public financial management and procurement systems and, if necessary, commit to time-bound actions to address deficiencies and help mitigate risks. In November 2012, the Bank released a report reviewing DPL performance in borrowing countries. The report concluded that a larger share of DPL commitments went to countries with stronger fiduciary and governance environments. This was borne out in the data analyzed in the report, which found that between 2005 and 2011, less than two percent of total development policy lending was provided to countries with low scores (2 or below), as measured by “quality of budgetary and financial management.”<sup>13</sup>

### AfDB:

As noted in the previous GCI report, in 2012 the AfDB adopted a strengthened operational policy governing its budget support operations, including a provision requiring budget transparency as a condition for budget support. Before providing budget support, the AfDB requires that a country must have a satisfactory assessment against a four-pillar Fiduciary Risk Management Framework (budget, procurement, audit and reporting, and corruption) for a policy based operation, and against a full range of fiduciary assessments.

In borrowers with weaker country systems, the AfDB considers budget support only if the country commits to an adequate program of reform in its public financial management and there is demonstrated evidence of progress. Loan conditions that require significant improvement in public financial management are used to help mitigate the fiduciary risks associated with budget support loans in these countries.

### IDB:

As noted in the previous GCI report, the IDB adopted formal guidelines in April 2005 for the preparation and implementation of budget support operations (known at the IDB as policy-based loans). These guidelines require assessments of a borrowing country’s public financial management systems and identification of steps needed to strengthen the borrowing country’s national fiduciary systems.

While these guidelines have not been updated, they are now *de facto* linked to a process approved in 2011 requiring the IDB Chief Economist’s office to provide independent assessments of a country’s macroeconomic sustainability (the aforementioned MSAs), including assessments of financial management and budget outlook. In the event that the MSA concludes that there is a strong likelihood of unsustainable macroeconomic conditions in a given country (e.g., poor financial outlook), the country could see net aggregate exposure frozen in the next

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<sup>13</sup> This measure is one of the Bank’s “country policy and institutional assessment” scores, which rate a range of a country’s policies on a scale of 1 (low) to 6 (high).

programming year. This process may change, however, given OVE's recommendations for revision of the MSA, as described in section (2) above.

***(6) Making publicly available external and internal performance and financial audits of such institution's projects on the institution's Web site;***

**World Bank:**

The Bank has continued to make its operational, project, and financial data open to all stakeholders. The projects and operations website offers detailed information on over 14,000 lending projects and over 150 countries from 1947 onwards. These data are available via an Application Programming Interface (API) allowing for easy integration with other Bank products such as the World Bank Data Country Pages and the World Bank Finances Mobile App.

During the second year of implementation of the Access to Information Policy, the number of documents available to the public increased by more than 12 percent, amounting to more than 14,800 newly declassified documents. During FY 2012, there were more than 1.2 million visits to the Documents and Reports website; users viewed more than five million pages and downloaded more than 1.2 million files. The Bank's dedicated Access to Information website allows the public to directly search and browse more than 134,000 documents, including 63,000 operational documents, more than 15,000 legal agreements, and more than 41,500 publications and research reports, among others. In FY 2012, the number of public access requests that came directly to Access to Information staff increased by 8.8 percent. Approximately 78 percent of these requestors received a comprehensive response within 20 working days.

Since March 2013, the Bank has published information on its own administrative contracts. The Corporate Procurement Unit has made available on its public website a summary of its policies and procedures; copies of its standard contract terms and conditions; a guide to doing business with the Bank; its vendor eligibility policy; and a listing of current business opportunities, as well as all contract awards for contracts valued over \$250,000.<sup>14</sup> The Bank is also promoting greater disclosure and monitoring of contracts at the country level through its leadership of the Open Contract initiative.

Capturing the volume of information acquired from the external audits and then monitoring that data is time intensive and requires constant maintenance and up-to-date technology. To improve the quality and timeliness of the data captured by the external financial audits, the Bank is modifying the financial management platform to strengthen audit report monitoring and documentation.

**AfDB:**

As noted in the previous GCI report, the AfDB policy on access to information presumes disclosure, except for a short "negative list." This policy had been approved prior to the previous

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<sup>14</sup> The World Bank vendor guide is available at:  
<http://siteresources.worldbank.org/EXTCORPPROUREMENT/Resources/VendorGuide.pdf>



GCI report, and came into effect in February 2013. In the Information Disclosure Handbook (also launched in February 2013), the AfDB makes specific reference to the disclosure of audited financial statements in the list of items to be posted on the website upon receipt from borrowers.<sup>15</sup> In addition, like its peers, the AfDB, also posts overview assessments of project performance on its web site.

#### IDB:

The IDB is in the final stages of implementing changes needed to fully harmonize its implementation guidelines for its Access to Information Policy (AIP) with those of its peers. These changes will allow for disclosure of the financial statements of IDB projects, provided that the authorities of a country in which a project is undertaken do not object to their publication. If there is an objection, the country's authorities are responsible for providing redacted statements that provide financial information at a level acceptable to the IDB. These changes are reflected in amendments to the guidelines to the AIP that were adopted and shared with the IDB Board in February 2013, and are posted on the IDB website.<sup>16</sup>

Further, in August 2012, the IDB Board approved the IDB President's appointment of the members of the Access to Information external review panel, which will review appeals in which claimants seek to reverse decisions to withhold information. In 2012, the IDB established an office tasked specifically with implementing the AIP, which includes providing ongoing technical support to different IDB units. New actions taken to strengthen implementation of the AIP include: improvements to the external website; creation of document "classification instructions;" design of training programs for publishers; and introduction of coordination activities between various IDB units responsible for the AIP's implementation.

As indicated earlier (See *Information Disclosure* under Question 2), OVE concluded that the IDB's new AIP policy was a major step forward, and confirmed that it was broadly consistent with other MDBs while expressing concerns that the exceptions policy to country specific information was overly broad.

***(7) Adopting policies concerning the World Bank's proposed Program for Results (P4R) to limit P4R to no more than 5 percent of annual World Bank lending as a pilot for a period of not less than two years; require that projects with potentially significant adverse social or environmental impacts and projects that affect indigenous peoples are either excluded from P4R or subject to the World Bank's own policies; require that at the close of the pilot there will be a thorough, independent evaluation, with input from civil society and the private sector, to provide guidance concerning next steps for the pilot; and fully staff the World Bank Group's Integrity Vice Presidency, with agreement from Borrowers on the World Bank's jurisdiction and authority to investigate allegations of fraud and corruption in any of the World Bank's lending programs including P4R;***

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<sup>15</sup> Available at: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/DAI%20Staff%20Handbook.pdf>

<sup>16</sup> Available at: <http://www.iadb.org/en/about-us/access-to-information/simultaneous-disclosure,7305.html?#poli>

Since the launch of the Program for Results (P4R) instrument in January 2012, the Board has approved seven operations in five sectors, totaling \$1.03 billion in Bank commitments and leveraging another \$1.4 billion in government and partner funding. Total funding falls well within the agreed upon five percent cap. None of these projects, which are detailed below, is a Category A project with significant adverse environmental impacts, as agreed when the Bank approved the P4R instrument.

- *Ethiopia*: \$100 million in performance-based assistance will be provided to improve the delivery and use of a comprehensive package of maternal and child health services. The Health Millennium Development Goals (MDG) Program will help to accelerate progress towards meeting the maternal health MDG, sustain the gains made in the child health MDG, and strengthen health systems in Ethiopia. Bank financing is being pooled with the MDG Performance Fund, comprised of nine development partners. In addition, technical support for strengthening monitoring and evaluation systems, especially for the annual rapid facility assessments, will be provided through a Bank administered Health Results Innovation Trust Fund grant.
- *Morocco*: A \$300 million loan will contribute towards the second phase of the \$2.1 billion Government of Morocco National Initiative for Human Development (INDH). The project finances income-generating activities, improved access to basic services, and key infrastructure in the poorest regions of Morocco.
- *Nepal*: A \$60 million loan to the Government of Nepal will support the Department of Roads' \$147 million strategic roads network bridge program with the construction of a series of small bridges. The project supports the country's vision of providing safe, reliable and cost-effective bridges. It will maintain 89 bridges, many over 35 years old, complete major and minor maintenance on more than 300 bridges, and construct 121 new bridges.
- *Tanzania*: \$255 million in performance-based assistance will be provided to 18 (out of 26) Urban Local Government Authorities in Tanzania to improve urban service delivery. Local governments will use grant proceeds to improve roads, public spaces for market and trade, and solid waste management, among other small-scale infrastructure.
- *Uganda*: \$150 million will be provided to improve the institutional performance of Program Local Governments to improve urban service delivery. The project includes: road rehabilitation and upgrading; urban solid and liquid waste management; water and sewerage extension to peri-urban areas, markets and abattoirs; and bus, truck, or taxi stands.
- *Uruguay*: A \$66 million loan supports the existing program to rehabilitate and maintain the national road infrastructure and improve public sector capacity to plan, regulate, and monitor transport and logistics services. The project supports the government's broader strategy of improving the quality of road infrastructure and increasing coverage.

- *Vietnam*: \$200 million in performance-based assistance will be provided to expand access to water supply and sanitation services to rural areas in eight Vietnamese provinces. As part of The National Target Program Project, this funding will provide safe clean water for 1.7 million people and improved sanitation for 650,000 people living in eight provinces in the Red River Delta. The program will strengthen governance systems for results-based service delivery, as well as gender-based monitoring and reporting.
- *Kenya*: \$250 million in performance-based assistance will be provided to improve Kenya's social safety net program with cash transfers to the poorest and most vulnerable populations. The program will also support nearly 300,000 households who will receive bi-monthly payments of about \$60.

As noted in the previous GCI report, the Office of the Integrity Vice President's (INT's) Office has noted that the P4R Anti-Corruption Guidelines are incorporated in all P4R binding legal agreements. INT has also confirmed that the legal agreements provide it clear authority to investigate instances of fraud and corruption in these projects. Further, affected persons will also have redress under the World Bank's Inspection Panel.

***(8) Concerning the World Bank, strengthening the public availability of information regarding International Finance Corporation (IFC) subprojects when the IFC is funding a financial intermediary, including—(A) requiring that higher-risk subprojects comply with the relevant Performance Standard requirements; and (B) agreeing to periodically disclose on the IFC Web site a listing of the name, location, and sector of high-risk subprojects supported by IFC investments through private equity funds.***

IFC's primary focus in working with financial intermediaries (FIs) – including private equity funds –is to increase access to finance in ways that lead directly to poverty reduction and job creation. IFC seeks to work with entities that are socially and environmentally responsible and that share financial inclusion goals.

All IFC projects go through a screening process for environmental and social issues, and the FI in which it is investing is required to have a satisfactory environmental and social management system in place. The IFC reviews the client environmental and social management system and, if needed, establishes an action plan to address any shortcomings.

The updated IFC Sustainability Framework, which entered into effect in January 2012, also requires that higher-risk sub-projects (i.e., projects subsequently financed by the FI) also comply with its Performance Standards. In addition, the IFC has agreed to periodically disclose information on the name, location, and sectors of high-risk sub-projects that have been supported by the IFC under the updated Sustainability Framework through private equity funds, subject to regulatory constraints and market sensitivities.

The timing of IFC disclosure of private equity fund sub-project depends on: 1) the date on which a commitment by the IFC is made to the private equity fund operations; 2) the timing of reporting by the private equity funds to the IFC; and 3) when each private equity fund actually invests in a high-risk subproject.

The IFC typically gets written reporting from its private equity fund clients one year after commitment through an "Annual Monitoring Report." Once reporting begins, the IFC anticipates that each private equity fund's information on sub-projects will be updated annually.

The IFC's Office of the Compliance Advisor/Ombudsman (CAO) recently conducted an audit of a sample of the IFC's FI investments. The audit found that the majority of the investments were in accordance with applicable environmental and social policies and procedures. In addition, the CAO noted that the increase since 2008 in staff resources and funding for environmental and social supervision in FI investments had a significant positive impact on the level and quality of client engagement and compliance. However, the audit also found that the IFC does not have a methodology for determining if its approach achieves the IFC's core objective of doing no harm or improving environmental and social outcomes at the sub-project level. IFC management is preparing an action plan to address the weaknesses uncovered in the CAO audit.