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**REPORT TO CONGRESS:**  
**ACHIEVEMENT OF CERTAIN POLICY GOALS WITH RESPECT  
TO TRANSPARENCY AND ACCOUNTABILITY IN THE  
MULTILATERAL DEVELOPMENT INSTITUTIONS**

**MARCH 14, 2005**

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This report is presented in compliance with section 581 of Division D of the Consolidated Appropriations Act, 2004 (Pub. L. No. 108-199), which directs the Secretary of the Treasury to instruct the United States Executive Director at each multilateral development institution (MDI) to inform his or her respective institution of certain policy goals pertaining to transparency and accountability and to use the voice and vote of the United States to achieve such goals by June 30, 2005. The Treasury Department provided an initial report on September 1, 2004 to the appropriate congressional committees describing the actions taken by each MDI to implement the policy goals as well as further actions needed. This report provides additional information on progress within the institutions with respect to the policy goals as well as further actions expected or required to occur to fulfill the goals.

The MDIs covered by this requirement are: The International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Association (MIGA), the African Development Bank (AfDB), the African Development Fund (ADF), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), and the Inter-American Investment Corporation (IIC). For the purpose of this report, the IBRD and IDA will be treated as one institution (the World Bank) and the African Development Fund will be subsumed under the African Development Bank. The IBRD, IDA, IFC and MIGA together are referred to as the "World Bank Group". The policy goals covered by section 581 are listed in Annex A.

As was stated in the September report, the transparency and accountability objectives established in section 581 are an integral part of the Treasury Department's efforts to fight corruption in the use of funds by the MDIs and to provide the public with more information on how these institutions operate and the results they achieve. Treasury's efforts are focused on three levels. First, at the institutional level, we are focused on improving the functioning of MDI investigative mechanisms, whistleblower protections, corporate procurement and

internal control processes for internal auditing - and increasing the disclosure and accountability of MDI operations. Second, at the project level, we are focused on encouraging the MDIs to conduct analyses and design projects that help reduce opportunities for corruption, to strengthen fiduciary standards, improve project supervision and disclose results. Third, at the country level, we focus on enhancing the transparency and accountability of recipient countries' governance systems and improving the disclosure of MDI operations and analyses to affected communities. With respect to this last category, the Treasury Department provides considerable information to Congress in accordance with Section 803 (b) (1) of Public Law 106-429, Foreign Operations, Export Financing and Related Programs Appropriations Act, 2001, which requires an annual report by the Treasury Department on actions taken by recipient countries, as a result of the assistance allocated to them by the multilateral development banks (MDBs), to strengthen governance and reduce the opportunity for bribery and corruption.

Treasury has been working diligently to achieve the implementation of the Section 581 provisions. Shortly after the legislation was enacted into law, Under Secretary for International Affairs John Taylor sent a memo to each of the U.S. Executive Directors in which he conveyed the section 581 language along with a request that they use every appropriate opportunity to press for the goals set forth in that section. Since then, our Executive Directors have been working in a variety of ways to make progress toward these goals. This has included informal conversations with fellow Directors and senior management officials, as well as the Directors' use of their "voice and vote" for proposals formally put before the Boards of Directors for discussion. We have also pushed our agenda forward in the context of replenishment discussions (see Annex B for pertinent language from the African Development Fund and IDA replenishment agreements) as well as through direct discussions with our counterparts in other countries, particularly the G-7.

We have made considerable progress, despite the reluctance on the part of a number of other shareholders to join us in this effort. The reluctance is largely centered around two issues. One is that these measures will impede the ability of the institutions to deliver development assistance in an efficient and effective manner. There is a perception that these policy goals will add additional administrative burdens on top of the numerous existing requirements that weigh down the institutions ability to quickly deliver development assistance. The other is that some of these measures will impair the deliberative and frank nature of Board discussions. In response, we explain that these measures represent good corporate governance that will increase the effectiveness of the MDIs by making them more accountable for achieving results. Increased disclosure will also increase public support for their work in promoting economic growth and poverty reduction.

Below is a summary of the extent to which the MDIs meet the various goals of section 581:

- All but two of the institutions (EBRD and MIGA) either disclose minutes of their Board meetings, have agreed to disclose minutes, or are moving forward with proposals to disclose minutes.
- All MDIs keep a written transcript or electronic recording of each meeting of their boards and preserve the transcripts or recordings for at least 10 years after the meeting.
- All MDIs have taken various measures to increase public involvement in, and awareness of, proposed public sector projects, strategies and policies that will be the subject of Board decisions. All MDIs also have rigorous procedures, including use of resources and conditionality, to ensure that borrowers comply with applicable laws.
- All institutions either post on their website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by their respective investigations units, have agreed to do so, or are moving forward with a proposal to do so.
- All the development institutions provide information on indicators and results for health, education and poverty-focused projects, policies and strategies. All the institutions that finance such projects provide the information upon project completion and all but one (IADB) either provide the information during project execution, have agreed to do so, or are moving forward with a proposal to do so.
- All but one of the institutions (AsDB) have agreed to conduct independent audits or assessments of internal management controls over operations and compliance or have begun to implement a regular process for assessing their internal controls systems in a manner consistent with the approach of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- All of the multilateral development institutions currently have in place, or are putting in place, procedures for the receipt, retention and treatment of external and internal complaints and concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters. Where procedures are already in place, the institutions are constantly reviewing them to see if they should be improved.

The following two sections provide information on the extent to which the MDIs meet the Section 581 goals. The first section organizes the information by institution and the second section by policy goal. A table indicating the extent to which each institution meets each of the seven goals is provided at the end.

## **Section I – Status of Section 581 Policy Goals by Institution**

### **International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), collectively known as the World Bank.**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: The World Bank Board of Directors has recently approved a revised disclosure policy under which the Bank will make available to the public Board minutes after the Board has approved the minutes.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The World Bank meets this policy goal.

Policy Goal #3 (First part): All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

Status: The World Bank does not disclose to the public internal documents prepared for the Board of Director's final endorsement or approval prior to the Board's consideration. Poverty Reduction Strategy Papers (PRSPs) are disclosed to the public prior to their consideration but these are documents drafted by the governments of the countries themselves, and not by the staff or management of the institutions.

While the documents themselves are not released to the public prior to Board consideration, considerable information is made available to the public about proposed projects, policies and strategies. For proposed public sector projects, the World Bank discloses a Project Information Document which describes, in summary form, a project and its intended objectives. It also makes publicly available environmental assessments for projects that could have a significant impact on the environment. With respect to country assistance strategies, sector strategies, and sector policies, the World Bank normally makes draft policy documents and draft Sector Strategy Papers publicly available to facilitate a public consultation process. It may also do the same with draft Country Assistance Strategies or portions of such strategies. The feedback received during these consultations is regularly summarized and posted on the Bank's external website, along with explanations by Bank staff on how it has been or will be used. A 2003 retrospective on World Bank Country Assistance Strategies

(CASs) showed that almost 90 percent of the strategies involved civil society in the “upstream” formulation process.

The Bank has approved a pilot program to disclose operational policy reviews simultaneously with their distribution to the Board of Directors. The pilot is limited to operational policy reviews that are subject to an external consultation process. Management will state its intention to the Board to include an operational policy review in the pilot. As is current practice, external consultations will normally take place on the basis of the Issues Note endorsed by the Executive Directors. After the external consultation process, Management will prepare the draft operational policy review and transmit it to the Board for an informal discussion. This paper will also be made available to the public when it is distributed to the Board. After the Board discusses the policy and approves the proposed policy or policy revision, the finalized paper will be made available to the public.

After the Board discussions of the first two policy reviews simultaneously disclosed under the pilot, Management will report back to the Board with an assessment of the experience. The assessment will focus on the implications for the Board’s deliberative process and implications for the administrative capacity of the Executive Director’s offices. The remainder of the pilot would proceed after Management reports to the Board the costs and benefits experienced from the first two policy reviews and after reaching agreement with the Board on the scope and timing of the remainder of the pilot.

Policy Goal #3 (Second part): Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: Funds to be contributed by the recipient of Bank resources in order to carry out the agreed activities (or implement agreed actions) under a Bank-supported project are known by Bank and its borrowers as “counterpart funds” for the project. The projected or estimated amount of the counterpart funds needed, as well as the conditions that would have to be in place to enable the recipient to supply such funds in a timely manner during project implementation, are addressed by the borrower during project preparation and carefully evaluated by Bank staff as part of project appraisal. Specifically, the borrower prepares a cost estimate and financing plan for each project. The results of the financial appraisal, including the financing plan for the project, are set forth in the Project Appraisal Document (PAD) that forms the basis for project approval by the Executive Directors of the Bank. The key financial covenants are also included in the legal agreements for the project, which are negotiated with the borrower and the implementing entities.

The legal agreements between the Bank and its borrowers include a general covenant which states that “The Borrower declares its commitment to the objectives of the Project ... and, to this end, shall carry out the project with due

diligence and efficiency and in conformity with appropriate .... practices [including financial practices] and *shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.*” In addition, where based on the results of the appraisal, Bank staff recommend inclusion of specific covenants to address particular risks to the reliability of the borrower’s contribution to the project (e.g., specific financial covenants and the making of periodic budgetary transfers), these specific covenants are also included in the legal agreements for the project.

During project implementation, Bank staff supervise borrower implementation of the project. As provided for in para 2 of OP 13.05, *Project Supervision*, “[p]roject supervision covers monitoring, evaluative review, reporting, and technical assistance activities” needed to, among other things, “ascertain whether the borrower is carrying out the project with due diligence to achieve its development objectives in conformity with the legal agreements.” If during project supervision, Bank staff ascertain that the borrower or implementing entity is unable or unwilling to provide the resources (or counterpart funds) needed for the project, this would constitute a breach of the obligations included in the general covenant (and, where relevant, any specific financial covenants) in the legal agreement. Such breach would entitle the Bank to exercise its remedies (including suspension and cancellation) under the legal agreements for the project.

To ensure that Bank support for such borrower projects achieves the maximum development impact and helps advance *the borrower’s* development agenda, it is important to design projects that could, to the maximum extent possible, rely and fit within the existing legal and regulatory framework of the borrower and avoid, whenever possible, covenants which cannot be performed by the borrower without a change in the domestic laws or regulations of the borrower.

Therefore, during project preparation and appraisal, Bank staff assess whether the proposed project design relies on specific laws or regulations of the borrower. If so, Bank staff then assess whether there are any inconsistencies between such laws or regulations and the proposed project design and the development objectives of the project. If no inconsistencies are identified and if Bank staff determine that the success of the project would depend on the continuation of the law in question and on proper enforcement of the said law by the relevant borrower institutions, they may recommend that the legal agreements include remedies relating to such law and such entity. The Bank could then exercise such remedies (including suspension and cancellation) in the event the borrower (i) repeals the law in question or introduces changes in such law that are likely to undermine the project’s objectives, and/or (ii) dissolves or substantially changes the nature of the implementing entity in ways that undermine its ability to carry out the project. Where Bank staff determine that enforcement of a law that is central to the success of the project has been weak, they may also recommend that the project include institution building measures, including, where appropriate, technical assistance to improve the implementation and enforcement capacity of the relevant borrower entities.

In situations where Bank staff identify any inconsistencies between project development objectives or design and the existing laws of the Borrower, Bank staff, in consultation with the borrower, determine whether it makes sense to alter the project design to ensure a better fit with the borrower's existing legislative framework or, where a reform or change of a given law makes sense from a development point of view, whether it is reasonable and realistic in a given time-frame to pursue such change either before the project is finalized (i.e., as a condition of negotiations) or, where this is not possible, during project implementation. In this regard, it is important to keep in mind that since legislative changes usually require action by the legislative branch of the borrower government, legal agreements between the Bank and the borrower cannot require the government (i.e., the executive branch) to amend existing legislation or enact new laws. Instead, where such change is determined necessary from a development point of view, and if such changes cannot be put in place before the project is negotiated, adoption or amendment of particular legislation may be made a condition of loan effectiveness or a condition of disbursement only.

Bank remedies in the event of borrower non-compliance with covenants included in the legal documents for the loans provided by the Bank (and credits and grants provided by IDA) are set out in Articles VI and VII of the General Conditions that apply to the legal agreements concluded by the Bank. These remedies include: suspension, cancellation and acceleration of loan maturity.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The World Bank has recently issued on its website a report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit and intends to do the same on an annual basis.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: Among all the multilateral development institutions, the World Bank has taken the most aggressive approach to implementing a transparent and rigorous results measurement system. With respect to individual projects, the World Bank, upon completion of each lending operation financed by the Bank, reviews the results and prepares an assessment of the operation, known as an Implementation Completion Report (ICR). These reports are publicly available after they have been distributed to the Executive Directors for information. It has also begun to publish its annual "Status of Projects in Execution" report which provides information on each active project, bridging the gap on information available to the public between project appraisal and completion. With respect to policies and strategies, the Bank is increasingly setting explicit objectives in

these documents that can serve as a basis for monitoring and evaluating results. The World Bank's initiative to implement results-based Country Assistance Strategies is particularly noteworthy. These documents will link results to country goals and require a more explicit link between individual Bank interventions, actions to achieve intermediate outcomes, and intermediate outcome indicators. The World Bank's Operations Evaluation Department also regularly provides information to the public on the results of the Bank's work at the project, sectoral, country and institutional levels.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The Auditor General of the World Bank conducts audits pertaining to internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud. In addition to this internal auditing function, the World Bank, as indicated in a response to the 2003 General Accounting Office report on internal controls (GAO-03-366), is committed to undertaking a comprehensive assessment of the internal control systems over operations and over compliance with charters and policies. It has committed to doing this once a range of operational policy changes that are currently being implemented is substantially in place. President Wolfensohn expects all these changes to be completed in the near future. We expect that this assessment will be conducted in an independent manner and be reviewed and updated on a regular basis, and that the results will be made publicly available. The IDA replenishment document states that "Participants noted that Management has committed to carry out an independent comprehensive assessment of its control framework including internal controls over IDA operations and compliance with its charter and policies, and that such assessment would be made available to the public after disclosure has been approved by the IDA's Executive Directors.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: The World Bank Group's Department of Institutional Integrity (INT) has been designated to investigate allegations of fraud and corruption in Bank Group operations and allegations of staff misconduct. Besides investigations, INT also assists in prevention by supporting training for Bank staff to identify ways to detect and deter fraud and corruption in Bank Group operations. INT receives allegations of fraud and corruption in Bank Group operations and conducts preliminary inquiries to determine whether the allegations may have merit. Allegations of fraud and corruption may be submitted to the Bank by fax, e-mail, or the Bank's website. Also, a direct telephone hotline has been set up inside the



Bank, with multilingual capabilities that operates 24 hours, seven days a week, and can be reached by Bank staff and the general public through an international toll-free access system. Persons who do not wish to contact the hotline in the Bank may contact an externally housed hotline operated by an outside firm of trained specialists working under strict standards of confidentiality. Information may be provided anonymously and all information to the hotline is turned over to INT for appropriate action. Whistleblower protection is also offered. In 2004, on the United Nations World Anti-Corruption Day, the World Bank, along with the other MDBs, publicly reasserted its commitment to the United Nations Convention Against Corruption and specifically pledged to uphold those parts of the convention related to the protection of whistleblowers.

In an effort to ensure that its whistleblower protections reflect evolving best practices in the public and private sectors, the Bank is currently undertaking an independent external review of its policies to evaluate any areas for improvement. The U.S. strongly supports this external review and sees it as an opportunity to affirm the credibility of the Bank's system for protecting whistleblower rights, and thus enhance its effectiveness.

## **International Finance Corporation (IFC).**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: The IFC has issued a “Concept Paper on the Review of the IFC’s 1998 Policy on Disclosure of Information” which contains a recommendation to disclose the Board minutes after their approval by the Board if the IBRD Board decides to disclose minutes from its meetings. The revisions would be effective mid-2005. We intend to voice our strong support for this proposal when it comes to the Board for decision.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The IFC meets this policy goal.

Policy Goal #3: All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board. Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: The IFC does not provide loans or credits to the public sector and does not have stand-alone country assistance strategies. With respect to policy issues deemed to involve the public interest, the IFC practice is to make draft documents publicly available to facilitate a public consultation process. A current example is the draft Policy on Social and Environmental Sustainability, including Performance Standards.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The World Bank’s Department of Institutional Integrity (INT) is responsible for activities associated with the IFC. As mentioned previously, the World Bank Group, including the IFC, complies with this policy goal.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results,

and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: Due to concerns over the release of business confidential material, the IFC does not disclose such information on specific projects. However, in the context of its new information disclosure policy, the IFC is proposing to report publicly on aggregate development results in greater detail and in a more systematic manner to promote comparative and consistent analysis.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: Please refer to the information provided above for the World Bank.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: Please refer to the information provided above for the World Bank.

## **Multilateral Investment Guarantee Agency (MIGA)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: We expect that the MIGA Board of Directors will take up a new information disclosure policy upon the completion of the IFC's information disclosure exercise. As with the IFC exercise, we will advocate for release of Board minutes.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The MIGA meets this policy goal.

Policy Goal #3: All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board. Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: This provision is not applicable to the MIGA since all projects are with the private sector and it does not prepare any stand-alone country assistance strategies, sector strategies, or sector policies.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The World Bank's Department of Institutional Integrity (INT) is responsible for anti-fraud and corruption activities associated with the IFC and the MIGA, as well as the World Bank. As mentioned previously, the World Bank Group, including the MIGA, meets this policy goal.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: Due to concerns about the release of business confidential material, the MIGA does not disclose information on results of individual projects.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: Please refer to the information provided above for the World Bank.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: Please refer to the information provided above for the World Bank.

## **African Development Bank and African Development Fund (AfDB)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: In November 2004, the Board approved the public disclosure of the Summaries of Board Decisions, which are essentially equivalent to “the minutes,” as an addendum to the Bank Group Policy on Disclosure of Information. The Summaries of Board Decisions will be publicly disclosed through the Public Information Center, Field Offices and the Bank’s website, 60 days after the relevant Board meetings. Implementation will begin immediately after the Committee on Development Effectiveness and Audit and Finance Committee decide on an appropriate format for disclosure.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The AfDB meets this policy goal.

Policy Goal #3 (first part): All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

Status: The AfDB provides considerable information to the public about proposed projects, strategies and policies. For example, in accordance with its information disclosure policy, Prospective Project Briefs for public sector projects are to be disclosed at least 6 months prior to presentation to the Board through the Bank’s Public Information Center. The AfDB also makes available on its website environmental assessments for projects that could have a significant impact on the environment. With respect to Country Strategy Papers and policy papers, drafts will be released via the AfDB website at least 50 days prior to formal Board discussion. The information disclosure policy also explicitly permits staff to discuss operational and sectoral policy papers in draft form with institutions and individuals outside the Bank with specialized knowledge of specific issues (in particular, relevant and competent NGOs and specialized agencies of the United Nations). Moreover, AfDB President Kabbaj informed Treasury in January that management plans, in accordance with the AfDF replenishment agreement, to submit a proposal for Board consideration to make available to the public project appraisal documents 15 days before consideration by the Board or when the final versions are distributed to the Board. The U.S. Executive Director will actively support this proposal.

Policy Goal #3 (second part): Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: All projects require a legal contract between the AfDB and the recipient of the Bank's funds. These contracts include clauses that require the recipients to meet all their legal and financial commitments, which include compliance with applicable laws and adherence to appropriate public health and environmental protection standards.

When designing and appraising projects, staff review the existing country policy and legal framework to assess the environment under which the project will be implemented. If some of the policies and laws need updating or reformulating, these will be included under the loan conditionalities. Overall, staff identify and know which policies or laws are relevant and applicable to each of the projects financed by the Bank. Follow-up action is done during supervision and mid-term review missions. In general, any terms and conditions associated with compliance with respect to the Bank's Environmental and Social Safeguards (e.g., implementation of a project's Environmental and Social Management Plan (ESMP) or Resettlement Action Plan) is reflected in the ESMPs that are required to be prepared by the Borrowers for all environmental Category 1 & 2 projects. The ESMPs incorporate the elements of costs associated with the Borrowers' commitments to implement the loan covenants, e.g., cost for resettling displaced persons according to the Bank's Policy on Involuntary Resettlement. These costs, to the extent they are not covered by the Borrowers' own budgets, are included in the Bank's loans. With respect to the public consultation processes for an environmentally sensitive project, costs are incurred during the Environmental and Social Impacts Assessment (ESIA) process and are borne by the Borrower. Any costs associated with consultations during the project implementation or project operations are included in the cost of implementation of the ESMP.

Bank-financed projects have to meet criteria of quality at entry and during implementation. These criteria include the existence of national laws and legislation that promotes the sustainability of project activities. Such laws could be on health and transport safety, environmental protection, resettlement regulations and compensation processes, and the rights of individuals and communities who will be beneficiaries of Bank supported projects.

During project supervision and mid-term review missions, Bank staff ascertains compliance with the provisions of the laws, including laws safeguarding the environment. Failure to comply will lead to suspension of disbursements.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: Following Board approval in early 2004 of the Guidelines for Preventing and Combating Corruption and Fraud in Bank Group Operations, Management has presented to the Board a proposal for the establishment of a separate anti-corruption and fraud investigation unit. We have asked that it issue annual statistical summaries and case studies of the fraud and corruption cases pursued by the Anti-Corruption and Fraud Investigation Division (ACFD). If the Board approves the proposal as expected in the first half of 2005, the ACFD should become fully operational in early 2006 and the U.S. Executive Director will request that the first report be produced in 2006 to cover 2005 activities and that it be made available on the Bank's website.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: The African Development Bank is in the process of implementing a new results measurement framework system at the project, sector, country and institutional levels. Using data from this system, the Bank provides information on results of individual projects upon completion and annually provides aggregate results of all the projects. With respect to policies and strategies, the AfDB, with our urging and support, is increasingly setting explicit objectives in these documents that can serve as a basis for monitoring and evaluating their results. Beginning in 2005, the new cycle of Country Strategy Papers will be results-based. The AfDB's Evaluation Department also makes available to the public its reviews of the results of the Bank's work at the project, sectoral, country and institutional levels. The AfDF replenishment document calls for the Bank to publish on its website specific indicators and results of projects and programs, both periodically during the execution and at their completion.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The Auditor General conducts audits pertaining to internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud. The U.S. Executive Director has urged the institution to develop a plan for conducting and making publicly available independent comprehensive audits of management controls over operations and compliance. In response to U.S. requests, the Director of the independent Operations Evaluation Department (OPEV) has committed to undertake the first comprehensive review of the Bank's project and program supervision systems in



2005. This review, which is in the OPEV work program for 2005 and which will be made public, is expected to include an assessment of management controls over operations and compliance.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: The AfDB has established procedures for receiving and investigating allegations of fraud and corruption. If a Bank staff member, or any other employee under contractual duty to the Bank, its borrower, contractor or supplier, uncovers evidence or receives written allegations of corruption and/or fraudulent practice in a Bank-financed operation, that person is obligated to report in good faith such information, regardless of its source, immediately but no later than 72 hours after learning of such occurrence.

According to the U.S. Executive Director's office, the current system is ad hoc and essentially involves passing allegations via e-mail or letter to the Internal Audit Department (AUDT) Director or Operations Directors for information and possible action. The AUDT Director can recommend to the President of the Bank Group that an investigation be conducted but the AUDT Director does not have authority to undertake investigations without prior approval from the President. The AUDT Director might recommend to the President that an investigation be undertaken based on an allegation or the results of normal internal and project audits that raise questions that cannot be answered without further investigation.

Over the past two years, the USED's office has led the Board in pushing for the establishment of an anti-corruption and fraud investigative unit, including a hotline and whistleblower protections. Proposals to establish these mechanisms are now under consideration by the Board (see policy goal #4), and the U.S. has made extensive comments and suggested changes, consistent with the best practices in the other multilateral development banks, to improve the efficiency of the new structures. If the investigation mechanism is adopted with the proposed U.S. modifications, it will be effective and will be among the most important institutional reforms in the recent history of the Bank.

## **Asian Development Bank (AsDB)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: The Asian Development Bank has proposed a change to its current disclosure policy that would result in the posting of the minutes of its Board of Directors meetings on its website. This proposal is part of a number of proposed enhancements set out in its “Draft Public Communications Policy” dated December 23, 2004. The U.S. Executive Director has expressed his strong support for this change.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The AsDB meets this policy goal.

Policy Goal #3 (first part): All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

Status: The AsDB does not disclose to the public, prior to the Board’s consideration, the documents prepared for the Board final endorsement or approval. While these documents are not currently released to the public prior to Board consideration, considerable information is made available to the public about proposed projects, strategies and policies. For proposed projects, the AsDB releases a Project Profile on its website which describes, in summary form, the project and its intended objectives. The AsDB also makes available environmental assessments for projects that could have a significant impact on the environment. Draft strategy and policy papers are generally made publicly available for external consultations. The proposed new communications policy makes it clear that the AsDB would actively seek participation of its shareholders and other interested individuals and organizations during the formulation of policy and strategy papers, particularly in sector, thematic, and safeguard areas. The Bank would make publicly available a list of policies and strategies it expects to review during the next 12 months and, where applicable, a consultation plan for each policy or strategy review. With respect to country strategy and program documents, the AsDB and the concerned government are expected to provide information to in-country stakeholders while the documents are under preparation. This information may be communicated in the form of draft Country Strategy Papers (CSPs), excerpts of draft CSPs, discussion or issue documents, or oral communication, as deemed appropriate by the Bank. During the Board’s

recent discussion of the draft Public Communications Policy (PCP) the U.S. Executive Director strongly advocated for circulation of public sector project documents, country assistance strategies, sector strategies and sector policies 15 days prior to their consideration by the Board or when the final version is distributed. The Board will consider the draft PCP in the coming months.

Policy Goal #3 (second part): Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: The Bank's Office of the General Counsel (OGC) lawyers participate with regional department staff in country teams, project and program fact-finding and appraisal missions, and conduct due diligence, to identify local legislation relevant to AsDB's portfolio in countries or sectors, projects or programs. This helps ensure AsDB considers local legal conditions in its financed projects, or engages local counsel as consultants to provide appropriate information.

Both Special Operations and Ordinary Operations loan regulations and all loan agreements require the borrower to use the loan proceeds only for agreed project purposes in compliance with local laws and AsDB policies. In the case of safeguard policies, loan agreements provide that AsDB policy prevails in the event of any conflict between an AsDB policy and the national law. This is often especially relevant in the area of resettlement.

Private sector loan agreements include a covenant on compliance with all relevant local laws and regulations. Noncompliance with this covenant can result in a default.

For a loan to become effective, the AsDB requires a legal opinion from the borrower, and from states, provinces or independent agencies (such as a regulator) if they are involved as borrowers or executing agencies, that states the loan documents are legal and binding on the borrower and executing agencies. The attorney general or equivalent of a borrowing country or a state or province, and the general counsel or outside counsel to an independent agency normally provides these opinions.

Increasingly, AsDB projects are establishing a role for civil society to incorporate redress mechanisms before project implementation and to ensure good governance and compliance with local laws. Also, with Regional Departments, the OGC identifies areas of legislation and regulation for technical assistance and investment projects, including ways to improve enforcement of laws (e.g., capacity building for the judiciary and for regulators in sectors relevant to the AsDB's portfolio).

The AsDB reviews compliance with loan covenants when administering projects and programs. Depending on the extent of the law reform-related components, the OGC will either participate in review missions or review mission reports to

assess compliance with loan agreement covenants, including those on relevant local laws and regulations.

The AsDB has a variety of remedies available under the applicable loan regulations and the project or program specific loan agreement to address noncompliance. Loan regulations provide for suspending, canceling and accelerating maturity of loans in cases of noncompliance. Events that can lead AsDB to take any of these actions include, among other things, failure to comply with any covenant, and where fraud and corruption is involved. For individual projects and programs, additional specific events (e.g., dissolution of a state-owned enterprise, or rescission of a relevant regulation) are added to events that may trigger suspending, canceling and accelerating maturity of the particular loan.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The AsDB meets this policy goal.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: The AsDB has a results measurement framework system at the project level and has begun to strengthen its results measurement framework system at the sector, country and institutional levels. Using data from the results measurement system, the Bank provides information on results of individual projects upon completion and annually provides aggregate results during execution. The proposed new AsDB communications policy would require the disclosure of results on individual projects during execution through a Project Implementation Document. With respect to policies and strategies, the AsDB, with our urging and support, is increasingly setting explicit objectives in these documents that can serve as a basis for monitoring and evaluating their results. The AsDB's Evaluation Department also makes available to the public its reviews of the results of the Bank's work at the project, sector, country and institutional levels.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The Auditor General of the AsDB conducts audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and detecting and preventing fraud. The Bank does not currently have a plan for conducting independent audits of management

controls over operations and compliance. However, in 2003 its Operations Evaluations Department conducted a special study of the Bank's project performance management system which is available on the Bank's website<sup>1</sup>. The study assessed the efficiency, quality and use of the AsDB's Project Performance Monitoring System (PPMS) to determine if the PPMS provides accurate and useful information on the effectiveness and efficiency of operations. In addition to the assessment, the study provided a number of recommendations on ways the system could be improved. Treasury will advocate for this study to be updated on a regular basis, and expanded to include an assessment of the system for ensuring compliance with policies, plans, procedures, laws and regulations as well as the one for ensuring the effectiveness and efficiency of operations. It should also be noted that the most recent Draft Public Communications Policy welcomes external involvement in monitoring internal management controls.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: The AsDB has established procedures for receiving and investigating allegations of fraud and corruption. Bank staff are required to report all allegations of fraud or corruption in AsDB-financed projects or among its staff. Reporting procedures for both internal and external sources are clearly spelled out, and reports may be filed by e-mail, facsimile (fax), mail, in person, or by telephone. When reporting on fraud, detailed information is required, insofar as possible, including who, what, when, where, why, and how. Any investigation based on reported allegations is to be conducted with the utmost confidentiality and discretion, and the Bank utilizes a range of measures to protect whistleblowers. Information reporting mechanisms in the AsDB include the use of a special telephone line that reaches all members of the Anti-corruption Unit simultaneously. There is also a secured facsimile and a special e-mail address for the Anticorruption Unit. The U.S. Executive Director has stated that he believes these AsDB mechanisms are effective.

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<sup>1</sup> Asian Development Bank, "Special Evaluation Study on Project Performance Management in the Asian Development Bank and its Projects in Developing Member Countries," November, 2003.

## **European Bank for Reconstruction and Development (EBRD)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: In the most recent review of the EBRD's implementation of its Public Information Policy, the U.S. Executive Director recommended that the EBRD permit disclosure of the minutes of its Board meetings. However, his proposal did not receive any support from other Board members. The U.S. Executive Director opposed the Public Information Policy because it was not progressive enough in several areas of disclosure, including release of Board minutes. He continues to urge adoption of this policy at every appropriate opportunity. When all the other MDIs have this practice in place, the EBRD Board might be persuaded to take action by adopting best practices in this area.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The EBRD meets this policy goal.

Policy Goal #3 (first part): All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

Status: The EBRD does not disclose to the public internal documents prepared for the Board of Directors' final endorsement or approval prior to the Board's consideration. While these documents are not released to the public prior to Board consideration, considerable information is made available to the public about proposed projects, strategies and policies. For proposed projects, the EBRD releases a Project Summary Document on its website which describes, in summary form, the project and its intended objectives. These are released at least 30 days prior to Board consideration for private sector projects and 60 days prior to Board consideration for public sector projects. For projects that could have a significant impact on the environment, the EBRD also requires environmental impact assessments, which must be made public 60 days in advance of Board consideration (120 days for public sector projects). Draft strategy and policy papers are generally made publicly available for external consultations. Under the EBRD Public Information Policy, all (draft) Sectoral Policies, after pre-Board discussion by the Directors, are posted on the Bank's Web site for a period of 45 calendar days, during which time the public is invited to send comments on the policy. Furthermore, Management proactively stimulates stakeholders' interest in, and contributions to, the drafting of these

policies and the comments are summarized and distributed to Directors before approval of the relevant policy. With respect to Country Strategies, comments are invited from the public as input to the preparation of each new (draft) strategy. This input is on the basis of the existing Country Strategy, already available on the Web site, and an accompanying management note outlining the main areas to be focused upon in the Review.

Policy Goal #3 (second part): Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: The EBRD undertakes a financial due diligence process before pursuing any transaction. Part of that initial due diligence involves reviewing a borrower or client's audited financial reports and management letters, which enables the EBRD to determine the financial condition of a company, including its ability to fulfil terms and conditions of an operation.

The monitoring phase of a project begins immediately after Board approval and continues throughout the physical implementation of an EBRD project and the beginning of commercial operations and continues until repayment in full or, for an equity position, divestment. EBRD staff prepare detailed monitoring reports based on quarterly client reports and, where relevant, field visits and annual financial statements. These monitoring reports are first done six months after signing and at six-month intervals thereafter. Monitoring reports may take place quarterly if a previous report indicates a serious deterioration in a project's performance. In addition, at each loan drawdown or interest rate rollover period, a borrower has to report that it is compliant with covenants at that time. If it is not, a borrower must report the violation(s). The EBRD has regular contact with respective government authorities and would be informed through that channel, as well.

Environmental supervision is undertaken while an operation is being monitored by the EBRD. As part of the legal documentation associated with a project, the Bank normally requires an Environmental Action Plan to which the project sponsor commits. Environmental monitoring is undertaken in a number of ways, through routine reporting and emergency notification (with regard to environmental accidents or fatalities/safety accidents). For more complex projects or where there are sensitive issues, Environment Department staff also undertake site visits, and independent audits are often required periodically throughout the EBRD's involvement in the project.

The Bank's Operations Administration Unit has the responsibility to certify that material loan conditions have been met prior to disbursement of EBRD funds. Any breach of a loan covenant triggers an internal review procedure involving IS several divisions of the EBRD, including the General Counsel's office. If there is a breach of a loan condition, EBRD has several remedies. A borrower's failure to

meet loan conditions or covenants could render a contract null and void and could lead EBRD to call or accelerate repayment of the loan. Depending upon the circumstances, EBRD could waive the condition or defer the condition to a certain date in the future, or require the borrower to undertake remedial measures. Since the environmental requirements, including the Environment Action Plan, are part of the legal documentation and covenanted by the client, the recourse on environmental and safety conditions is the same as it is with respect to other conditions in the legal documentation.

Urged strongly by the U.S., the Audit Committee has been increasingly interested in the process of assessing the systems in place for ensuring compliance with these legal covenants. As a result, the EBRD now informs the Board of the issuance of any waivers of material conditions.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: Management has approved in principle the production and publication of an anti-corruption report. The Chief Compliance Officer is currently putting together an internal working group which will meet to consider the scope and format of such a report, and the U.S. Executive Director has requested that statistical summaries and case studies of fraud and corruption cases pursued by its investigations unit be part of it.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: As an institution focused predominantly on promoting private sector activity, the EBRD generally does not finance health, education, and poverty-focused projects. With respect to results measurement, the EBRD has a thorough results measurement framework system at the project level. However, since the majority of EBRD projects are with the private sector, release of project-specific information is constrained by obligations not to release business-confidential information. Nonetheless, the EBRD endeavors to provide indicative information through aggregate information, case studies, and analysis of selected projects. The EBRD's Evaluation Department publishes on the EBRD website its annual report as well as other special reports.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The Internal Audit office of the EBRD conducts audits pertaining to internal management controls and the procedures for meeting operational



objectives, compliance with Bank policies, and the prevention of fraud. The EBRD Management has begun to implement a regular process for assessing its internal controls systems in a manner consistent with the approach of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The 2004 Annual Report will include management's assertion letter on the effectiveness of these internal controls and the external auditor's attestation letter. The Bank has established a COSO and Operational Risk Management Unit to oversee the system's functioning. The plan is to implement this in a sequential manner, first addressing internal controls over external financial reporting and subsequently addressing the Bank's operational risk policies.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: The EBRD has established procedures for receiving and investigating allegations of fraud and corruption. The EBRD's Office of the Chief Compliance Officer handles all matters relating to fraud and corruption. Under current practice, any person within or outside the Bank may report suspected fraud and corruption in the EBRD and EBRD-financed projects. Also, allegations regarding misconduct of Bank officials, employees or consultants in Bank operations are to be reported. Such reporting can be made either by calling a hotline number or by submission of a written report. The hotline number for reporting allegations is operated by an independent contractor under the strictest confidentiality. The hotline is accessible from all member countries of the Bank. Reports can be made in any official language of the Bank or of the Bank's countries of operation. However, calls to the hotline number will be answered in English, with interpreter services made available. The Bank is responding to doubts raised about the effectiveness of its procedures by reviewing its whistleblower policy with the expectation of strengthening, where necessary, the protection of whistleblowers. The United States has strongly encouraged the management to, at a minimum; adopt the best practices in place at the other MDIs. This work is being facilitated through continued coordination among the various investigative functions and units.

## **Inter-American Development Bank (IADB)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: The IADB meets this policy goal.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The IADB meets this policy goal.

Policy Goal #3 (first part): All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

Status: The IADB does not disclose to the public internal documents prepared for Board of Directors' final endorsement or approval prior to the Board's consideration. While these documents are not released to the public prior to Board consideration, considerable information is made available to the public about proposed projects, strategies and policies. For proposed projects, the IADB releases a Project Concept Document on its website which describes, in summary form, the project and its intended objectives. The IADB also makes available to the public environmental assessments for projects that could have a significant impact on the environment. Draft strategy and policy papers are generally made publicly available for external consultations. Under the new IADB information disclosure policy, profiles or draft versions of the text of proposals for new or modified sector policies, sector strategies and sector guidelines may be made available to the public during the process of preparation by Bank staff of such proposals, for purposes of gathering opinions and input from institutions and individuals outside the Bank. The IADB has developed a webpage specifically for the purpose of soliciting input into proposed strategy and policy papers. With respect to country strategies, the current Board-approved guidelines urge a systematic effort to reach out to non-government parties such as the private sector, labor, civil society, and academia, in the early stages of their preparation to ensure that the strategy captures as comprehensive a societal view as possible.

Policy Goal #3 (second part): Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process

such as public consultation, and to public health and safety and environmental protection.

Status: To verify that the borrower has complied with local funding obligations, the Bank makes the first disbursement of the loan conditioned on the borrower demonstrating that it has allocated sufficient resources to cover, at least during the first calendar year, the execution of the project in accordance with an investment schedule. After the first calendar year following the initiation of the project and during the period of its execution, the borrower must demonstrate to the Bank (in the first 60 days of each calendar year) that it will have available, when needed, the resources to make the local contribution to the project during that year. Overall, the borrower must maintain records that show the amount of resources needed to comply with local funding obligations. The borrower must submit to the Bank, prior to the first disbursement of the loan and annually thereafter, acceptable evidence that it has allocated sufficient local funds to complete the execution of the project. Appropriation of funds for a particular project in the borrower's official budget followed by their inclusion in the detailed annual investment schedule has been accepted by the Bank as evidence of compliance with local funding obligations. Non-compliance entitles the Bank to terminate the loan contract within 180 days from its effective date.

Prior to issuing each call for public tendering or the acquisition of goods for the initiation of the construction works, the borrower must submit to the Bank for consideration: the general plans, specifications, budgets, and other documents required for the acquisition or the construction; and in the case of works, evidence that it has the right of legal possession, easements or other rights necessary to initiate construction on the real property as well as the riparian rights required for the respective works. The borrower must meet the conditions that the project shall be executed with due diligence in conformity with sound financial and technical practices in accordance with the plans, specifications, investment schedule, budgets, regulations, and other documents approved by the Bank. The borrower is required to inform the Bank and obtain its written consent whenever there are modifications of legal provisions that may affect the project. The loan contracts do not provide for any specific remedies in case of non-compliance by the borrower with local legislation; however, if a specific requirement under local legislation happens to be a requirement under the loan contract then the Bank can avail itself of any of the remedies set forth in the contract related to non-compliance.

The IADB's Country Office is responsible for supervising and monitoring the administration and disbursements of Bank approved projects. Its responsibilities include the review and approval of compliance with all contractual conditions of loan contracts and financing agreements and the technical, institutional and financial monitoring of the project, through project and institutional visits.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The Office of Institutional Integrity plans to release the Annual Fraud and Corruption Report, which will include statistics and case studies, at the end of March 2005.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: The IADB has a results measurement framework system at the project level and has begun to strengthen its results measurement framework system at the sector, country and institutional levels. Using data from this system, the Bank provides information on results of individual projects upon completion and annually provides aggregate results during execution. With respect to policies and strategies, the IADB, with U.S. urging and support, is increasingly setting explicit objectives in these documents that can serve as a basis for monitoring and evaluating project results. The IADB's Office of Evaluation and Oversight also makes available to the public its reviews of the results of the Bank's work at the project, sectoral, country and institutional levels. The U.S. Executive Director has requested that the IADB begin to issue a report on the status of projects in execution modeled after the report issued by the World Bank.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The Auditor General of the IADB conducts audits pertaining to internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud. In addition to this internal auditing function, last year the IADB, through its independent Office of Evaluation and Oversight, conducted an evaluation of the use of the Bank's supervision instruments and assessed the extent to which they comply with the requirements established in Bank manuals and standards and how these instruments relate to the management risks associated with the execution of operations and to the internal control systems<sup>2</sup>. Building on this experience, the Board of Directors has recently approved a new lending framework that requires periodic and publicly available, independent assessments of the internal control systems over operations and compliance.

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<sup>2</sup> Office of Evaluation and Oversight, Inter-American Development Bank, "The Project Supervision System: An Evaluation of Use of its Instruments" (RE-293). April 13, 2004.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: The IADB has established procedures for receiving and investigating allegations of fraud and corruption. The IADB's Office of Institutional Integrity (OII) is the central unit responsible for the detection, investigation and prevention of fraud, waste, abuse and misconduct. The OII's Chief reports directly to the President of the IADB. OII is responsible for receiving and investigating allegations of corrupt or fraudulent activities or unethical behavior involving Bank-financed activities or Bank staff. Allegations may be reported to OII in person, by telephone, by e-mail, by facsimile, by regular mail, or through the allegations forms on its website. The Bank has a staff rule that provides protection for whistleblowers and witnesses. This staff rule strictly prohibits retaliation against any staff member for reporting an allegation of fraud or corruption or a violation of a law or rule or regulation of the Bank. Moreover, requests for confidentiality or anonymity when presenting an allegation will be honored. OII staff is also available to provide counseling on matters related to these issues. OII also plans to develop training and proactive prevention programs to deter fraud and corruption before they occur. Despite the existence of all these procedures, outside parties continue to express serious doubts about their effectiveness. These doubts, in and of themselves, discourage the use of existing mechanisms. As a result, the newly-created OII continues to review its procedures for handling allegations of fraud and corruption with the objective of instituting best practices for international organizations. Much of this work is being undertaken through consultations among the multilateral development bank investigative functions and units.

## **Inter-American Investment Corporation (IIC)**

Policy Goal #1: No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

Status: The IIC does not currently release the minutes of its Board meetings. The United States is working through the U.S. Executive Director to propose modifications to the current IIC information disclosure policy that would, among other things, include release of the Board minutes and have these modifications discussed by the Board in 2005. The IIC is in the process of reviewing its current Disclosure of Information Policy to broaden the scope of the information available to the public, based on the principle that information concerning the IIC and its activities will be made public in the absence of a compelling reason for confidentiality. If approved as proposed, under the new Disclosure of Information Policy: (a) minutes of the meetings of the Board of Executive Directors will be made available to the public within 60 days of being approved; and (b) the Environmental Impact Assessments for Category IV projects will be made public at least 120 days prior to final Board approval.

Policy Goal #2: The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

Status: The IIC meets this policy goal.

Policy Goal #3: All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board. Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

Status: This provision is not applicable to the IIC since all projects are with the private sector, and the IIC does not prepare any stand-alone country assistance strategies, sector strategies, and sector policies.

Policy Goal #4: The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

Status: The IADB Office of Institutional Integrity, which covers the IIC as well as the IADB, plans to release the Annual Fraud and Corruption Report, which will include statistics and case studies, at the end of March 2005.

Policy Goal #5: The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

Status: The IIC works solely with private sector businesses. Due to concerns about the release of business confidential material, the IIC does not publicly disclose detailed information on specific projects.

Policy Goal #6: The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

Status: The IIC recently created a Policy and Internal Controls Committee with the mandate to steer the development of a comprehensive and coherent set of formal operating documents and internal control systems. The Committee convenes on a monthly basis to review and create governing documents relating to the IIC's operational objectives. In addition, the Committee is currently focusing on bolstering the IIC's controls over external financial reporting and compliance with its Charter and other governing policies. The IIC is in the process of requesting bids from independent auditing firms, excluding the current external auditors to avoid a conflict of interest, in order to select, by the end of the first quarter, a firm that will perform an independent audit of internal management controls for 2005.

Policy Goal #7: The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

Status: Allegations of fraud and corruption at the IIC are handled by the IADB's Office of Institutional Integrity. Please refer to the status of Policy Goal #7 for the IADB for more information.

## **Section II – Status of Section 581 by Each Policy Goal**

**Policy Goal #1:** No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.

### **Status:**

Almost all of the MDIs now disclose minutes of their Board meetings or will begin to do so in the near future. The exceptions are the private sector institutions (EBRD, IFC, MIGA and IIC). At the EBRD, the U.S. has continued to advocate for the release of Board minutes, but has not received support from the other members. The International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC) are both scheduled to review their disclosure policies in the near future, and we expect that disclosure of minutes will be part of this. We also expect that this issue will be discussed by the MIGA Board after the IFC Board has concluded its deliberations, and we will then and once again advocate for disclosure of MIGA Board minutes.



**Policy Goal #2:** The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.

**Status:**

Based on information made available to us by the institutions, each MDI keeps a written transcript or electronic recording of each meeting of its board and preserves the transcripts or recordings for at least 10 years after the meeting.

**Policy Goal #3 (First part):** All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board.

**Status:**

None of the multilateral development institutions currently disclose to the public internal documents for the Board of Directors' final endorsement or approval prior to the Board's consideration of these documents. However, the World Bank has recently approved a pilot program for public distribution of certain Board documents prior to Board consideration. More significantly, the African Development Bank Board of Directors will soon consider a proposal to make available to the public project appraisal documents 15 days before Board consideration or when the final versions are distributed. Also, the AsDB's draft Public Communications Policy (PCP) provides Management the possibility to disclose internal documents prior to the Board's consideration. When the PCP is discussed by the Executive Board in early 2005, the U.S. Executive Director intends to strongly advocate for circulation of these documents 15 days prior to Board consideration. We intend to continue to advocate strongly for prior release of Board documents, pointing to the AfDB as a model for other institutions once they begin to implement this practice.

While the final Board documents themselves are not currently released to the public prior to Board consideration, all the institutions make available to the public considerable information about proposed projects, policies and strategies. For proposed public sector projects, all the development institutions, with the exception of the AfDB, currently provide information on their websites that describe, in summary form, the projects and their intended objectives. In the case of the World Bank, the document is called the Project Information Document. In the case of the IADB, it is called the Project Concept Document. In the case of the EBRD, it is called the Project Summary Document. In the case of the AsDB, it is called a Project Profile. Under the new AfDB information disclosure policy, Prospective Project Briefs are to be disclosed, through the Bank's Public Information Center, at least 6 months prior to presentation of the relevant projects to the Board. All the institutions also make publicly available environmental assessments for projects that could have a significant impact on the environment, in most cases at least 120 days in advance of Board consideration.

For the documents setting out country assistance strategies, sector strategies, and sector policies, all the institutions have in place procedures which provide for active consultations with interested stakeholders and civil society during the drafting of these documents. At the World Bank Group, draft Country Assistance Strategies (portions), draft policy documents, and draft Sector Strategy Papers

are made publicly available prior to formal Board approval to facilitate the public consultation process. The feedback received during these consultations is regularly summarized and posted on the Bank's external website, along with explanations by Bank staff on how it has been or will be used. A 2003 retrospective on World Bank Country Assistance Strategies (CASs) showed that almost 90 percent involved civil society in the "upstream" formulation process.

The AsDB does not disclose to the public the documents prepared for Board of Directors final endorsement or approval prior to the Board's consideration. However, the AsDB's draft Public Communications Policy (PCP) provides Management the possibility to do so. As mentioned previously, when the PCP is discussed by the Executive Board in early 2005, the U.S. Executive Director intends to strongly advocate for circulation of these documents 15 days prior to Board consideration. While these documents are not currently released to the public prior to Board consideration, considerable information is made available to the public about proposed projects, strategies and policies. For proposed projects, the AsDB releases a Project Profile on its website which describes, in summary form, the project and its intended objectives. The AsDB also makes available environmental assessments for projects that could have a significant impact on the environment. Draft strategy and policy papers are generally made publicly available for external consultations. The proposed new communications policy makes it clear that the AsDB would actively seek participation of its shareholders and other interested individuals and organizations during the formulation of policy and strategy papers, particularly in the sector, thematic, and safeguard areas. The Bank would make publicly available a list of policies and strategies it expects to review during the next 12 months and, where applicable, a consultation plan for each policy or strategy review. With respect to country strategy and program documents, the AsDB and the concerned government are expected to provide information to in-country stakeholders while the documents are under preparation. This information may be communicated in the form of draft Country Strategy Papers (CSPs), excerpts of draft CSPs, discussion or issue documents, or oral communication, as deemed appropriate by the Bank.

Under the new Inter-American Development Bank information disclosure policy, profiles or draft versions of the text of proposals for new or modified sector policies, sector strategies and sector guidelines may be made available to the public during the process of preparation by Bank staff of such proposals, for purposes of gathering opinions and input from institutions and individuals outside the Bank. The IADB has developed a webpage specifically for the purpose of soliciting input for proposed strategy and policy papers. With respect to country strategies, the current Board-approved guidelines urge a systematic effort to reach out to non-government parties such as the private sector, labor, civil society, and academia, in the early stages of their preparation to ensure that the strategy captures as comprehensive a societal view as possible.

Under the EBRD Public Information Policy, all (draft) Sectoral Policies, after pre-Board discussion by the Directors, are posted on the Bank's Web site for a period of 45 calendar days, during which time the public is invited to send

comments on the policy. Furthermore, Management proactively stimulates stakeholders' interest in, and contributions to, the drafting of these policies and the comments are summarized and distributed to Directors before approval of the relevant policy. With respect to Country Strategies, comments are invited from the public as input to the preparation of each new (draft) strategy. This input is based on the existing Country Strategy, already available on the Web site, and an accompanying management note outlining the main areas to be focused upon in the Review.

**Policy Goal #3 (Second part):** Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

**Status:**

Based on information we have received from the institutions, we believe they all have rigorous procedures, including resources and conditionality, necessary to ensure that borrowers comply with applicable laws in carrying out the terms and conditions of projects they finance in accordance with the institutions' documents, strategies and policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.

**Policy Goal #4:** The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.

**Status:**

The multilateral development institutions are at varying stages of meeting the fourth policy goal.

The Asian Development Bank and the World Bank Group post on their respective websites annual reports containing statistical summaries and descriptions of cases concluded by its investigations unit.

The Inter-American Development Bank's (which for the purposes of this goal includes the Inter-American Investment Corporation) Office of Institutional Integrity plans to release its Annual Fraud and Corruption Report, which will include statistics and case studies, at the end of March 2005.

Following Board approval in early 2004 of the Guidelines for Preventing and Combating Corruption and Fraud in AfDB Group Operations, Management has presented to the Board a proposal for the establishment of an anti-corruption and fraud investigation unit. Management's proposal included provision for issuing annual statistical summaries and case studies of the fraud and corruption cases pursued by the Anti-Corruption and Fraud Investigation Division (ACFD). If the Board approves the proposal as expected in the first half of 2005, the ACFD would become fully operational in early 2006 and the first report could be produced to cover 2006 activities. The US has made extensive suggestions to improve the proposed investigative unit.

EBRD Management has approved in principle the production and publication of an anti-corruption report. The Chief Compliance Officer is currently putting together an internal working group which will meet to consider the scope and format of such a report, and the U.S. Executive Director has requested that statistical summaries and case studies of fraud and corruption cases pursued by its investigations unit be part of it.

**Policy Goal #5:** The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.

**Status:**

As mentioned in the September report, all the multilateral development institutions, with our strong support, are focusing much greater attention on implementation of transparent and rigorous results measurement systems. This is reflected in the “Joint Marrakech Memorandum” of February 2004 in which the heads of the African Development Bank, Asian Development Bank, Inter-American Development Bank, European Bank for Reconstruction and Development, and World Bank, recognized their need to enhance their organizational focus on results. Among the principles endorsed by the heads of the institutions in Marrakech was the public availability of information on results.

With respect to individual projects, the World Bank, upon completion of each lending operation financed by the Bank, reviews the results and prepares an assessment of the operation, known as an Implementation Completion Report (ICR). These reports are publicly available after they have been distributed to the Executive Directors for information. The World Bank has also begun to publish its annual “Status of Projects in Execution” which provides information on each active project, bridging the gap on information available to the public between project appraisal and completion. The Asian Development Bank, upon the completion of each lending operation, reviews the results and prepares an assessment of the operation, known as a Project (or Program) Completion Report (PCR), which is made available to the public after circulation to the Executive Board for information. Select PCRs are then subject to independent evaluation by the Operations Evaluation Department (OED). The African Development Bank and the Inter-American Development Bank also provide information on results of individual projects upon completion and provide aggregate results during execution. The proposed new AsDB communications policy would require the disclosure of results on individual projects as they are being implemented through a Project Implementation Document. The EBRD, due to its private-sector-focused mandate, is much more constrained in providing information on individual projects (and, in any case, generally does not finance health, education, and poverty-focused projects). Nonetheless, it provides indicative information through aggregate information, case studies, and analysis of selected projects.

With respect to policies and strategies, the development institutions, with our urging and support, are increasingly setting explicit objectives in these documents that can serve as a basis for monitoring and evaluating their results. Particularly noteworthy are the World Bank and AfDB’s initiatives to implement results-based Country Assistance Strategies. These documents will link results to country goals and require a more explicit link between individual Bank

interventions, actions to achieve intermediate outcomes, and intermediate outcome indicators. Among the indicators most commonly used to monitor progress of country assistance strategies are the internationally agreed goals of the Millennium Declaration. Although the results-based CAS is a recent initiative, the regional development banks have already expressed an interest in pursuing this methodology in their country strategy documents. The AfDB will roll out its results-based Country Strategy Papers when the ADF-10 replenishment cycle begins next year.

It is also worth noting that all of the development institutions have evaluation units which are responsible, among other things, for assessing which projects and programs are achieving expected results and which ones are not. The goals of these units are to provide lessons learned that the management can use to improve performance, to provide an independent view for assessing the results of the Bank's work, and to provide accountability in the achievement of their objectives. Reports of the evaluation units are generally made publicly available though exceptions can be made in accordance with each institution's information disclosure policy.

In addition to all these measures, both the African Development Fund and IDA replenishment agreements include explicit commitments to publish indicators and results of projects and programs, both periodically during their execution as well as upon completion.



**Policy Goal #6:** The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.

**Status:**

All the multilateral development institutions currently have internal processes in place, through their auditors general or other units, for conducting assessments or audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud.

In addition, all the MDIs with the exception of the Asian Development Bank, have made commitments to conduct periodic, publicly available independent assessments of internal controls over operations and compliance, or are in the process of instituting such assessments. We do note that the most recent AsDB Draft Public Communications Policy welcomes external involvement in monitoring internal management controls.

With respect to the Asian Development Bank, in 2003 its independent Operations Evaluations Department conducted a special study of the Bank's project performance management system which is available on the Bank's website<sup>3</sup>. The study assessed the efficiency, quality and use of the AsDB's Project Performance Monitoring System (PPMS) to determine if the PPMS provides accurate and useful information on the effectiveness and efficiency of operations. The AsDB Management Committee has developed an action plan for improving the PPMS and will report its plan to the Executive Board by the end of 2004. Assuming changes are made to the PPMS, we have made it known we would like to see this study updated in the next few years, and expanded to include an assessment of the issues covered in the aforementioned IADB evaluation report on project supervision. Further, the Office of the Auditor General has established a long-term work plan for conducting audits of internal management.

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<sup>3</sup> Asian Development Bank, "Special Evaluation Study on Project Performance Management in the Asian Development Bank and its Projects in Developing Member Countries," November, 2003.

**Policy Goal #7:** The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

**Status:**

The multilateral development institutions currently have in place procedures for the receipt, retention and treatment of complaints and concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

The systems in place in the development institutions for receiving and investigating allegations of fraud and corruption are constantly being updated to increase their effectiveness and to reflect “best practices”. Due, in part, to increased criticism of “whistleblower protection” systems, the various MDI investigative units and functions have begun to meet on a regular basis to review and compare policies with an effort to move toward harmonization of “best practices”.

In an effort to ensure that its whistleblower protections reflect evolving best practices in the public and private sectors, the World Bank is currently undertaking an independent external review of its policies to evaluate any areas for improvement. The U.S. strongly supports this external review and sees it as an opportunity to affirm the credibility of the Bank’s system for protecting whistleblower rights, and thus enhance its effectiveness. Moreover, we utilize the results of the independent review to push for improvements, as needed, in the regional development banks.

Despite public criticism of the current systems for protecting whistleblowers, we have received various accounts of these systems functioning well. For example, at the EBRD a staff member reported another for what amounted to a serious breach of the travel policy. The allegation was investigated and found to be correct. The subject of the inquiry was dealt with and a sum of money was refunded to the bank. The staff member who complied with his duty to report the misconduct was not in anyway affected adversely by complying with his duty. In another case at the AsDB, a staff was reinstated after being dismissed for blowing the whistle on her supervisor for abusing benefits. The supervisor was ultimately dismissed.

In all these institutions, the U.S. Government, through the Executive Directors, has taken a leadership role in supporting implementation of the most effective systems possible for the receipt, retention, and treatment of allegations of fraud and corruption. We are committed to help prevent, detect, and punish corruption associated with development assistance provided by the MDIs. Such corrupt acts are intolerable and, as custodians of taxpayer dollars intended to stimulate economic growth and alleviate global poverty, it is our obligation to help ensure

that the MDIs take all the steps necessary to ensure an effective anti-corruption apparatus.

**SUMMARY TABLE ON SECTION 581 GOALS**

<b>Institution</b>	<b>Goal 1</b>	<b>Goal 2</b>	<b>Goal 3</b>	<b>Goal 4</b>	<b>Goal 5</b>	<b>Goal 6</b>	<b>Goal 7</b>
African Development Bank	M	M	MTM	MTM	MTM	MTM	MTM
Asian Development Bank	MTM	M	PM	M	MTM	PM	M
European Bank for Reconstruction and Development	NM	M	PM	MTM	NA	MTM	MTM
Inter-American Development Bank	M	M	PM	MTM	PM	MTM	MTM
Inter-American Investment Corporation	MTM	M	NA	MTM	NA	MTM	MTM
International Finance Corporation	MTM	M	NA	M	NA	MTM	MTM
Multilateral Investment Guarantee Association	NM	M	NA	M	NA	MTM	MTM
World Bank (IBRD/IDA)	M	M	MTM	M	MTM	MTM	MTM
M: Meets; MTM : Moving Toward Meeting; PM: Partially Meets; NM: Does not Meet; NA: Not Applicable							

*Note: The description of the seven goals can be found in Annex A.*

## **ANNEX A – SECTION 581 GOALS**

- (1) No later than 60 calendar days after the Board of Directors of the institution approves the minutes of a Board meeting, the institution shall post on its website an electronic version of the minutes, with material deemed too sensitive for public distribution redacted.
- (2) The institution shall keep a written transcript or electronic recording of each meeting of its Board of Directors and preserve the transcript or recording for at least 10 years after the meeting.
- (3) All public sector loan, credit and grant documents, country assistance strategies, sector strategies, and sector policies prepared by the institution and presented for endorsement or approval by its Board of Directors, with materials deemed too sensitive for public distribution redacted or withheld, shall be made available to the public 15 calendar days before consideration by the Board or, if not then available, when the documents are distributed to the Board. Such documents shall include the resources and conditionality necessary to ensure that the borrower complies with applicable laws in carrying out the terms and conditions of such documents, strategies, or policies, including laws pertaining to the integrity and transparency of the process such as public consultation, and to public health and safety and environmental protection.
- (4) The institution shall post on its website an annual report containing statistical summaries and case studies of the fraud and corruption cases pursued by its investigations unit.
- (5) The institution shall require that any health, education, or poverty-focused loan, credit, grant, document, policy, or strategy prepared by the institution includes specific outcome and output indicators to measure results, and that the indicators and results be published periodically during the execution, and at the completion, of the project or program.
- (6) The institution shall establish a plan and schedule for conducting regular, independent audits of internal management controls and procedures for meeting operational objectives, complying with Bank policies, and preventing fraud, and making reports describing the scope and findings of such audits available to the public.
- (7) The institution shall establish effective procedures for the receipt, retention, and treatment of (A) complaints received by the Bank regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters; and (B) the confidential, anonymous submission by employees of the Bank of concerns regarding fraud, accounting, mismanagement, internal accounting controls, or auditing matters.

## **ANNEX B – REPLENISHMENT LANGUAGE**

### ***From the AfDF-10 replenishment:***

Transparency and Anti-Corruption Measures. Participants urged the Bank to take additional steps to enhance its institutional transparency and be a leader, in this regard, among its sister institutions. In this light, they welcomed the Boards recent decision to disclose the minutes of their Board meeting with material deemed too sensitive for public distribution redacted. Such measures promote greater accountability and better results. The Bank should use its website to provide information on proposed projects, sector strategies, sector policies and country strategy papers. The draft versions of strategy and policy proposals prepared for Board endorsement shall be made available to the public immediately after the Board approval. Participants also recommended that the Board consider changes to the Bank's Disclosure Policy to make available to the public 15 days before consideration of the Board -- or if not available when the documents are distributed -- the final versions of strategy, policy proposals, and appraisal documents. The Bank should also publish on the website specific indicators and results of projects and programs, both periodically during the execution and at their completion. Participants noted that a proposal on the establishment of Anti-Corruption and Investigation Unit is under Board consideration and procedures for reporting on allegations of fraud and corruption will be decided in that context.

### ***From the IDA-14 replenishment:***

#### Transparency and Accountability in IDA

Transparency is fundamental to development progress in three ways. It draws more stakeholders, supporters and ideas into the development process; it facilitates coordination and collaboration among development partners; and it improves development effectiveness by fostering public integrity and accountability for results. Just as IDA urges transparency and openness in the governance of its client countries, IDA should aim to meet the highest standards of transparency in its operations, policies and publications, and recognize a responsibility to make available as rich a range of information as possible for poor countries and the international development community.

There have been many initiatives in recent years to increase IDA's openness, including consulting with and involving stakeholders in its deliberations, and enhancing public information about IDA's policies and activities. In IDA14, IDA aims to continue the leadership role it is playing among development partners in increasing transparency and will take additional steps to enhance the openness of its work. Means by which IDA works toward its objective of increased transparency and accountability include:

\* IDA Replenishment Discussions. To ensure an open and transparent deliberative process, the IDA replenishment discussions now include representatives from borrower countries; the policy papers discussed at the replenishment meetings are made available to the public; and public comments are sought on the policy recommendations contained in this report. IDA also consults with regional stakeholders to hear their views on how to tackle the key challenges that IDA countries and their partners confront.

\* Disclosure. Sharing of information on IDA policies and operations stimulates public debate on and broadens understanding of development issues, and also helps to create public support for development efforts. Accordingly, Participants welcome the enhancement of IDA's disclosure of information in recent years. IDA now makes an enormous amount of operational information available to the public, ranging from project and policy documents to strategy and evaluation documents. Bank Management has also initiated an extensive program to proactively enhance information dissemination and outreach, including a program to strengthen Public Information Centers across the world through which IDA's knowledge resources are made more widely accessible. Participants urge IDA to continue to demonstrate leadership among the multilateral development institutions on transparency in its own deliberations and the accountability of its operations and to continue to enhance public access to information on Board proceedings, including the disclosure of Board minutes. In particular, Participants request that progress in the implementation of projects and programs receiving financial support from IDA (including performance indicators and results, as appropriate) be published at the completion of such projects and programs, in addition to periodically during their execution. Moreover, during the period of IDA14, Participants noted that Management has committed to carry out an independent comprehensive assessment of its control framework including internal controls over IDA operations and compliance with its charter and policies, and that such assessment would be made available to the public after disclosure has been approved by IDA's Executive Directors.

\* Country performance assessments. Central to IDA's effectiveness is its practice of allocating its resources in accordance with assessments of the performance of each IDA country as measured by key social and economic policies and with a strong focus on governance. A key means of strengthening the performance assessment system, and thus ensuring that IDA's resources are even better aligned with countries' capacity to use these scarce resources with maximum impact on shared poverty-reduction goals, is the disclosure of its country performance assessment ratings. Participants therefore welcome the recent decision by IDA's Executive Directors to fully disclose the Country Policy and Institutional Assessment (CPIA) ratings for IDA countries, starting in IDA14. They noted that this will provide client countries and other stakeholders with transparent information about CPIA methodology, findings and ratings for all IDA countries, which, in turn, should enhance the quality and robustness of the ratings, as well as public confidence in IDA's performance assessment.

\* Consultation. Strengthening the voices of locally-affected stakeholders in IDA-financed project decisions remains an important challenge. Experience has demonstrated that consultation with co-financiers, partners, and groups and individuals with relevant knowledge of development issues also helps to enhance the quality of Bank-financed operations. For this reason, Participants call on IDA to strengthen documentation of stakeholder feedback from consultations required under the Bank's safeguard policies.

\* Financial flows. Participants recognized the need for increased transparency of revenue flows from extractive industry projects to governments. They emphasized that IDA's financial assistance to a project with a significant impact on revenues should be predicated upon the government having in place, or committing to establish, a functioning system for accounting for revenues and their use. The government should also have in place, or commit to establish, a functioning system for the independent auditing of such revenue receipts and the public dissemination of the results. IDA should closely monitor the implementation of these systems and take appropriate (and timely) actions if they are not being effectively implemented. Although these actions are especially relevant to extractive industry projects with significant revenue impacts, they are also applicable to IDA's budget support operations, as set out in IDA's operational policy OP/BP 8.60 Development Policy Lending, recently approved by IBRD and IDA's Executive Directors.