



TRANSPARENCY INTERNATIONAL | USA

November 29, 2007

President Robert Zoellick
The World Bank
Office of the President
1818 H Street, NW
Washington, DC 20433

Dear President Zoellick,

I have followed with interest your stewardship of the World Bank since our meeting on the day of your election as President. Congratulations on your strong start. I am writing to suggest that it is now particularly important that you send a clear signal on how you intend to implement the recommendations of the Independent Review Panel chaired by Paul Volcker ("Volcker Report") and to integrate those recommendations into the Governance and Anti-Corruption (GAC) Strategy implementation plan.

The Volcker Report emphasizes the "critically important contribution that a coherent and forceful attack on corruption can and should make to the Bank-wide goal of facilitating economic development and reducing poverty" and to "aid effectiveness." TI-USA concurs with this conclusion and with the Panel's support for a comprehensive, "two-pronged program" to protect the integrity of the Bank's own operations and to build capacity among members to combat corruption. I encourage your support for specific actions, noting some of the issues of importance:

Enhancing Prevention:

- **Leadership:** The Volcker Report emphasizes the importance of your leadership as well as that of the Board and operational and staff units in driving the governance and anti-corruption agenda forward. We concur and recommend that a Managing Director be responsible for all aspects of "a fully coordinated approach across the entire World Bank Group," addressing the Panel's concern that the "prevention effort has no clear leader."
- **Lessons Learned:** The Volcker Report found that INT's experience and expertise had not been "regularly incorporated" into preventive measures. We concur with its recommendation that resources be allocated and internal collaboration increased so that lessons learned are taken into account. Bank policies and procedures, including with respect to project identification, design, appraisal, procurement, implementation, audit and supervision, as well as decisions regarding country systems and development policy lending should be informed by INT findings and experience.
- **Realigned Incentives:** The Volcker Report notes that the current performance evaluation system, which rewards lending, creates "a natural discomfort" among staff to confront borrowers or have corruption in projects exposed. Staff incentives should be realigned to create an internal culture that encourages prevention, detection, and remediation of corruption in Bank projects and country programs.

Instituting a Disclosure Policy: The Volcker Report notes the lack of clear policies on disclosure and it provides extensive recommendations, taking into account the need to protect investigations and confidential witnesses. The Panel recommended, and we concur, that there should be disclosure, at the discretion of the President, to Executive Directors -- even when there could be a "deleterious impact" -- to substantial donors and funding partners, and to the public based on a "strong presumption that the information should be made public."

Protecting INT & Sanctions Independence: The Volcker Report underscores the importance of protecting the independence of both INT and the sanctions processes. In particular, it appropriately calls for implementation of a recommendation from the second Thornburgh report to appoint a Chair of the Sanctions Board from outside the Bank.

Securing External Advice: The Volcker Panel sought the views of other external experts, including TI Chair Huguette Labelle. In our June 25, 2007, meeting, you underscored your intention to increase external consultation. Given the long-term and often controversial nature of anti-corruption reform, TI-USA urges you to create an expert and diverse external advisory committee to help monitor and promote implementation of the Volcker Report and the GAC Strategy. Such a committee, complemented by an institutional process for in-country consultation, will help maintain the support and focus necessary for success.

I appreciate your consideration of these recommendations and your leadership in moving forward on this issue of critical importance to the Bank's mission. My colleagues and I would welcome an opportunity to meet with you to see how we may assist in promoting progress on this objective.

Sincerely,

A handwritten signature in cursive script that reads "Alan Larson".

Alan P. Larson
Chair