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**U.S. CONGRESSIONAL STAFF REPORT ON IFIs
AND
DGO's COMMENTARY**

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Volume 1

**Director-General
Operations Evaluation**

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Archives
The World Bank Group
U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's
Commentary - Volume 1 - Reports 01/02
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Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date October 15, 1981	Document Type Letter			
Correspondents / Participants To: Distribution (Joint Audit Committee members) From: H. Paul Crevier, Secretary, Joint Audit Committee				
Subject / Title U. S. Government review of Operations Evaluation in the World Bank				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date September 14, 1981	Document Type Board Record			
Correspondents / Participants				
Subject / Title Report no. JAC 81-26 Report of the Comptroller General to the Congress of the United States				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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→ U.S.A. MW

OFFICE MEMORANDUM

TO: Mr. Timothy T. Thahane, SEC

DATE: September 10, 1981

FROM: Mervyn L. Weiner, DGO *MLW*SUBJECT: U.S. Government review of Operations Evaluation in the World Bank

With this note I am sending you 25 copies of the recent GAO report which reviews operations evaluation in the World Bank and my response to the recommendations of that report, in the form of a memorandum to the Chairman of the Joint Audit Committee. Would you kindly arrange to have copies of my note and of the GAO report sent to all members of the Joint Audit Committee, with copies of both documents for information to other members of the Board, in the usual manner.

I have discussed the note with Mr. Clausen and he has no objections to its being circulated. I have also discussed the note with Mr. Looijen who agrees that it should be disseminated in this manner.

July 28, 1981

Mr. Clausen:

You may recall the reference in my briefing note to GAO's recent review of operations evaluation in the Bank. I attach for your information and any comments you may wish to make, a copy of my proposed response. My present plan is to send the draft to Mr. Looijen, Chairman of the Joint Audit Committee, before I leave on August 18 for a brief vacation, so that I may discuss it with him soon after he returns on September 4. I would then ask the Secretary to circulate copies of the final note to the Joint Audit Committee. This is the procedure I outlined for Mr. Looijen when I sent him a copy of the GAO report last May. Copies of that report and my May 20 covering note to Mr. Looijen are attached.

It is to my comment on GAO's second recommendation -- to broaden the scope of OED's present activities to include the internal evaluation activities of management -- that I would especially draw your attention. It touches on the adequacy of Bank accountability to member governments.

My response to the 1978 GAO report was duly noted by the Executive Directors; there was no further reaction from them at that time. I have no reason to think that things will be different now; but I could be wrong in light of the ongoing U.S. Treasury review of the international financial institutions.

I have already discussed the proposed response with the General Counsel, the Director of the Internal Auditing Department and the Director of the Organization Planning Department. I shall be happy to come by and discuss it with you if you wish.

Mervyn L. Weiner *mlw*



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date July 1981	Document Type Board Record			
Correspondents / Participants To: Mr. Anthony Ij A. Looijen, Chairman, Joint Audit Committee From: Mervyn L. Weiner, Director-General, Operations Evaluation				
Subject / Title U.S. Government Review of Operations Evaluation in the World Bank				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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OFFICE MEMORANDUM

TO: Messrs. Golsong; Rapley; Rohrbacher

DATE: June 30, 1981

FROM: Mervyn L. Weiner, DGO *W*SUBJECT: U.S. Government review of Operations Evaluation in the World Bank

The attached draft response to a recent review of operations evaluation in the Bank by the U.S. General Accounting Office is self-explanatory. The purpose of this note is to invite your comments on it. The simplest procedure would be to mark up the text as you see fit and return it to me.

I would hope to show a final draft to Mr. Clausen towards the end of July, before I send this note to Mr. Looijen. The reason is that the second recommendation relates to OED's terms of reference and could be construed as breaching the presently perceived jurisdictional boundaries between management and the Board. I have already discussed an earlier version of my response to the GAO's second recommendation with Hugh Scott.

cc: Mr. Kapur, OED



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date May 19, 1981	Document Type Letter			
Correspondents / Participants To: Mr. Mervyn L. Weiner, Director-General, OED From: Paul A. Pannuck, EDS				
Subject / Title GAO Report: "Improving Independent Evaluation Systems in the Multilateral Development Banks"				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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OFFICE MEMORANDUM

TO: Mr. Bruce W. Rohrbacher, OPD

DATE: May 27, 1981

FROM: Mervyn L. Weiner *Mlw*

SUBJECT: GAO Review of the Bank's Evaluation System

You may be interested in reading pages 20-32 of the attached GAO report, which deal with the World Bank. I would be interested in any general reactions you may have to the GAO report.

The purpose of this note, however, is to make a specific request. The GAO team has reviewed the scope of coverage of our present evaluation function and concludes that it should be expanded. They accordingly recommend -

"...development of a time-phased plan for systematically reviewing all major Bank activities, including the internal evaluation activities of management; ..." (underlining mine)

I would particularly welcome the opportunity to exchange views with you on this recommendation before I formulate the response I am expected to make. My briefing for Mr. Clausen notes the existence of this recommendation, and says that I will seek his reaction and that of the Joint Audit Committee to my proposed response before the final version is issued to the Executive Directors.

cc: Mr. Paijmans, AOPVP
Mr. Kapur, OED



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date May 20, 1981	Document Type Letter			
Correspondents / Participants To: Mr. Anthony Ij. A. Looijen, Chairman, JAC From: Mervyn L. Weiner, DGO				
Subject / Title GAO Review of the Bank's Evaluations Systems				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date May 19, 1981	Document Type Letter			
Correspondents / Participants To: Mr. Mervyn L. Weiner, Director-General, OED From: Paul A. Pannuck, EDS				
Subject / Title GAO Report: "Improving Independent Evaluations Systems in the Multilateral Development Banks"				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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These considerations, which have not changed since 1978, were reviewed at length with the GAO team. They were told that OED's annual work programs were endorsed by the Executive Directors; that no demand had been expressed as yet for enlarging OED's scope of work as suggested or for duplicating without cause evaluation work done elsewhere in the Bank; and that with regard to the internal auditing function, they were informed that Bank Management views its role to be fully independent and complementary to that of OED and that the Joint Audit Committee of the Board exercised oversight over it directly and through the external auditors appointed by them. However, the GAO team's views also have not changed. After noting the above, their 1981 report says "We are concerned that examination of major activities within the structure of Bank management does not meet the requirements of independent evaluation, particularly that of advising member governments of examination results. ...We believe the independent evaluation system should, therefore, review all major Bank activities and operations. ...internal auditing is a major function of Bank management and should not be exempt from the scrutiny of the independent evaluation system. ...The Executive Directors, to whom the Board has delegated its authority, have consistently expressed interest in independent evaluation of areas not independently reviewed". Reviews of selected ongoing projects, in and of themselves rather than just in the course of special OED studies, were also recommended again for inclusion in this broader scope of work. (Pages 24-5)

The desirability of independent reviews of all the major functions of the Bank, including internal auditing and ongoing projects, is not in question. The issue posed by this GAO recommendation is whether Executive Directors and the member governments they represent do or do not feel they are now sufficiently informed of the adequacy of major Bank activities not reviewed by OED through the various other channels available to them. These channels include periodic Joint Audit Committee reviews with the Director,

Internal Auditing of his work program and selected reports, an annual report to the Committee from the external auditors which refers to the reliance they place on the work of the Internal Auditing Department through their independent review of its audit reports, working papers, etc., and an annual determination



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date July 21, 1981	Document Type Memorandum			
Correspondents / Participants To: Mr. Mervyn L. Weiner, DGO From: Heribert Golsong, Vice President and General Counsel				
Subject / Title U.S. Government Review of Operations Evaluation in the World Bank -- Your Memorandum to Mr. Looijen				
Exception(s) Attorney-Client Privilege				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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Thank you. 4/13
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2) MW
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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

March 25, 1981

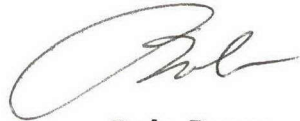
NOTE

Mr. Mervyn Weiner
Director-General - Operations Evaluation
The World Bank
1818 H Street, N. W.
Washington, D. C. 20433

Merv,

This is as close to a briefing as I currently have.

I hope it serves your purposes well.



Bob Berg
Associate Assistant Administrator
for Evaluation
Bureau for Program and Policy
Coordination

365
4/13

EVALUATION

It has become widely accepted that wherever there is less than perfect certainty in public programs, evaluation is necessary to assure that people are really benefiting, to assist in finding ways to be more efficient, to determine when to close programs (both because goals have been accomplished or because there is no realistic hope of achievement), and to guide policy for future programs. Strengthening evaluation of publicly supported programs has become an important concern both of the Executive and Legislative branches of government. Because of this and because I.D.C.A. as a new agency has needed to assess programs to make new kinds of budget and policy decisions, the evaluation of international programs assisted by the U. S. has received particular attention over the past year. This report covers evaluation activities by A.I.D., the Peace Corps, the U.N. and the Development Assistance Committee of O.E.C.D.

A. Evaluation in the Agency for International Development

1. Improvements to Existing Evaluation Activities.

Although A.I.D. has been evaluating its programs for a good many years, in 1980 there was more consistent high-level involvement and more production of reports for policy and public use than ever in the history of the Agency. A new series of impact evaluations was launched, new publications series were also started to make the results of evaluations far more widely

available and a major assessment of A.I.D.'s entire evaluation activities was carried out.

The start of an improved system has been to better determine what evaluation topics should be carried out. This has been done not only to utilize resources more efficiently, but to make evaluation work more responsive to policy and management needs. A.I.D. now assesses annually its need for evaluation activity. All levels of management are involved in this. All bureaus with program responsibility compile an evaluation plan for projects and programs under their authority. For the regional bureaus this means a careful dialogue with field missions and, in turn, this often means dialogue with host country officials concerning the carrying out of plans spelled out in project agreements. During 1980 A.I.D. bureaus took several steps to make sure their plans are reasonable to start with and are then carried out in good order. Because of this, policy themes were better reflected in the individual project evaluations carried out by A.I.D. in the field.

Better planned evaluations have resulted in more concern about the production and quality of evaluations. This has resulted in several hundred evaluations involving literally thousands of people around the world. Most importantly, the process of assistance in the field becomes itself assistance as evaluation becomes part of normal project activity. The kinds of results of these evaluations are seen in such instances as:

-- In the Egypt program the designs of the Egyptian Peace Scholarships and the Egyptian Applied Science and Technological Research projects were based on evaluation findings of earlier projects. At the same time, a proposal for a follow-on project to assist Development Planning was rejected and sent back to the drawing boards because it did not address issues identified in an earlier evaluation.

Technical assistance
-- An evaluation of the Kenya National Range-Ranch project established that such fundamental problems existed that the project could not achieve its objectives. The project was terminated.

-- The findings in a joint Senegal-U.S. assessment of ongoing projects led to a number of corrective actions aimed at improving existing and planning new projects.

-- In Haiti, evaluation of work by Catholic Relief Services highlighted important achievements in a pilot project which organized and helped train peasant groups to mobilize savings and launch development schemes. The evaluation of this innovative project provided information to support further initiatives in this promising area.

2. New Impact Evaluation Initiative. In late 1979 a new initiative was launched by A.I.D. with its purpose being

to evaluate the impacts of selected development activities in order to learn policy lessons (and "what works and what doesn't work") in areas of key importance. Up to this point, most A.I.D. evaluation work, described in the previous section, had been of ongoing activities. Impact evaluations are aimed to stress the effect of completed projects to measure whether changes are beneficial and enduring.

Initiated by A.I.D.'s Administrator, the effort was coordinated by the Agency's Office of Evaluation, but drew widely on a great many other A.I.D. staff so that the process of evaluation would itself educate staff. The impact studies were premised on:

- field observation of project results emphasizing socio-economic impacts;
- participation of A.I.D. professionals in interdisciplinary teams;
- objectivity and independence through choosing team members who have not been previously associated with the projects to be evaluated;
- brief, clearly written reports signed by the team members; and
- publication of the results be they favorable or unfavorable.

Topics Chosen

Topics for these studies were chosen on the basis of policy need: potable water projects (as an aid to helping define the U. S. contributions for the U.N. Decade for Water and Sanitation which starts in 1981); examination of rural roads projects, rural electrification projects and irrigation projects (all three being important parts of the development strategy to improve rural lives), and evaluation of basic village health projects (a newer strategy, the results of which need to be assessed to see if the strategy has worked). Major work also took place on agricultural research and on livestock projects carried out among pastoral peoples.

Late in the fiscal year, work commenced on evaluation of education projects and initial work on evaluation of certain private and voluntary organization projects and programs.

In preparing for these studies a number of discussion papers were commissioned to raise issues which ought to be evaluated. These papers were published separately and have been widely read. A sampling of the portfolio is then made to select representative projects for evaluation. (Criteria for selection include such factors as regional distribution, representativeness and potential impact.) Ideally, a sector study program consists of at least two projects from each of A.I.D.'s four regional areas of concentration, and represents a range of projects under implementation in that sector. Inter-

disciplinary teams then perform field work, usually of about three weeks' duration, and a draft report is prepared which is carefully reviewed in the field. This past year these reports have also been reviewed by the bureau involved, the Office of Evaluation and the Administrator.

In the first year's work, 27 projects in 20 countries were evaluated for their long-term impacts. The total U. S. dollar contribution of the evaluated projects is \$420 million. Because of the extensive use of direct-hire professionals in these evaluations, the additional cost of evaluation was about one-tenth of one percent of the U. S. funds in these activities, a very low cost for this kind of work.

Publication

Project reports are published individually. (As sectoral work is completed there will be summary sectoral reports prepared and published.) It is fair to state that the extensive publication of these evaluations is unique in the donor community. Publications are circulated widely within the Agency, to private and voluntary organizations, to other donors, to colleagues in the Legislative Branch and to a wide range of academicians and institutions. The demand for this material has been quite large, particularly considering the fact that A.I.D. has not taken a number of steps which it could to market the studies. (There have been explorations aimed at the commercial

publication of some of the published work.) The evaluation publications of A.I.D. are as follows:

AGENCY-WIDE EVALUATION PUBLICATIONS
(as of December 1, 1980)

PROGRAM EVALUATION DISCUSSION PAPERS

- No. 1 : Reaching the Rural Poor: Indigenous Health Practitioners are There Already (March 1979); 4 printings (also French and Spanish).
- No. 2 : New Directions Rural Roads (March 1979); 3 printings (also French and Spanish).
- No. 3 : Rural Electrification: Linkages and Justifications (April 1979); 3 printings (also French and Spanish).
- No. 4 : Policy Directions for Rural Water Supply in Developing Countries (April 1979); 3 printings (also French and Spanish).
- No. 5 : Study of Family Planning Program Effectiveness (April 1979); 3 printings.
- No. 6 : The Sociology of Pastoralism and African Livestock Development (May 1979); 3 printings (also in French).
- No. 7 : Socio-Economic and Environmental Impacts of Low-Volume Rural Roads--A Review of the Literature (February 1980). (Expurgated and unexpurgated versions published due to restrictions of IBRD and IDB.)
- No. 8 : Assessing the Impact of Development Projects on Women (May 1980). (French and Spanish versions in process.)
- No. 9 : The Impact of Irrigation on Development: Issues for a Comprehensive Evaluation Study (October 1980).

EVALUATION REPORTS

Program Evaluations

- No. 1 : Family Planning Program Effectiveness: Report of a Workshop (December 1979).
- No. 2 : A.I.D.'s Role in Indonesian Family Planning: A Case Study with General Lessons for Foreign Assistance (December 1979); (also French and Spanish).
- No. 3 : Third Evaluation of the Thailand National Family Planning Program (February 1980).
- No. 4 : The Workshop on Pastoralism and African Livestock Development (June 1980); (also in French).

Project Impact Evaluations

- No. 1 : Colombia: Small Farmer Market Access (December 1979); 3 printings.
- No. 2 : Kitale Maize: The Limits of Success (May 1980); 2 printings.
- No. 3 : The Potable Water Project in Rural Thailand (May 1980).
- No. 4 : Philippine Small Scale Irrigation (May 1980).
- No. 5 : Kenya Rural Water Supply: Program, Progress, Prospects (June 1980).
- No. 6 : Impact of Rural Roads in Liberia (June 1980).
- No. 7 : Effectiveness and Impact of the CARE/Sierra Leone Rural Penetration Roads Projects (June 1980).
- No. 8 : Morocco: Food Aid and Nutrition Education (August 1980).
- No. 9 : Senegal: The Sine Saloum Rural Health Care Project (October 1980).
- No. 10: Tunisia: Care Water Projects (October 1980).
- No. 11: Jamaica: Feeder Roads (December 1980)

SPECIAL STUDIES

- No. 1 : The Socio-Economic Context of Fuelwood Use in Small Rural Communities (August 1980). (French and Spanish versions in process.)
- No. 2 : Water Supply and Diarrhea: Guatemala Revisited (August 1980).

PROGRAM DESIGN AND EVALUATION METHODS

Managers Guide to Data Collection (November 1979), 2nd printing of 2500 copies done at request A.I.D. Training staff, 1980. (French and Spanish versions in process.)

Utilization of Results

There has been a strong record of utilization of these evaluations in management and policy decisions. Many programs have been directly improved. Follow-on investments have been encouraged within A.I.D. and by other donors through publication of successful projects. Developing countries and A.I.D. have agreed to postpone or drastically redesign proposals which might have repeated projects which evaluations showed less than successful. Country and project strategies in population, rural electrification, nutrition and other areas were changed due to the results of evaluations. There have been a number of discussions between field missions and developing countries based on evaluation reports done in other parts of the world. Some examples are:

-- Because of questions raised in the Philippines Rural Electrification evaluation (where strong social benefits were demonstrated, but where the type of economic use of the system was questioned), the Agency decided not to pursue an expansion of a rural electrification scheme in another country until a good deal more work was done to link electrification to rural production.

-- After A.I.D.'s impact evaluation of the Colombia Rural Roads project was released, renewed interest in labor-based rural roads arose in Colombia and in the Inter-American Development Bank (IDB). The evaluation reported strong economic benefits to the poor which were sustained. The poor also benefited through better access to social services. Based on the evaluation, the Government of Colombia and IDB have planned an expansion of the project concept entailing five times the investment made by A.I.D. in the original project.

-- An impact evaluation of a water project in Tunisia managed by CARE was deemed particularly important by A.I.D.'s Near East Bureau which used the report to redesign the approach to water supply being assisted in Tunisia and asked that all other proposed water projects in the Bureau reflect the experience in Tunisia.

Continuation of Impacts Work

Based on the experience of the past year, A.I.D. has decided that impact evaluation is an important contribution to thinking in development and that this kind of evaluation will be a continuing part of its approach to evaluation. A.I.D. will also continue and expand its publication of evaluations.

3. Assessment of A.I.D.'s Evaluation Work. A task force appointed by A.I.D.'s Administrator has carefully assessed the effectiveness of A.I.D.'s entire evaluation program. The conclusions of the task force were presented to the Administrator late in calendar 1980. The task force noted that a higher number of evaluations were done in A.I.D. than in almost any other part of the federal government. It recommended that there be fewer but higher quality evaluations.

The task force also recommended that a stronger effort be made to program evaluations so that their cumulative impact be greater. Similarly, the task force recognized the complex nature of evaluation and recommended an increase in the level of training in evaluation given to A.I.D. employees. These recommendations are expected to be favorably acted upon shortly.

The result of all this activity has been noted by observers of the Agency. Four Congressional Committee reports in 1980 supported the major improvements made by A.I.D. in

evaluation. In addition, A.I.D. has received letters from all over the country supporting the publication of these evaluation reports and reporting strong university and public use.

B. Peace Corps

((To be submitted directly to IDCA by
David Levine))

C. Evaluation in the United Nations and the Multilateral Banks

The U. S. has supported efforts by the United Nations Headquarters and the U.N. system to improve their evaluation activities both as an assist to better manage scarce resources and so that more evidence is available for use by the U. S. There has been definite progress in this over the past year.

For the first time, the United Nations Headquarters staff has a Chief of Evaluation. This person is located in the Policy and Program Headquarters staff. Working with the U.N.'s Joint Inspection Staff in Geneva, the U.N. Headquarters has launched initiatives to improve evaluation throughout the U.N. system. Currently, there is discussion aimed to make individual agency efforts more reinforcing of each other and to create common approaches. These efforts will take time, but are definitely heading in the right direction.

The World Bank is continuing its very strong performance in evaluation. The Bank has emphasized evaluation of completed

projects. It has also produced an annual compendium of evaluation results. These initiatives have become important in Bank policy discussions. The Bank has also taken substantial leadership in organizing regional sessions of national evaluation authorities to work towards strengthening their roles.

We have also observed a substantial strengthening of evaluation in the regional development banks, particularly the Asia Development Bank and the Inter-American Development Bank. These institutions now carry out a large number of good quality evaluations.

D. Evaluation Activities of the Development Assistance Committee of O.E.C.D.

As the point of coordination for donors from the industrialized countries, the activities of the Development Assistance Committee (DAC) are of significance. The U. S. has been pleased to see the DAC give much greater attention to evaluation in the past year. The first major meeting on aid effectiveness which the DAC sponsored in over half a decade took place in April 1980. The U. S. performed a major role at that meeting. The meeting focused both on efforts of donors to evaluate development assistance and on activities to inform the general public about international assistance. There was also discussion about the relationship of these two topics.

During the discussion, it became clear that a number of DAC members follow evaluation practices similar to those of

A.I.D. This, of course, is not surprising as there has been close cooperation between the donors over a long period of time. Thus, Canada, Germany and the Netherlands all spoke of their use of the logical framework system (the method of design and evaluation pioneered by A.I.D.), the importance of benchmark data and the need for scheduled project evaluations. There were, however, a number of major DAC countries as yet without formal evaluation systems.

The United States contributed the main paper and introduced the topic of the use of developing country evaluation systems. The U. S. spoke with concern about the deleterious impact that separate donor planning and evaluation requirements can have on the public administration capabilities of recipients. The U. S. called on the DAC members to adopt policies that place maximum reliance on recipients for needed evaluation work.

There was also considerable discussion about the need to better demonstrate the cumulative effectiveness of donor programs. There were several outcomes to this meeting:

-- The DAC Chairman, believing that evaluation was one of the most important topics discussed by the DAC in 1980, called for the formulation of an ongoing informal group on evaluation within the DAC. Pursuant to consultation among the government members of DAC, the Director of A.I.D.'s Office of Evaluation has been asked to organize and chair the informal group. We believe this designation in part gives recognition to the high priority being given evaluation by the U. S.

-- At the request of DAC members, there is a major and comprehensive chapter on aid effectiveness in the 1980 DAC Chairman's report. The chapter emphasizes the difficulty of assessing effectiveness, but points to several ways this can be done. It concludes by noting that good analysis will scale political expectations to a more realistic level and will highlight the difficulties of important development activities.

-- The concern by the United States and others that evaluation within developing countries be highlighted has led to the compilation, under United States leadership, of a directory of evaluation authorities throughout the world. This is but the start of a networking between national authorities. This concern by the U. S. has spurred major multilateral organizations to enhance their own activities regarding the evaluation authorities of developing countries.

CONGRESSIONAL COMMITTEE REPORT LANGUAGE ON EVALUATION
FY '81 Authorization

Senate Committee on Foreign Relations (Report 96-732 dated May 15, 1980)

p. 17:

"The Committee notes that the Agency for International Development has undertaken an increased number of evaluations of its ongoing and completed projects. The Committee expects the Agency to make the evaluation process an integral part of its administration of foreign assistance activities.

The Committee urges the Agency to insure that project evaluations are of high quality and include the empirical data required for effective interpretation of the results of the evaluation. The Committee also urges the Agency to establish a system for distributing the results of its evaluations to employees who are responsible for project planning, design and implementation so that the lessons learned from evaluations may be incorporated into future projects. The Committee believes that prior to approval of a new project, the Agency should systematically review the lessons learned from implementation of projects carried out in the same country or region.

The Committee will continue to monitor the Agency's evaluation efforts. The Committee is prepared to support an improved evaluation process with legislative or other actions."

House Committee on Foreign Affairs (Report 96-884, Part 1, dated April 16, 1980)

p. 38:

"The committee is pleased by the increased emphasis on program evaluations now being given by the Administrator of AID. It notes that information as to what is, and what is not, being achieved by development projects is a vital tool both for assessing the impact of past development assistance and for improving ongoing programs and those of the future. The committee looks forward to continued receipt of AID evaluations in its monitoring of U.S. economic assistance abroad.

The committee also reaffirms its strong support for the "New Directions" mandate and urges AID to continue to give priority to those programs which most effectively improve the quality of life of the poor majority of people in developing countries."

ANNEX

Other Committee Views

1. House Committee on Appropriations (Report 96-1207, dated July 29, 1980):

"The Committee approves of using A.I.D. employees as much as possible for impact evaluations... although using direct-hire employees will require more operating expenses... Having examined the operations of a number of aid organizations, the Committee wishes to commend A.I.D. for forging ahead of most other donors in examining the impacts of its programs."

2. Senate Committee on Foreign Relations (Report 96-732, dated May 15, 1980):

"The Committee notes that the Agency for International Development has undertaken an increased number of evaluations of its ongoing and completed projects... the Committee will continue to monitor the Agency's evaluation efforts. The Committee is prepared to support an improved evaluation process with legislative or other actions."

3. House Committee on Foreign Affairs (Report 96-884, dated April 16, 1980):

"The committee is pleased by the increased emphasis on program evaluations now being given by the Administrator of A.I.D. It notes that information as to what is, and what is not, being achieved by development projects is a vital tool both for assessing the impact of past development assistance and for improving ongoing programs and those of the future. The committee looks forward to continued receipt of A.I.D. evaluations in its monitoring of U. S. economic assistance abroad."

International Bank for Reconstruction and Development

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FROM: Vice President and Secretary

April 26, 1979

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS
INVESTIGATIVE REPORT ON THE INTERNATIONAL FINANCIAL INSTITUTIONS

Report of the Director General, Operations Evaluation

Attached for information of the Executive Directors is a memorandum from Mr. Weiner, Director General, Operations Evaluation, together with a report entitled "Principal Report Comments Touching on the World Bank".

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Finance
Vice President, Operations
President's Council

April 26, 1979

REPORT TO THE EXECUTIVE DIRECTORS

SUBJECT: U.S. House of Representatives Committee on
Appropriations Investigative Report on the
International Financial Institutions

I have been asked to compile for the Executive Directors the Report's comments which touch upon the World Bank and, after investigating each of them, to make recommendations thereon to the Executive Directors. The following memorandum has been prepared in response to this request for independent comment on the major points raised by the authors of the Report.

Except for explicit references to the regional development banks, the entire Report can be said to touch upon the World Bank. The Report says "Throughout the report, it will be noted that the more prevalent specific instances cited to illustrate points made are those from World Bank projects. The reason is not only because of greater time devoted to the largest IFI, but also because of the high degree of candor and openness on the part of its personnel and of access to Bank material through the office of the US Executive Director." (Page 4) Readers of the Report will almost certainly perceive all criticisms of the IFIs to be applicable to the largest of the IFIs examined. The various Report comments listed in the main body of this memorandum, beginning on Page 1, have been compiled accordingly. The remainder of this covering memorandum is addressed to the overall Report.

The Report contains positive findings. To illustrate from the summary alone:

"The World Bank exercised leadership in arranging co-financing and in organizing consultative groups";

"The World Bank has led in research and experimentation for use in light capital technology in projects";

"Internal management controls are generally effective";

"The World Bank performs post evaluations of every completed project ... [the] reports are professional ... the post evaluation reports surface substantial and valid self-criticism";

"Since 1973 the IFIs have been developing strategies and redirecting sectoral lending (from traditional infrastructure projects to the so-called "new style" or social projects) in earnest efforts to devote a greater share of lending to poorer LDCs and to the poorest

segments within LDCs - the World Bank has led in such efforts." "...of the projects selected for site visits ... generally, these projects were being diligently pursued by local project managers and staff toward the objectives set and the failures encountered were outweighed by the accomplishments being achieved."

However, the Report devotes more space, especially in its summary, to critical findings. To illustrate again from the summary alone:

"With the press to commit money at year's end, self-generated quests for money and growth, and obfuscatory language to avoid or soften criticism, the IFIs are not dissimilar to other governmental bureaucracies";

"A project is seldom turned down at the appraisal stage because too much money has then been invested in it";

"The Executive Directors are employed by the IFIs and function in continuous session, thus making the Board a part of the management process. Though the IFI charters provide that the Executive Directors are responsible for the general operations of the IFIs, they are more led by management than directing it";

"...given the essentially pro forma approval process for loans presented to the Board, lack of access by Executive Directors to various pertinent documents, and the lack of input by them to budget formulation and five-year lending programs, accountability by management to Executive Directors leaves much to be desired";

"The World Bank and ADB post evaluation reports are "...often couched in muted and diplomatic language to avoid giving offence to borrowing country representatives";

"One former IFI official observed that while a lot of money is being spent on the new style projects, there exists no real proof that the poorest of the poor are being reached or that the long range goals are being achieved."

In the absence of clear conclusions by the investigators on the overall efficiency, effectiveness and accountability of the World Bank, the balance of emphasis in the summary could lead readers to conclude that

their findings on these larger questions were negative. Such negative conclusions have already surfaced in the press. It is my own view that these implicit negative overall conclusions are not sustained by the evidence presented, especially that evidence which consists of reported opinions of unidentified individuals interviewed. Most of these opinions are reported without indication as to how authoritative these opinions might be, whether the investigators tested these opinions against other opinions and, if they did, where they concluded the balance of opinion lay.

I consider the most serious comments of the investigators to be those which cast doubt on the integrity of the World Bank. Staff reports sent by the President to Executive Directors are thought to conceal, reports of the Joint Audit Committee are said to be ... "toned down", reports sent by the Director-General, Operations Evaluation, to the Executive Directors are said to be "...of an ameliorating nature...". The evidence for these allegations consists primarily of reported opinions of individuals interviewed by the investigators.

On matters of style, opinions can differ; on the substance of these reports, the investigators do not comment. To my knowledge, the only credible response to comment of this kind is to examine the adequacy of the review and control processes built into operational and evaluation reporting to the Executive Directors. Do these processes provide adequately for challenge by Executive Directors of evidence and judgment in reports submitted to them? It is for the Executive Directors and the Governors they represent to respond to this question and to comment on the finding of the investigators that accountability of management to them "...leaves much to be desired." I do not find this criticism sustainable on the basis of the evidence in the Report.

For the reasons noted below, I also do not consider to be sustainable by the evidence presented the finding that the Executive Directors are unable to discharge their responsibilities adequately and that the World Bank is therefore not meaningfully accountable to its members. If there is one common observation to be made about the diverse Report comments listed below, it is that on virtually all the substantive points raised, the policy and practice on which the investigators comment are carried out with the advice, consent and oversight of the Executive Directors.

The principal comments of the Report are listed and discussed below. The list does not include Report references to operational experience which were based on reporting by the World Bank's Operations Evaluation staff or by the external advisory panel on population and are discussed there, or compensation which is currently under active review by Executive Directors. Nor does it include certain administrative or operational issues that will be reviewed by management in light of the Report's comments, e.g., aid coordination, procurement supervision, operational and project audits, and budget reprogramming.

I would be pleased to initiate any further examination the Executive Directors may wish to have.

Henry L. Heine

PRINCIPAL REPORT COMMENTS TOUCHING ON THE WORLD BANK

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Charts: Project Control Functions of the Board of Directors
 Project Control Process
 Project Control Structure

The World Bank is commitment rather than development-oriented and is not subject to effective control

Report: "The IFIs are not dissimilar to any other governmental bureaucracy with self-generated quests for money and growth, the press to commit money at year end to meet planning goals and obfuscatory language to avoid or soften criticism." (Page 10)

"Present and former staff members and officials of the IFIs have decried the pressure on staff to meet annual lending targets with emphasis on quantity of commitments made annually rather than upon assurance of quality projects. Also cited by these officials as well as by officials in some of the countries visited is the tendency of some of the IFIs, particularly in recent years with emphasis on social projects, to oversell LDCs in acceptance of expensive projects designed by the IFIs..." (Page 27)

Reviews by Executive Directors are an "...essentially pro forma or "rubber stamp" approval process..." (Page 11); "...there is no mechanism by which Board actions are reviewed or evaluated." (Page 11)

"The pressures to demonstrate growth by committing an increased amount of lending each year tends to overstrain the absorptive capacity of LDCs and thus be counter-productive in making them more dependent rather than building their own indigenous institutions." (Page 45)

These comments imply that the World Bank's operational planning responds more to an inner drive for institutional self-aggrandizement than to its declared objective to transfer resources to members in amounts and for purposes than can best support their economic and social development, and that these plans are not subject to meaningful review and control.

The fact is, as the Report notes, that the World Bank's operational program goals and its associated borrowing plans and administrative budgets are matters for regular review and approval by the Executive Directors. Each loan commitment is also subject to review and approval by the Executive Directors. These Executive Directors represent the World Bank's member governments. They define the policies that guide the operation of the World Bank, ensure that it is managed in conformity with these policies, and determine what information and procedures they require to discharge these obligations. The Executive Directors report to and are instructed by the Governments they represent. The mechanism by which the US Government exercises this oversight is described in the Report. Similar mechanisms exist in other member governments.

The investigators seem to have concluded that Executive Directors cannot effectively discharge their responsibilities. The bases for this

central conclusion are said (on pages 10 and 11 of the Report) to be the following:

[The Board has never rejected a loan proposal]

This fact could as well be regarded as evidence of close adherence to policy set by the Board, sound staff work, and effective informal consultation with Executive Directors, as indicative of an ineffective Board.

[Loans are proposed after formal negotiation]

It would be impracticable to ask the Board to approve a proposal which has not been negotiated and is therefore not yet in final form.

The investigators presumably intended to suggest by this comment that Executive Directors should become involved as a group in a form of pre-audit of project objectives, design and conditions to be negotiated. The investigators have apparently misconstrued the complementary but functionally distinct roles of World Bank Executive Directors and management [see project control diagrams annexed], which have long existed with the full knowledge and consent of Executive Directors and the member governments they represent. Executive Directors can re-examine these roles whenever they wish.

[Because the prescribed tenure of the World Bank Executive Directors is two years, there is a natural lack of experience and institutional memory for exercising Board oversight]

This comment does not apply to the five Executive Directors who are appointed, respectively, by the five largest shareholders and who serve at the pleasure of their Governments without any prescribed limitation on tenure. The other fifteen Executive Directors, who represent groups of members, are elected for two-year terms to permit rotation within the group; however, some groups re-elect their Executive Directors or provide for succession by his alternate, thereby extending the two-year term to at least four years.

Member governments provide within their own administrations the continuity that two-year rotation may appear to interrupt. The Secretary's Department provides an institutional memory for Executive Directors to supplement that which they have established in their respective offices.

[Executive Directors rarely visit recipient countries to review or inspect projects]

The Executive Directors decide for themselves what is appropriate by way of field visits to discharge their dual function of representing their constituents and guiding the general operations of the Bank. They have formulated a scheme for visits to developing countries, singly or in groups, and visits to projects have been undertaken accordingly.

[The President serves as Chairman of the Board and a formal roll-call vote is seldom taken, the Chairman announcing what he deems to be the consensus and instructing the Secretary as to how it should be formulated]

The rules approved by the Governors require the Chairman in the first instance to try to derive a consensus, and consensus has long been the preferred style of reaching decisions in the World Bank Board. However, the Chairman may, and sometimes does, call for a roll-call vote and the Executive Directors are free to do so whenever they wish, and do. Even where there is no vote, their views on any matter automatically become part of the Board record. Whenever divergent views are expressed, the consensus formulated by the Chairman is formulated in the presence of the Executive Directors and subject to whatever amendment or dissent they may choose to make.

[Frequently, matters raised by Executive Directors are deferred with the response that the points raised will be considered or that a note responding to them will be passed later on]

Where the points require consultation or the marshalling of facts not immediately available, no other response is feasible. The Secretary's Department ensures that such points are not forgotten. Executive Directors may also follow up on their inquiries if they feel replies are not responsive to their concerns.

[The Executive Directors are employed by the IFIs and function in continuing session, thus making them part of the management process]

If "are employed" is intended to be read as being employed by and removable by the management, like any staff member, the statement is wrong. World Bank Executive Directors are appointed or elected by the governments they represent and are only removable by them. They are paid by the World Bank in the same way that Board members of any enterprise are paid for the time they devote to it and are given assistance at the expense of the institution. The fact that they function in continuous session and are paid accordingly is not ground for concluding that the Board is part of the management process. The very opposite conclusion could as well be drawn from the facts cited. The World Bank Executive Directors are better informed, and therefore presumably better able to exercise oversight, than Directors of most institutions, because they function in continuous session. Access is available at all times to staff to secure clarification and supplementary information on matters before them. The Board can also be said to be even more independent of management than the Boards of most institutions for it consists entirely of outside Directors except for the Chairman, who is the chief executive officer of the World Bank.

[There is no mechanism by which Board actions are reviewed or evaluated]

Board actions are kept under continuing review and evaluation by the member governments which the Executive Directors represent. These Governments regularly instruct their Executive Directors on matters of concern to them.

[It is difficult for any Executive Director or country to inject policy change on lending patterns that will show any immediate prompt result]

Lending programs are, indeed, relatively inflexible in the short run because of the long lead time for projects. This inflexibility is inherent in the nature of development project financing; it is not evidence of an inability of Executive Directors to influence policy or operations. The examination of management's proposals over a sufficient period will disclose the impact of Executive Directors' thinking on policy matters.

* * * * *

The Report also implies with these comments that World Bank commitments are not formulated primarily in response to members' needs. The fact is that the expanding and diversifying lending objectives of the World Bank have been reviewed and endorsed by member governments as being appropriately responsive to their development assistance requirements. As the Report correctly notes, the challenges that such growth pose for the World Bank's management and its developing member governments are substantial. They relate, among other things, to the staffing, organization and management of an expanding institution, to the power of a large creditor, to the quality and effectiveness of its operations and also to its role vis-a-vis the regional development banks. Executive Directors and the Governments they represent keep these matters under close and continuing review.

Because the objective of development assistance is not simply to transfer resources but to effect these transfers in a manner that helps to enlarge the absorptive capacity, i.e., the problem-oriented planning and management capacities, of developing member governments, such assistance at times presses against the limits of absorptive capacity of particular borrowers. It may, in cases, press too far or too fast, leading observers to conclude that project quality and effectiveness is only an incidental concern and that commitment and disbursement levels are the primary institutional concerns.

Since rather substantial efforts are required to develop and sustain expanding project commitment programs which are soundly based, such efforts do at times generate pressures which can lead to comments of the kind made in the Report when they are not carefully managed, when particular lending programs and/or pipelines and the staffing for them do not provide adequate margin for flexible response to the unexpected, and when staff wrongly begin to perceive their career development as being

more dependent on their contribution to lending volume than to meaningful understanding with borrowers and project quality. However, these real challenges for management cannot be said to confirm the main thrust of the investigators' comments, especially in light of three external controls that complement the internal controls built into the project process.

The first external control is the project by project review by Executive Directors and the Governments they represent. They frequently inquire at length as to whether projects recommended for their approval are the most appropriate for the borrowers in purpose, scale, design and risk. They make both informal inquiries of staff before Board meetings and formal inquiries during Board meetings. Although they do not receive internal reports, the investigators reported that "...the Executive Directors contend that they have not been denied documents when asked for..." (Page 61). On the basis of monthly reports on the project pipeline, some of these inquiries are made at quite early stages in the project cycle to ensure that staff and borrowers are fully aware of their concerns during project preparation and appraisal.

The second external control is the World Bank's operations evaluation system. One of the reasons that the Executive Directors and management have supported a strong operations evaluation system is to ensure that the effectiveness of these expanding programs is kept under continuing review. The investigators report that they found World Bank project performance audit reports to be "...careful, well-written documents which report on the project experience knowledgeably and in perspective" (Page 84) and which "...surface substantial and valid self-criticism." (Page vii)

The third external control consists of the semi-annual review by Executive Directors of the World Bank's operational programs and administrative budget. Inquiries made by them before and during past reviews confirm the close and continuing attention member governments give to the quality as well as the quantity of these operational programs.

Report: "The Board is inundated with excessive paper." (Page 61)

Executive Directors do receive large volumes of paper, even without the internal reports that the investigators feel they should also receive.

As noted above, Executive Directors constitute the ultimate operational authority of the World Bank. They voice the will of member governments on all operational decisions of the Bank. They define the policies which guide the management of the World Bank and review and approve all proposed institutional commitments in light of these policies. To discharge these functions, the Executive Directors receive all policy papers, country economic reports, project documents, overall lending and borrowing programs, and budgets. The Report is correct in noting that the Board does not participate with staff in the detailed formulation of these papers. However, there is often extensive informal consultation on major issues before final papers are submitted. The flow of paper supports the information, consultation and deliberative process by which Executive Directors discharge their

policy, approval and oversight responsibilities in the World Bank. It also keeps member governments informed. Executive Directors must decide for themselves which of these papers to focus on, which to delegate to their staff and which just to send to their constituents for information; but the choice is theirs.

Report: "Public accountability is geared largely to supporting the IFI's financial reputation." (Page 70)

As a large borrower in capital markets, the World Bank must be and is accountable to its existing and potential creditors. However, the investigators understate the World Bank's accountability to the general public by suggesting here that accountability is confined to financial matters. The general framework of this broader accountability is described in Pages 69-71 of the Report. Publication of annual reports, speeches of the President, sector policy papers, selected country economic reports and research reports inform the general public of the thinking of the institution, the evolution of its operational policies and the scale and composition of its development assistance, thereby permitting readers to make their own assessment of the adequacy of the institutional responses to development problems. More recently, the World Bank has also begun to share with the general public its findings on the effectiveness of its operations by publishing its annual review of project performance audit results. This review is prepared for Executive Directors by the independent operations evaluation staff.

Report: "There is no global or regional strategy governing the allocation of resources ... The country planning documents for the 5-year program cycle are not available to the Executive Directors and the Board does not get involved in the allocation of resources and lending strategy by country or by sector." (Page 26)

The shape of the World Bank's overall lending program - its amount and composition by sector - is reviewed annually by Executive Directors along with the administrative budget for its implementation. The broad dimension and thrust of individual country lending programs are placed before Executive Directors throughout the year in the early sections of each President's Report which recommends a new project for approval. Each project presentation thus affords Executive Directors an opportunity to query management and staff on the size and emphasis of the lending program in that country. Such questions have been searching at times. Sector strategy papers are also prepared from time to time by staff and discussed by the Board. The Executive Directors can and do seek whatever additional information they require in these regards, informally before Board meetings or at the meeting.

IFIs dominate borrowers

Report: "...often the project is suggested and planned by IFI technical advisors, rather than by the developing country itself." (Page 12)

"At the World Bank, about 75% of projects identified annually are at the Bank's suggestion." (Page 17)

"The IFIs recognize the internal conflict of interest situation in their roles of preparing projects and then appraising them favorably for lending approval, but they feel they do not get enough good projects to appraise unless they are intimately involved in their identification and preparation." (Page 17)

The World Bank does play an active role in helping borrowers generate projects, increasingly so in projects where Bank staff and borrower collaborate in new approaches to particular problems. However, all borrowers are involved in the preparation of their projects, in varying degree depending, in particular, on the availability of the specialized skills required. Whether or not the Bank's role is excessive can only be assessed in a particular context. Many borrowers value this Bank advice and assistance in project preparation; but some borrowers have resisted Bank initiatives and failed to support projects as expected. As the appropriateness of the World Bank-borrower relationship is a key determinant of the effectiveness of World Bank assistance, it is a subject for continuing review and commentary by the World Bank's operations evaluation system, as evidenced in the most recent annual review of project performance audit results (August 1978) and of the more recent (January 1979) review of Bank operations in the education sector.

If initiative by a development assistance agency is perceived as creating a conflict of interest situation, then such conflict is inherent in all development assistance relationships which provide for more than just resource transfer. But the conflict is more apparent than real. Appraisal is not a disconnected act, but an integral part of a process whereby borrower and Bank work together to address particular problems. The Bank's project review and control processes take on particular significance in these circumstances. The Report comments positively on them.

Project documents may conceal

Report: "The investigative staff had access only to the appraisal reports submitted to Executive Directors; perhaps those considered by management are cast in more realistic terms" (Page 18, underlining added)

"...there is a tendency among the IFIs to cast appraisal reports in optimistic terms and to deemphasize risks..." (Page 18)

"Reports submitted to the Board are prepared so as to be as inoffensive as possible to anyone and cast a hope of great accomplishment in any given project. One high official of one of the IFIs advised that such reports contained too little of the hard, factual analyses available to management..." (Page 61)

The World Bank's project performance audit reports have identified cases of both over-optimistic and excessively conservative appraisal

reporting. However, they have also found in many of the over-optimistic cases greater realism and more explicit discussion of risk in the more recent repeater project appraisals examined during these performance audits. As noted above, appraisal reports have always been subject to questioning by Executive Directors, formally when submitted for their approval and informally before Board meetings.

The "management version" of appraisal reports, which the investigators suspect may be cast in more realistic terms, normally differs from the Board version only in that the earlier version defines the Bank's negotiating posture while the Board version reflects the outcome of negotiations; in all other respects the reports are normally identical.

Project documents are subject to extensive internal review within the line operational structure of the Bank. They are also tested for realism and adherence to policy by the Bank's Central Projects Staff, who are not in line operations, before proposals are approved for submission to the Executive Directors, and by the independent Operations Evaluation staff after project completion. The World Bank's project control structure, project control process, and the project control functions of Executive Directors are shown graphically in an annex to this memorandum.

Political loans

Report: "One World Bank/IDB loan of \$124 million to Mexico to construct a new steel plant appears to have been, in part, politically inspired - it is losing money and not meeting objectives set forth at appraisal." (Page iii, underlining added)

The allegation of political lending is, as the underlined text indicates, very hesitant. However, this point has been disseminated widely in the press and, in the dissemination, been generalized to: "the Banks are politically motivated in the selection of projects, including a \$124 million steel project..." (The Washington Post, March 22, 1979. Underlining added)

The only supporting evidence for this hint of a violation of the Articles of Agreement is to be found on page 36 of the Report, which notes that the then US Executive Director brought to the attention of the Treasury Department, "...his information that the project was a political deal." The investigators do not say whether there was any subsequent inquiry by the Treasury on this matter. The point was not followed up by the US Executive Director when the Board reviewed this project.

After making their own inquiries of IFI staff personnel, the Investigators found that "...the political overtones referred to the strong desire of a high government official of Mexico to accomplish the new construction in the home region of a former high government official who had a relative working for the steel company, and there was a strong appeal for both IDB and IBRD to participate in the financing." (Page 36)

The purpose of project appraisal is to test the appropriateness of a project's technical, organizational, financial, economic and commercial validity and satisfy the staff, management and Executive Directors

that the project merits support. The investigators do not suggest that the appraisal was deficient in any of these respects or that reservations were expressed by Executive Directors when they approved the loan. The fact that the project happened to have been strongly desired by a government official is not evidence that the appraisal and decision process was, by that fact, corrupted. Nor do the disappointing project results referred to indicate that the investment decision was made in response to political rather than to the conventional decision criteria; they reflect problems sometimes encountered with projects of this kind.

The investigators have cast a cloud of suspicion over the World Bank and the IDB with this comment without having offered any serious grounds for doing so.

Operations Evaluation

Report: There is "...need to take another look at the approach to review and evaluation in the Bank ... either the dual role of OED's service to both management and Executive Directors should be removed so that it is responsive solely to the Board or ... the Board should have within its own secretariat, a review and evaluation group to assess Bank operations and management effectiveness." (Page 84)

The present approach to review and evaluation in the World Bank has evolved with the full knowledge and support of the Executive Directors, and is under continuing review by them. The Standards and Procedures which currently govern the function were reviewed and approved by the Executive Directors on February 26, 1976 and published in June 1976. A second edition, prepared to reflect more accurately current practice, has just been reviewed by the Joint Audit Committee and will be considered by the Executive Directors in May 1979.

These Standards and Procedures make clear that the World Bank's evaluation system was designed deliberately to serve both the Executive Directors and the management, the former as an instrument of accountability and oversight, the latter as a channel for learning from experience and from borrowers in order to help make World Bank development assistance more effective and responsive to members' needs. Although the investigators report that the system is independent of the management and subject to oversight by the Joint Audit Committee of Executive Directors, they feel that it should become even more responsive to the Board, i.e., become a review and evaluation "secretariat of the Board".

The principal reason for this conclusion seems to be that the investigators feel the Board would be better served by a different OED work program, which would include (i) "...broader management reviews..." and (ii) reviews of ongoing projects. These same points were made by the U.S. General Accounting Office in its June 5, 1978 report to the Congress "Effectiveness of the World Bank's Review and Evaluation System". In the

observations on these GAO comments, which I communicated to the Chairman of the Joint Audit Committee on October 12, 1978 and which were copied to all Executive Directors the following day, I noted it was my understanding that Executive Directors felt adequately served by existing reporting in respect of overseeing the Bank's management systems and being kept abreast of experience with ongoing projects. It is for the Executive Directors to comment otherwise if they do not agree.

This conclusion of the investigators also seems to reflect a view that evaluation reports, like other Bank reports in their view, conceal. Report language is said to be "...so muted and diplomatic in tone and critical comments so recondite that it is difficult to come to grips with the actual conditions being reported..." (Page 84) Reports are said to be written "...primarily to avoid being unnecessarily offensive to a member country or to its representative on the Board... It appears that so much emphasis is placed on making a report palatable to one or more readers that the real findings might be covered up, obscured, rationalized, or obfuscated." (Page 84, underlining added)

The only observation I would make, as a party at interest, is to note that much of the investigators' commentary about operational experience is derived from this evaluation reporting; and that the preceding comments apply to the language of reports which earlier in the same paragraph are described as "...careful, well-written documents which report on the project experience knowledgeably and in perspective." (Page 84) and which, elsewhere in the Report, are described as "...professional..." and which "...surface substantial and valid self-criticism." (Page vii)

The investigators also do not find the Joint Audit Committee's oversight reporting adequate. They refer to their 1977 report to the Board as "...rather routine..." (Page 85) and its "...general commendatory remarks concerning the overall quality of OED's work ... at some variance with a JAC sub-committee's critical comments on the project performance audit reports they reviewed. (Page 85)

The evidence cited on Page 86 for this variance consists of 12 points. Ten of these points have nothing to do with OED reporting but consist of comments on the project experiences reviewed by the sub-committee. Of the other two points, one observes that in two PPARs no reasons were provided for extending closing dates and/or cancelling portions of the loan. The other relates to observed inadequacies in reporting borrowers' perceptions of the projects' success or failure. On this last point, the JAC sub-committee had read intent to conceal in these reporting deficiencies without testing this perception with the authors of the reports in question before rendering judgment.

The investigators failed to report that this matter was discussed at the July 31, 1978 JAC meeting at which the informal sub-committee reports were reviewed. The Committee was told that the absence of any reference to borrower comment indicated only that there were no comments to report, not, as the sub-committee wrongly concluded, that comments had been ignored.

To avoid such misunderstandings in future, the Committee was told that OED reports would henceforth say explicitly whether a borrower's views requested had been received and, if so, what they were. The JAC decided that similar future sub-committee reviews should provide for early consultation with the authors of the audit reports.

Against this background, the investigators' qualification of the integrity of JAC's oversight reporting seems misplaced. [See also "Use of Consultants" for additional comment on the conduct of the operations evaluation function]

The Report does not offer credible evidence for the serious allegation in its concluding sentence on operations evaluation, which says "...accountability procedures simply do not work if the plain critical findings are not permitted to clearly surface so that lessons learned can be applied to policy changes." (Page 87, underlining added)

Problem projects and their supervision

Report: In 1977, 11% of all World Bank projects had major problems and 50% had moderate problems. The number of projects developing problems has increased. (Page 57)

The most recent summary data on problem projects is the following.

	(September)			
	1975	1976	1977	1978
Total projects under supervision	956	1124	1229	1313
% with moderate problems	n.a.	41	45	46
% with major problems	<u>14</u>	<u>10</u>	<u>8</u>	<u>9</u>
% with moderate or major problems	n.a.	51	53	55

The key statistic here is the relatively low and declining percentage of projects with major problems. Minor problems can be expected in many projects, in developed no less than developing countries, but especially in the latter as the investigators have clearly noted: "...one must recognize that cost overruns and institutional failures would be expected to be more prevalent in development lending, particularly concessional loans and social projects directed to reach the poorest of the poor, than would be the case in commercial lending." (Page 18) Nonetheless, the investigators find it a matter of concern that "The Executive Directors have no real involvement with supervision activities and, in fact, the key supervision documents ... are not available to Executive Directors." (Page 72)

While the relevant internal documents are not circulated to the Board, the highlights of the semi-annual problem project reviews, including the information cited above, and of the staff's continuing analysis of supervision findings are communicated to Executive Directors annually. The most recent such report was "Project Implementation and Supervision", R78-68, March 24, 1978. These reports reflect and provide occasion for Board discussion of ongoing operational experience -- the dimensions and kinds of problems being encountered and the efforts being made by staff and borrowers to deal with them. These annual reports complement the more detailed reporting throughout the year in (i) each President's Report proposing a new project to Executive Directors, which includes brief text on experience with completed and on-going projects and a standard annex on the status of each on-going project in the country and (ii) project performance audit reports on experience with completed projects.

The World Bank's experience with project supervision is currently being reviewed by the Operations Evaluation staff; a report should be issued to the Executive Directors later this year. This review will complement the reporting referred to above and will address the problems in project supervision noted on Page 57, which, as the investigators note, have surfaced in these various reports.

Report: Experience with implementation delays is widespread; cost over-runs are often subsumed in the funding of follow-on projects; some delays reflected inadequate project preparation because of "...the rush to commit funds to meet targeted goals before the expiration of the fiscal year." (Page 59)

The staff recently inquired whether the incidence of project problems was higher in projects approved towards the end of the fiscal year than in projects approved earlier in the fiscal year. Their study revealed no correlation between the incidence of project difficulties and the timing of loan presentations, nor did it reveal correlation between the incidence of serious project problems and the nature of the projects. These questions will be examined in the forthcoming Operations Evaluation review of delays in implementation.

Report: Bank staff had widely different perceptions as to which of the various facets of supervision are most important. (Page 72)

The investigators seem to feel that these widely different perceptions, ranging from ensuring the funds are spent as intended and that loan agreements are honored, to providing technical assistance to borrowers in addressing problems and drawing lessons about the significance of a project experience for future Bank operations, may lead staff to neglect important issues during supervision.

As the investigators correctly note, "supervision of projects is a multi-faceted monitoring of the borrowers' project activity..." (Page 72) Its multiple objectives (accountability, problem-solving, learning from experience) have different weights in different project circumstances and

no one aspect can be said to be the most important at all times and places. It is also an inherently difficult task to manage and schedule because of the complexity of many projects, their functional and geographical diversity, and the constraints on staff of requisite skills and experience. It is thus susceptible to the reported problems of scheduling, staff continuity, and making borrowers feel projects are being managed from Washington rather than by themselves. These problems notwithstanding, the investigators found that "in the majority of cases, the local officials were appreciative of the missions and had found them helpful in keeping the project progressing toward its desired goals." (Page 58)

Economic rates of return

Report: Re-estimates of project rates of return after completion have in cases been significantly lower than the original estimates.

In one project visited by the investigators, project officials deemed the estimating exercise by Bank staff to be meaningless; and in another, officials whose own rate of return estimates differed from those of the World Bank were unable to obtain responses to their inquiries as to how the World Bank estimates were made. (Pages 51, 52)

Differences between appraisal estimates and re-estimates after completion are frequent, as may be observed in individual performance audit reports and in the annual reviews of these reports. Although differences are inevitable in a real world of uncertainty and the unexpected, some of them point to deficient project design and inadequate provision for risk. Thus far, significant shortfalls from expectations have been few. There have also been cases where re-estimated returns have exceeded appraisal expectations.

There can be no excuse for borrowers not understanding fully how Bank estimates are made. Project documents, which are made available to borrowers as well as to Executive Directors, should be explicit on this matter and normally are. Borrowers who do not understand either the methodology or the computations are entitled to explanation by staff.

The Report cites reservations of borrowers about the usefulness of such estimates and about the difficulties of estimating some important benefits. The comments cited, however, do not suggest any reservations about the fundamental idea of testing each project to ensure that expected benefits warrant the commitment of scarce national resources to it rather than to another purpose and that the project design proposed is the most appropriate among alternatives. What they do suggest is that staff have, in cases, failed to make clear that the discipline of testing the economic worth of project proposals or design alternatives is not a peculiar hobby of the World Bank but a discipline that responsible Governments impose on themselves in one form or another. The objective of the exercise is

not simply to produce a number, as the officials cited seemed to think, but to apply the discipline of analyzing costs in relation to their expected benefits. The management should inquire why some borrowers, observers and staff perceive the institution mechanically to accept or reject projects only on the basis of these numbers and have reported to the investigators that "...documentation of project proposals are massaged to perfection and represent only an illusion of real conditions"; and that "...paper and bureaucratic procedures are substituted for substance." (Page 52)

Use of consultants

Report: There are ways in which the Bank can improve on the use of consultants in Bank projects. (Pages 42, 43)

The substantive comments of the Report derive from a special evaluation study of this subject, which was issued on March 27, 1978, reviewed at length by the Joint Audit Committee and the Executive Directors, and responded to by the management at the May 25, 1978 Board meeting. The results of the reconsideration of policy and practice that is now going on will in due course be reported to and reviewed by Executive Directors.

This case illustrates the World Bank's evaluation system in operation. It also illustrates feedback into the evaluation process.

The investigators reported that the evaluation study "...findings were cast in the usual muted and recondite terminology one encounters in IFI management documents;..." (Page 43) and that a member of the Joint Audit Committee was critical of the report. Matters of style aside, the investigators were correct in reporting criticism, its substance being that the study should have focussed more on the problem cases and less, if at all, on experiences which were satisfactory.

Discussion of this criticism in the Joint Audit Committee and the Board revealed the existence of two views about the objectives of special evaluation studies: one was that they should provide an overview of experience in the matter being examined, reporting both what went well and what went badly so as to give context to the problems encountered; the other was that they should focus just on problems and what might be done about them. The conclusion of these discussions was that there was place for both types of evaluation studies and that future overview studies should, without impairing their balance, communicate more illustrative detail of the problem cases encountered. Subsequent evaluation study reports have been designed to be responsive to these comments.

Corruption

Report: The Report recommends "...the establishment of a central point detached from operating responsibility to which suspected irregularities could be referred and investigated..." (Page 74)

The recommendation does not derive from actual or suspected evidence of fraud and corruption encountered by the investigators. Although they note that "Developing country projects present unusual challenges with respect to possible irregularities" (page 72), their only reference to a possible IFI involvement consists of two cases pending before the U.S. Department of Justice, in which U.S. companies or foreign companies selling stock in the United States have disclosed corrupt or improper practices involving one or more of the IFIs review in the Report. The investigators say they "...felt certain that neither of the IFIs was aware of the improper activities involved in a loan project." (Page 73-74)

It is impossible from this brief and ambiguous reference to know what the problem is, what the "involvement" of the IFIs was, what it implies for the review and control processes of the unnamed IFIs and, therefore, what further steps should be taken. The legal department will endeavor to seek clarification from the U.S. Department of Justice and will report to the Executive Directors what they find.

One official of the IFIs is reported to have observed that the IFIs internal control procedures "...are either very good because no instances [of corrupt or improper practices] have arisen or else are very poor because none have been uncovered." (Page 74) Other officials are said to have observed that the probability of corruption is remote because "...those who practice corruption avoid doing so in IFI loans because of the extent of IFI supervision afforded; and ...[because] use of a team approach by the IFI makes internal corruption remote..." (Page 74). Nonetheless, the investigators leave an element of doubt in the reader's mind. They say "It is difficult to establish the level or intensity of allegations or actual occurrences because of the absence of any central point of investigation with personnel skilled in inspection and investigative techniques and because of the closeness with which Bank documents and comments are held. It may be that possible abuses are suppressed because of the adverse publicity such disclosures would entail." (Page 74, underlining added). They report that "...an officer of one of the participating commercial banks confidentially advised that though he personally knows of no corrupt practices involved in the project lending, corruption is rampant throughout the country and could well exist in IFI projects." (Page 170, underlining added)

In the entire history of the World Bank, the total number of allegations of fraud, corruption, conflict of interest or other improper behavior by World Bank staff has been negligible. In each of these cases, the legal department has conducted an independent investigation, in one case with the assistance of special outside investigators. In none of these cases has the allegation been substantiated. Were a new case to arise, it would be handled the same way.

Since the legal staff are "...detached from operating responsibility..." in the sense recommended in the Report, the present arrangements appear fully responsive to the substantive concerns of the investigators and no new Inspector-General function appears warranted. However, in light of the hypothetical possibility raised by the investigators of "...abuses

being suppressed because of the adverse publicity such disclosures could entail." (Page 74) the General Counsel has decided to inform the Director-General, Operations Evaluation, who is appointed by the Executive Directors and removable only by them, of all future allegations of improper conduct, how they will be investigated and how they have been resolved.

Internal audit

Report: "Because the Internal Auditing Department is frequently auditing financial activities which are the responsibility of its superior officer, the investigative staff believes both management and the Executive Directors would be better served under an 'Auditor General' concept reporting directly to the President, enhancing the stature and independence needed to provide a broader internal audit program." (Page 79)

The comment is on the location of the internal audit function within the World Bank's organization structure. On substantive matters, the investigators register positive findings. They note that the Joint Audit Committee of the Executive Directors approves the work program and oversees the function, that a copy of IAD's work program and of each IAD audit report is given to the external auditors, and that the recent IAD reports they reviewed "...appear to be meaningful, necessary and consistent with IAD functional responsibilities..." and "...of good quality." (Page 80)

The investigators also report that the Director of the Department has access as needed to the President and the Joint Audit Committee.

These facts do not point to any pressing need to relocate the Department, whose substantive independence is real and protected from interference by superior officers. The management is considering how the "perception problem" to which the Report refers might best be addressed.

Program lending

Report: Although program loans are not to be made except under "special circumstances", the Report notes that this term "...has been construed rather liberally." As evidence, they note that World Bank program lending, which has ranged from 2% to 9% of total lending during the past five years, is significantly higher than that type of lending by IDB. (Page 32)

The proportions cited confirm that program lending is not routine. The subject is under continuing review by Executive Directors.

Report: Program loans are made "...at times with insufficient coordination with the International Monetary Fund (IMF)." (Page ii)

The general posture of the World Bank in this regard is clear in policy and in practice: it is to coordinate closely and continuously with the IMF on all operational matters of overlapping interest. This coordination extends beyond program lending and includes policy analysis and advice to countries in country economic reports and country visits; however, it is not intended that the institutions speak with one voice or be subject to veto by one another. The nature of this coordination in any particular operation is normally reported to Executive Directors in the loan documents submitted for their approval.

Local cost financing

Report: Having noted that the Board policy is to permit the Bank to make local expenditure loans when necessary to ensure that high priority projects are carried out, the Report notes "...it appears many projects may involve substantial financing of local costs which are not apparent in documents presented by management and do not show up in annual statistical summaries..." (Page 34, underlining added)

Staff follow standard instructions as to what constitutes local and foreign exchange cost for purposes of appraisal estimates. Where local expenditure procurement includes indirect foreign exchange costs, the appropriate proportions of such expenditures are classified in appraisal reports and statistical summaries as foreign expenditures. The proportion of the total cost of any project financed by the World Bank is a matter for determination in each case, primarily in light of the project's financing plan but also of the country circumstances in the case of the poorest countries. Within this cost-sharing, the proportion of financing for local expenditures reflects the nature of the procurement required for that project. Normally, total cost-sharing ranges between one-third and one-half of total project costs, except for poorest countries where it may be much higher. The amount of local cost financing is clearly stated in the President's Report in every case where it occurs.

Disbursements and liquidity

Report: Disbursement lag "...is a continuing problem plaguing all the IFIs..." (Page 1)

This lag contributes to an "unnecessary and undesirable" level of liquidity which is "consistently running higher than its [the World Bank's] set policy in recent years "because of lagged disbursements and the practice of borrowing at faster than forecasted rates in order to take advantage of favorable interest rates." (Page 8)

Overall disbursements have been lagging behind expectations, although the dimension of this problem is not, as the Report suggests, measured by the 42% of outstanding IFI commitments still undisbursed. With project

disbursement periods normally ranging between 4-7 years, a significant proportion of an expanding commitment level will always remain undisbursed.

As the Report notes, the reasons are implementation delays caused by project problems and general financial problems of the borrowing country, and over-optimistic disbursement expectations. Because disbursement lags can constitute early warning of implementation problems and also affect the World Bank's financial planning, the subject is under continuing review by management and discussion with Executive Directors.

Light capital technology

Report: The Executive Directors are said to have no basis for assessing whether or not the right technology has been considered in the design of any project coming before them because the "...design is fixed before the project is present for approval...". Furthermore, they do not have any standard for measuring how effectively light capital technology is being substituted for capital intensive technologies in projects. (Page 42)

One of the central objectives of any project appraisal is to assess the appropriateness of the technology proposed for the project. Staff are required to satisfy themselves that the technology and project design proposed are appropriate to the circumstances; comments on project design are routinely incorporated in the project documents sent to the Board. Operational staff are supported in this effort by Central Projects Staff who conduct "appropriate technology" research of relevance to major sectors of World Bank operation. There are no doubt cases where alternatives may not be analyzed or reported as adequately as they should be; however, the appropriateness of this aspect of a project is as subject as any other aspect to internal staff review, to questioning by Executive Directors when the projects are presented for their approval, and to post-completion review.

The Report notes that in their field visits, "...the Investigative Staff observed a number of uses of light capital technology in agricultural, rural development, urban development, irrigation, and road projects in Latin America, Asia and Africa. All were being effectively used and local project managers and governmental officials were highly pleased with the inclusion of such approach in the design of the projects." (Page 42)

New style projects and poverty alleviation

Report: A former IFI official is reported to have said that "...a lot of money is being spent on new style projects, but there exists no real proof that the poorest of the poor are being reached or that the long range goals are being achieved." (Page 183)

The Report summarizes the investigators' field visit findings by saying: "In general, the 36 projects which were designed mainly to assist the poor or had substantial segments so designed were being diligently pursued by local project managers and staff towards the objectives set, and the failures encountered in meeting objectives, often resulting in a reduction of goals originally appraised, were outweighed by the accomplishments being achieved." (Page 167) The investigators also report that they encountered widespread satisfaction by beneficiaries and project managers about the design of the projects, the benefits being received or in prospect and the frequency and helpfulness of supervision visits by World Bank staff.

The opinion cited does not appear to be consistent with the rest of the discussion of this subject or with the reported findings of the investigators.

Administrative costs

Report: "...the World Bank management...is operating under a fallacious impression that there should be a direct correlation between the size of the Bank's staff and the amount of money lent..." (Page 106)

"...there are no rational tools with which to measure the need for increased operational work." (Page 106)

Numbers and types of projects, not amount of money lent, is what determines the administrative budget for operations. The numbers and types of projects in lending programs in turn reflect (i) the variety of development problems these lending programs are intended to address and (ii) the pace at which these lending programs evolve from retail lending for specific projects towards wholesale lending through national sectoral institutions for groups of projects or time slices of sectoral investment programs. In this light, the link between staff and money to be lent is a matter of policy. These operational policies, together with the detailed unit cost experience for different types of projects, shape the World Bank's annual operating programs and budgets, which are reviewed and approved by Executive Directors.

Report: "All of the IFIs find it difficult to measure productivity and cost effectiveness of operating departments." (Page viii)

"The change of emphasis of the IFIs lending programs is reported to have significantly increased the administrative cost per dollar of loan commitment." (Page 104)

The Report notes that the administrative expense per dollar lent is a questionable indicator of the institution's efficiency. What conclusions should be drawn from the comparison of World Bank, the IDB and the ADB in light of their differences in institutional output and geographical coverage is not clear.

The investigators refer to internal studies by the Programming and Budgeting Department of the World Bank's administrative costs, which are

conducted as part of their continuing review of the Bank's productivity and efficiency. The results of these studies are reflected in the annual budget document submitted to Executive Directors for their approval. Executive Directors can at any time request clarification of aspects of this document, such as unit cost criteria, cost controls and how staff are encouraged to be cost-sensitive.

Report: The planned 40% overage of projects in the pipeline may be excessive and, therefore, unnecessarily costly to sustain the desired level and mix of Board presentations. (Page 26)

The adequacy of the project pipeline and the administrative costs necessary to sustain it are matters for continuing management review and are also reviewed at least twice annually by the Executive Directors: when the next year's operational program and administrative budget is approved and during its mid-year review.

Report: Some donor members and IFI officials are reported to feel that current IBRD lending rates are too low and dividends should be declared in order to introduce greater cost consciousness and control of all administrative expenses in the Bank. (Pages 7, 108)

Current dividend policy is set by the Executive Directors and kept under continuing review by them. The investigators do not comment directly on the merit of the view cited; however, they do observe elsewhere that the World Bank's operational efficiency "...is clearly recognizable in the quality of its professional staff and the procedural controls and systems administered." (Page 10)

IFC

Report: Executive Directors have at times objected to IFC projects enriching wealthy families rather than contributing, as they should, to development needs, to aiding the poor and to creating jobs. (Page 41)

IFC's partners are frequently local private entrepreneurs, and thus unavoidably include the more affluent in their local communities. Comments of the kind reported have occurred, but rarely. IFC projects are not selected now simply on the basis of their attractiveness to investors, but on the basis of the contribution these projects make to the larger development objectives of the host country. IFC also seeks, wherever feasible, to broaden the ownership of enterprises in which it invests by selling its shareholding to other private investors after the investment has matured and proved to be a success. The size and emphasis of IFC's current five-year program and each new investment proposal in that program are subject to review and approval by the Executive Directors.

Report: "One of the loans written off in the year ended June 30, 1978, was for \$1.1 million to Ethiopia. The potential loss had been pending since the 1975 nationalization of all large and medium-scale financing,

commercial and industrial enterprise, including IFC holdings In April 1978 an IDA loan of \$24 million to Ethiopia for a grain storage project was presented and approved. It was apparently evident at that time that the IFC loan would be written off as a loss within the next two months." (Page 40)

The comment suggests that this write-off was the result of nationalization and that, in the absence of adequate compensation, the IDA credit should not have been made. The facts are that the firm in question was not nationalized. The company, which was 68% owned by the government, turned out to be a commercial disappointment and IFC accordingly had added to its loss reserves 100% of its investment in this company before the 1975 nationalization. The Executive Directors were advised of the serious operating problem the company was having in IFC's monthly report of January 1978, at which time it was indicated that the company might have to cease operations. The monthly report items regarding Ethiopia were discussed at the Board meeting in March 1978 and the matter was discussed again during the May 1978 Board review of the IDA credit referred to above.

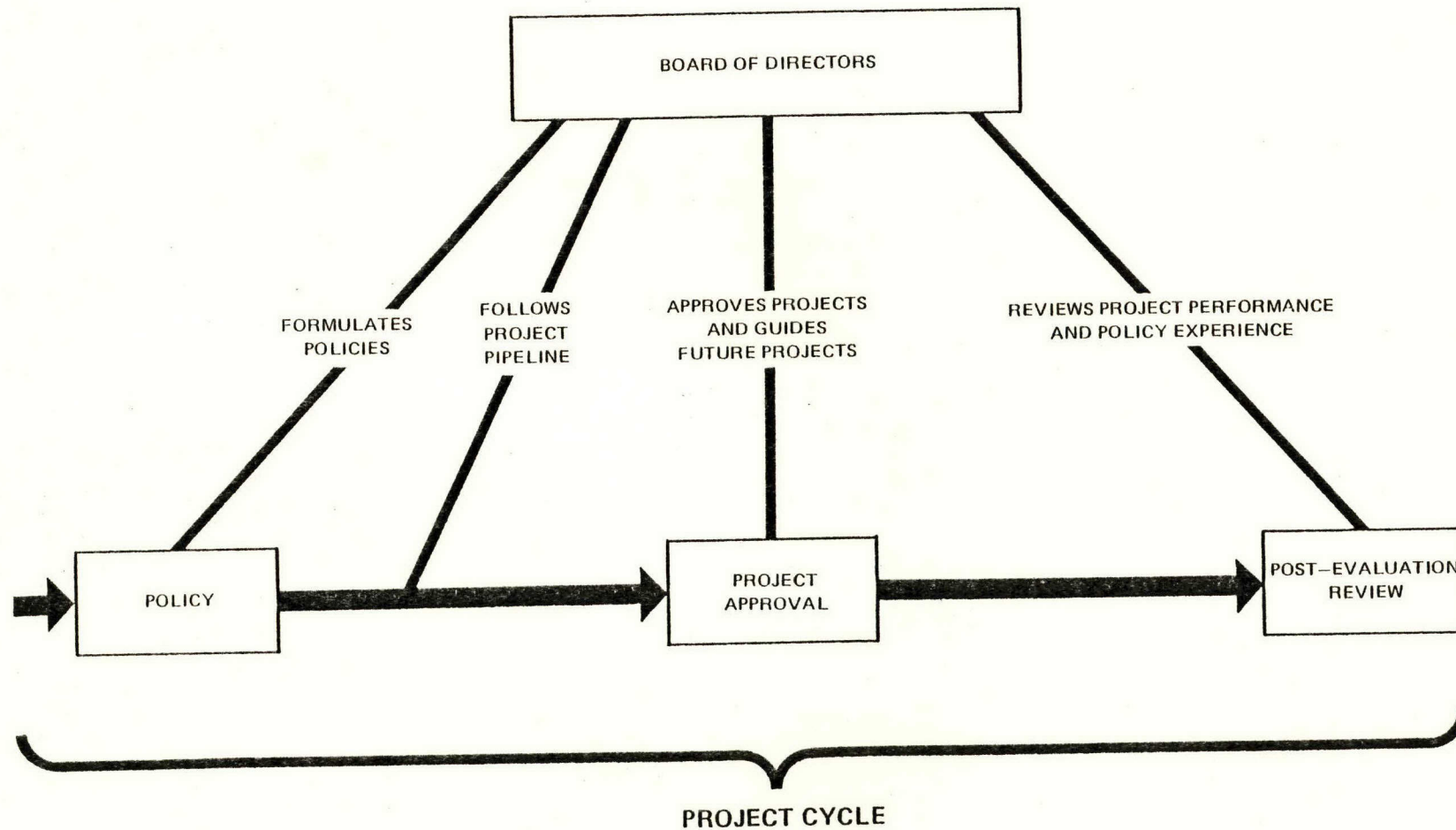
Investigators were denied access to World Bank information

Report: The US Executive Director was denied a report which had been requested by the investigatory staff although it had been referred to in another Board document as being available on request. (Pages 3 and 168)

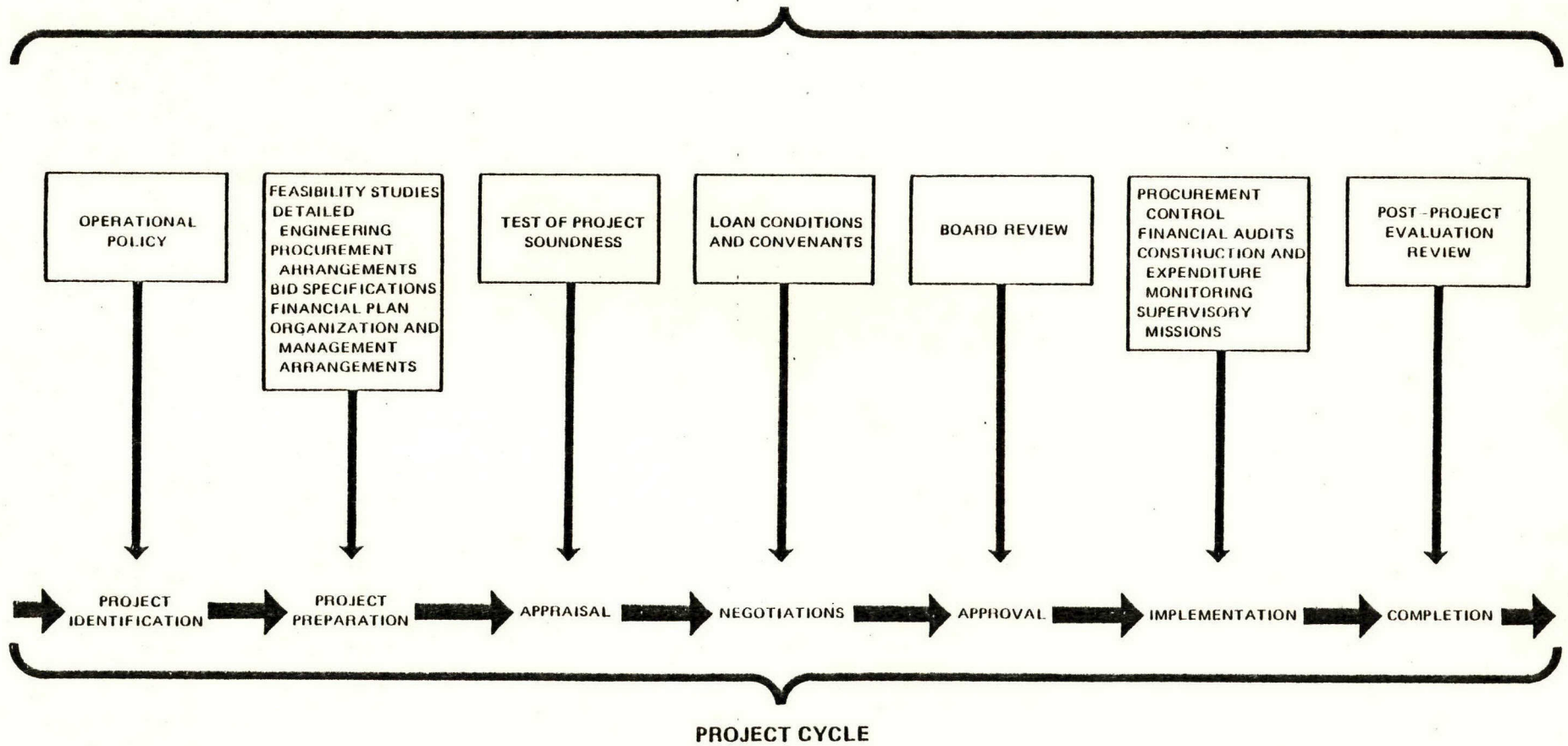
There is more to this story than the investigators have reported. The report referred to was produced for OED by a consultant as background material for a project performance audit report (PPAR) on a livestock project. It was long (163 pages) and contained much valuable fact and analysis. However, it also included comments on the role of different groups of ranchers in the project and on land reform, which turned out not to be shared by many beneficiaries, borrower officials and Bank staff associated with the project. Since the PPAR included all the substantive findings of the consultant and also other views of the project experience which were not in the consultant's report, the consultant's report was not circulated among Executive Directors with the PPAR; accordingly it was not released to the investigators. The reference to the report being available on request should not have been there; it had been inserted in an early draft circulated for comment but, through oversight, had not been deleted from the final report.

Because this refusal to release the consultant's report could have been construed as intending to conceal matters of substance, on May 11, 1978, the Director-General invited the investigative staff, through the office of the US Executive Director, to examine the report in his office, the only constraint being that they would not then refer to it in their Report as though it had been released. The investigators did not take up this invitation.

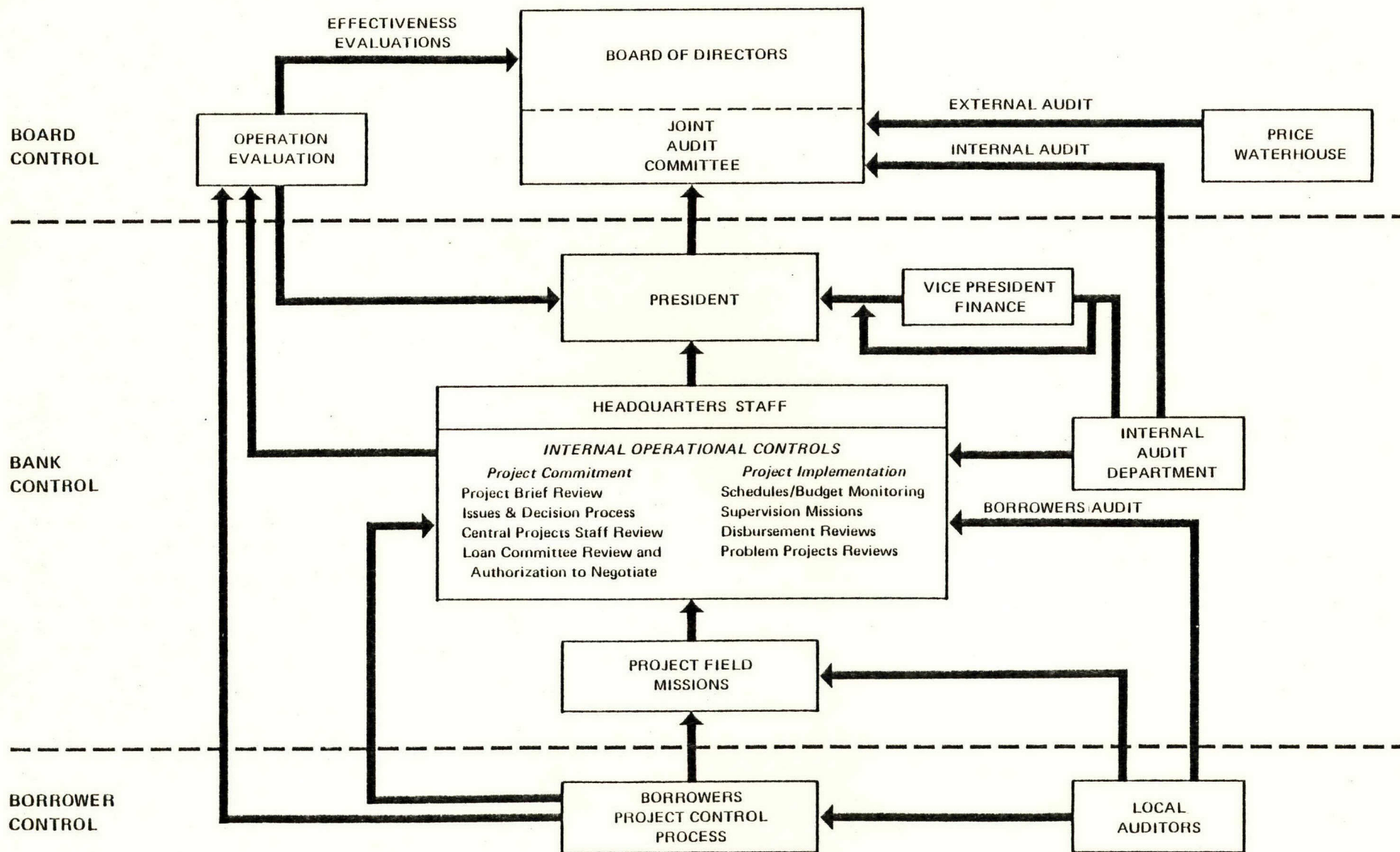
**PROJECT CONTROL
FUNCTIONS OF THE
BOARD OF DIRECTORS**



PROJECT CONTROL PROCESS



PROJECT CONTROL STRUCTURE



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SecM79-246

FROM: Vice President and Secretary

April 13, 1979

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS
INVESTIGATIVE REPORT ON THE INTERNATIONAL FINANCIAL INSTITUTIONS

Report of the Director General, Operations Evaluation

Attached for information of the Executive Directors is a memorandum from Mr. Weiner, Director General, Operations Evaluation, together with a report entitled "Principal Report Comments Touching on the World Bank".

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Finance
Vice President, Operations
President's Council

April 12, 1979

REPORT TO THE EXECUTIVE DIRECTORS

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SUBJECT: U.S. House of Representatives Committee on
Appropriations Investigative Report on the
International Financial Institutions

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I have been asked to compile for the Executive Directors the Report's comments which touch upon the World Bank and, after investigating each of them, to make recommendations thereon to the Executive Directors. The following memorandum has been prepared in response to this request for independent comment on the major points raised by the authors of the Report.

Except for explicit references to the regional development banks, the entire Report can be said to touch upon the World Bank. The Report says "Throughout the report, it will be noted that the more prevalent specific instances cited to illustrate points made are those from World Bank projects. The reason is not only because of greater time devoted to the largest IFI, but also because of the high degree of candor and openness on the part of its personnel and of access to Bank material through the office of the US Executive Director." (Page 4) Readers of the Report will almost certainly perceive all criticisms of the IFIs to be applicable to the largest of the IFIs examined. The various Report comments listed in the main body of this memorandum, beginning on Page 1, have been compiled accordingly. The remainder of this covering memorandum is addressed to the overall Report.

The Report contains positive findings. To illustrate from the summary alone:

"The World Bank exercised leadership in arranging co-financing and in organizing consultative groups";

"The World Bank has led in research and experimentation for use in light capital technology in projects";

"Internal management controls are generally effective";

"The World Bank performs post evaluations of every completed project ... [the] reports are professional ... the post evaluation reports surface substantial and valid self-criticism";

"Since 1973 the IFIs have been developing strategies and redirecting sectoral lending (from traditional infrastructure projects to the so-called "new style" or social projects) in earnest efforts to devote a greater share of lending to poorer LDCs and to the poorest

segments within LDCs - the World Bank has led in such efforts." "...of the projects selected for site visits ... generally, these projects were being diligently pursued by local project managers and staff toward the objectives set and the failures encountered were outweighed by the accomplishments being achieved."

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However, the Report devotes more space, especially in its summary, to critical findings. To illustrate again from the summary alone:

"With the press to commit money at year's end, self-generated quests for money and growth, and obfuscatory language to avoid or soften criticism, the IFIs are not dissimilar to other governmental bureaucracies";

"A project is seldom turned down at the appraisal stage because too much money has then been invested in it";

"The Executive Directors are employed by the IFIs and function in continuous session, thus making the Board a part of the management process. Though the IFI charters provide that the Executive Directors are responsible for the general operations of the IFIs, they are more led by management than directing it";

"...given the essentially pro forma approval process for loans presented to the Board, lack of access by Executive Directors to various pertinent documents, and the lack of input by them to budget formulation and five-year lending programs, accountability by management to Executive Directors leaves much to be desired";

"The World Bank and ADB post evaluation reports are "...often couched in muted and diplomatic language to avoid giving offence to borrowing country representatives";

"One former IFI official observed that while a lot of money is being spent on the new style projects, there exists no real proof that the poorest of the poor are being reached or that the long range goals are being achieved."

In the absence of clear conclusions by the investigators on the overall efficiency, effectiveness and accountability of the World Bank, the balance of emphasis in the summary could lead readers to conclude that

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their findings on these larger questions were negative. Such negative conclusions have already surfaced in the press. It is my own view that these implicit negative overall conclusions are not sustained by the evidence presented, especially that evidence which consists of reported opinions of unidentified individuals interviewed. Most of these opinions are reported without indication as to how authoritative these opinions might be, whether the investigators tested these opinions against other opinions and, if they did, where they concluded the balance of opinion lay.

I consider the most serious comments of the investigators to be those which cast doubt on the integrity of the World Bank. Staff reports sent by the President to Executive Directors are thought to conceal, reports of the Joint Audit Committee are said to be ... "toned down", reports sent by the Director-General, Operations Evaluation, to the Executive Directors are said to be "...of an ameliorating nature...". The evidence for these allegations consists primarily of reported opinions of individuals interviewed by the investigators.

On matters of style, opinions can differ; on the substance of these reports, the investigators do not comment. To my knowledge, the only credible response to comment of this kind is to examine the adequacy of the review and control processes built into operational and evaluation reporting to the Executive Directors. Do these processes provide adequately for challenge by Executive Directors of evidence and judgment in reports submitted to them? It is for the Executive Directors and the Governors they represent to respond to this question and to comment on the finding of the investigators that accountability of management to them "...leaves much to be desired." I do not find this criticism sustainable on the basis of the evidence in the Report.

For the reasons noted below, I also do not consider to be sustainable by the evidence presented the finding that the Executive Directors are unable to discharge their responsibilities adequately and that the World Bank is therefore not meaningfully accountable to its members. If there is one common observation to be made about the diverse Report comments listed below, it is that on virtually all the substantive points raised, the policy and practice on which the investigators comment are carried out with the advice, consent and oversight of the Executive Directors.

The principal comments of the Report are listed and discussed below. The list does not include Report references to operational experience which were based on reporting by the World Bank's Operations Evaluation staff or by the external advisory panel on population and are discussed there, or compensation which is currently under active review by Executive Directors. Nor does it include certain administrative or operational issues that will be reviewed by management in light of the Report's comments, e.g., aid coordination, procurement supervision, operational and project audits, and budget reprogramming.

I would be pleased to initiate any further examination the Executive Directors may wish to have.

Henry L. Hines

PRINCIPAL REPORT COMMENTS TOUCHING ON THE WORLD BANK

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Charts: Project Control Functions of the Board of Directors
 Project Control Process
 Project Control Structure

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The World Bank is commitment rather than development-oriented and is not subject to effective control

Report: "The IFIs are not dissimilar to any other governmental bureaucracy with self-generated quests for money and growth, the press to commit money at year end to meet planning goals and obfuscatory language to avoid or soften criticism." (Page 10)

"Present and former staff members and officials of the IFIs have decried the pressure on staff to meet annual lending targets with emphasis on quantity of commitments made annually rather than upon assurance of quality projects. Also cited by these officials as well as by officials in some of the countries visited is the tendency of some of the IFIs, particularly in recent years with emphasis on social projects, to oversell LDCs in acceptance of expensive projects designed by the IFIs..." (Page 27)

Reviews by Executive Directors are an "...essentially pro forma or "rubber stamp" approval process..." (Page 11); "...there is no mechanism by which Board actions are reviewed or evaluated." (Page 11)

"The pressures to demonstrate growth by committing an increased amount of lending each year tends to overstrain the absorptive capacity of LDCs and thus be counter-productive in making them more dependent rather than building their own indigenous institutions." (Page 45)

These comments imply that the World Bank's operational planning responds more to an inner drive for institutional self-aggrandizement than to its declared objective to transfer resources to members in amounts and for purposes than can best support their economic and social development, and that these plans are not subject to meaningful review and control.

The fact is, as the Report notes, that the World Bank's operational program goals and its associated borrowing plans and administrative budgets are matters for regular review and approval by the Executive Directors. Each loan commitment is also subject to review and approval by the Executive Directors. These Executive Directors represent the World Bank's member governments. They define the policies that guide the operation of the World Bank, ensure that it is managed in conformity with these policies, and determine what information and procedures they require to discharge these obligations. The Executive Directors report to and are instructed by the Governments they represent. The mechanism by which the US Government exercises this oversight is described in the Report. Similar mechanisms exist in other member governments.

The investigators seem to have concluded that Executive Directors cannot effectively discharge their responsibilities. The bases for this

central conclusion are said (on pages 10 and 11 of the Report) to be the following:

[The Board has never rejected a loan proposal]

This fact could as well be regarded as evidence of close adherence to policy set by the Board, sound staff work, and effective informal consultation with Executive Directors, as indicative of an ineffective Board.

[Loans are proposed after formal negotiation]

It would be impracticable to ask the Board to approve a proposal which has not been negotiated and is therefore not yet in final form.

The investigators presumably intended to suggest by this comment that Executive Directors should become involved as a group in a form of pre-audit of project objectives, design and conditions to be negotiated. The investigators have apparently misconstrued the complementary but functionally distinct roles of World Bank Executive Directors and management [see project control diagrams annexed], which have long existed with the full knowledge and consent of Executive Directors and the member governments they represent. Executive Directors can re-examine these roles whenever they wish.

[Because the prescribed tenure of the World Bank Executive Directors is two years, there is a natural lack of experience and institutional memory for exercising Board oversight]

This comment does not apply to the five Executive Directors who are appointed, respectively, by the five largest shareholders and who serve at the pleasure of their Governments without any prescribed limitation on tenure. The other fifteen Executive Directors, who represent groups of members, are elected for two-year terms to permit rotation within the group; however, some groups re-elect their Executive Directors or provide for succession by his alternate, thereby extending the two-year term to at least four years.

Member governments provide within their own administrations the continuity that two-year rotation may appear to interrupt. The Secretary's Department provides an institutional memory for Executive Directors to supplement that which they have established in their respective offices.

[Executive Directors rarely visit recipient countries to review or inspect projects]

The Executive Directors decide for themselves what is appropriate by way of field visits to discharge their dual function of representing their constituents and guiding the general operations of the Bank. They have formulated a scheme for visits to developing countries, singly or in groups, and visits to projects have been undertaken accordingly.

[The President serves as Chairman of the Board and a formal roll-call vote is seldom taken, the Chairman announcing what he deems to be the consensus and instructing the Secretary as to how it should be formulated]

The rules approved by the Governors require the Chairman in the first instance to try to derive a consensus, and consensus has long been the preferred style of reaching decisions in the World Bank Board. However, the Chairman may, and sometimes does, call for a roll-call vote and the Executive Directors are free to do so whenever they wish, and do. Even where there is no vote, their views on any matter automatically become part of the formal record of the Board which the Secretary submits to the Board for adoption. Whenever divergent views are expressed, the consensus formulated by the Chairman is formulated in the presence of the Executive Directors and subject to whatever amendment or dissent they may choose to make.

[Frequently, matters raised by Executive Directors are deferred with the response that the points raised will be considered or that a note responding to them will be passed later on]

Where the points require consultation or the marshalling of facts not immediately available, no other response is feasible. The Secretary's Department ensures that such points are not forgotten. Executive Directors may also follow up on their inquiries if they feel replies are not responsive to their concerns.

[The Executive Directors are employed by the IFIs and function in continuing session, thus making them part of the management process]

If "are employed" is intended to be read as being employed by and removable by the management, like any staff member, the statement is wrong. World Bank Executive Directors are appointed or elected by the governments they represent and are only removable by them. They are paid by the World Bank in the same way that Board members of any enterprise are paid for the time they devote to it and are given assistance at the expense of the institution. The fact that they function in continuous session and are paid accordingly is not ground for concluding that the Board is part of the management process. The very opposite conclusion could as well be drawn from the facts cited. The World Bank Executive Directors are better informed, and therefore presumably better able to exercise oversight, than Directors of most institutions, because they function in continuous session. Access is available at all times to staff to secure clarification and supplementary information on matters before them. The Board can also be said to be even more independent of management than the Boards of most institutions for it consists entirely of outside Directors except for the Chairman, who is the chief executive officer of the World Bank.

[There is no mechanism by which Board actions are reviewed or evaluated]

Board actions are kept under continuing review and evaluation by the member governments which the Executive Directors represent. These Governments regularly instruct their Executive Directors on matters of concern to them.

[It is difficult for any Executive Director or country to inject policy change on lending patterns that will show any immediate prompt result]

Lending programs are, indeed, relatively inflexible in the short run because of the long lead time for projects. This inflexibility is inherent in the nature of development project financing; it is not evidence of an inability of Executive Directors to influence policy or operations. The examination of management's proposals over a sufficient period will disclose the impact of Executive Directors' thinking on policy matters.

* * * * *

The Report also implies with these comments that World Bank commitments are not formulated primarily in response to members' needs. The fact is that the expanding and diversifying lending objectives of the World Bank have been reviewed and endorsed by member governments as being appropriately responsive to their development assistance requirements. As the Report correctly notes, the challenges that such growth pose for the World Bank's management and its developing member governments are substantial. They relate, among other things, to the staffing, organization and management of an expanding institution, to the power of a large creditor, to the quality and effectiveness of its operations and also to its role vis-a-vis the regional development banks. Executive Directors and the Governments they represent keep these matters under close and continuing review.

Because the objective of development assistance is not simply to transfer resources but to effect these transfers in a manner that helps to enlarge the absorptive capacity, i.e., the problem-oriented planning and management capacities, of developing member governments, such assistance at times presses against the limits of absorptive capacity of particular borrowers. It may, in cases, press too far or too fast, leading observers to conclude that project quality and effectiveness is only an incidental concern and that commitment and disbursement levels are the primary institutional concerns.

Since rather substantial efforts are required to develop and sustain expanding project commitment programs which are soundly based, such efforts do at times generate pressures which can lead to comments of the kind made in the Report when they are not carefully managed, when particular lending programs and/or pipelines and the staffing for them do not provide adequate margin for flexible response to the unexpected, and when staff wrongly begin to perceive their career development as being

more dependent on their contribution to lending volume than to meaningful understanding with borrowers and project quality. However, these real challenges for management cannot be said to confirm the main thrust of the investigators' comments, especially in light of three external controls that complement the internal controls built into the project process.

The first external control is the project by project review by Executive Directors and the Governments they represent. They frequently inquire at length as to whether projects recommended for their approval are the most appropriate for the borrowers in purpose, scale, design and risk. They make both informal inquiries of staff before Board meetings and formal inquiries during Board meetings. Although they do not receive internal reports, the investigators reported that "...the Executive Directors contend that they have not been denied documents when asked for..." (Page 61). On the basis of monthly reports on the project pipeline, some of these inquiries are made at quite early stages in the project cycle to ensure that staff and borrowers are fully aware of their concerns during project preparation and appraisal.

The second external control is the World Bank's operations evaluation system. One of the reasons that the Executive Directors and management have supported a strong operations evaluation system is to ensure that the effectiveness of these expanding programs is kept under continuing review. The investigators report that they found World Bank project performance audit reports to be "...careful, well-written documents which report on the project experience knowledgeably and in perspective" (Page 84) and which "...surface substantial and valid self-criticism." (Page vii)

The third external control consists of the semi-annual review by Executive Directors of the World Bank's operational programs and administrative budget. Inquiries made by them before and during past reviews confirm the close and continuing attention member governments give to the quality as well as the quantity of these operational programs.

Report: "The Board is inundated with excessive paper." (Page 61)

Executive Directors do receive large volumes of paper, even without the internal reports that the investigators feel they should also receive.

As noted above, Executive Directors constitute the ultimate operational authority of the World Bank. They voice the will of member governments on all operational decisions of the Bank. They define the policies which guide the management of the World Bank and review and approve all proposed institutional commitments in light of these policies. To discharge these functions, the Executive Directors receive all policy papers, country economic reports, project documents, overall lending and borrowing programs, and budgets. The Report is correct in noting that the Board does not participate with staff in the detailed formulation of these papers. However, there is often extensive informal consultation on major issues before final papers are submitted. The flow of paper supports the information, consultation and deliberative process by which Executive Directors discharge their

policy, approval and oversight responsibilities in the World Bank. It also keeps member governments informed. Executive Directors must decide for themselves which of these papers to focus on, which to delegate to their staff and which just to send to their constituents for information; but the choice is theirs.

Report: "Public accountability is geared largely to supporting the IFI's financial reputation." (Page 70)

As a large borrower in capital markets, the World Bank must be and is accountable to its existing and potential creditors. However, the investigators understate the World Bank's accountability to the general public by suggesting here that accountability is confined to financial matters. The general framework of this broader accountability is described in Pages 69-71 of the Report. Publication of annual reports, speeches of the President, sector policy papers, selected country economic reports and research reports inform the general public of the thinking of the institution, the evolution of its operational policies and the scale and composition of its development assistance, thereby permitting readers to make their own assessment of the adequacy of the institutional responses to development problems. More recently, the World Bank has also begun to share with the general public its findings on the effectiveness of its operations by publishing its annual review of project performance audit results. This review is prepared for Executive Directors by the independent operations evaluation staff.

Report: "There is no global or regional strategy governing the allocation of resources ... The country planning documents for the 5-year program cycle are not available to the Executive Directors and the Board does not get involved in the allocation of resources and lending strategy by country or by sector." (Page 26)

The shape of the World Bank's overall lending program - its amount and composition by sector - is reviewed annually by Executive Directors along with the administrative budget for its implementation. The broad dimension and thrust of individual country lending programs are placed before Executive Directors throughout the year in the early sections of each President's Report which recommends a new project for approval. Each project presentation thus affords Executive Directors an opportunity to query management and staff on the size and emphasis of the lending program in that country. Such questions have been searching at times. Sector strategy papers are also prepared from time to time by staff and discussed by the Board. The Executive Directors can and do seek whatever additional information they require in these regards, informally before Board meetings or at the meeting.

IFIs dominate borrowers

Report: "...often the project is suggested and planned by IFI technical advisors, rather than by the developing country itself." (Page 12)

"At the World Bank, about 75% of projects identified annually are at the Bank's suggestion." (Page 17)

"The IFIs recognize the internal conflict of interest situation in their roles of preparing projects and then appraising them favorably for lending approval, but they feel they do not get enough good projects to appraise unless they are intimately involved in their identification and preparation." (Page 17)

The World Bank does play an active role in helping borrowers generate projects, increasingly so in projects where Bank staff and borrower collaborate in new approaches to particular problems. However, all borrowers are involved in the preparation of their projects, in varying degree depending, in particular, on the availability of the specialized skills required. Whether or not the Bank's role is excessive can only be assessed in a particular context. Many borrowers value this Bank advice and assistance in project preparation; but some borrowers have resisted Bank initiatives and failed to support projects as expected. As the appropriateness of the World Bank-borrower relationship is a key determinant of the effectiveness of World Bank assistance, it is a subject for continuing review and commentary by the World Bank's operations evaluation system, as evidenced in the most recent annual review of project performance audit results (August 1978) and of the more recent (January 1979) review of Bank operations in the education sector.

If initiative by a development assistance agency is perceived as creating a conflict of interest situation, then such conflict is inherent in all development assistance relationships which provide for more than just resource transfer. But the conflict is more apparent than real. Appraisal is not a disconnected act, but an integral part of a process whereby borrower and Bank work together to address particular problems. The Bank's project review and control processes take on particular significance in these circumstances. The Report comments positively on them.

Project documents may conceal

Report: "The investigative staff had access only to the appraisal reports submitted to Executive Directors; perhaps those considered by management are cast in more realistic terms" (Page 18, underlining added)

"...there is a tendency among the IFIs to cast appraisal reports in optimistic terms and to deemphasize risks..." (Page 18)

"Reports submitted to the Board are prepared so as to be as inoffensive as possible to anyone and cast a hope of great accomplishment in any given project. One high official of one of the IFIs advised that such reports contained too little of the hard, factual analyses available to management..." (Page 61)

The World Bank's project performance audit reports have identified cases of both over-optimistic and excessively conservative appraisal

reporting. However, they have also found in many of the over-optimistic cases greater realism and more explicit discussion of risk in the more recent repeater project appraisals examined during these performance audits. As noted above, appraisal reports have always been subject to questioning by Executive Directors, formally when submitted for their approval and informally before Board meetings.

The "management version" of appraisal reports, which the investigators suspect may be cast in more realistic terms, normally differs from the Board version only in that the earlier version defines the Bank's negotiating posture while the Board version reflects the outcome of negotiations; in all other respects the reports are normally identical.

Project documents are subject to extensive internal review within the line operational structure of the Bank. They are also tested for realism and adherence to policy by the Bank's Central Projects Staff, who are not in line operations, before proposals are approved for submission to the Executive Directors, and by the independent Operations Evaluation staff after project completion. The World Bank's project control structure, project control process, and the project control functions of Executive Directors are shown graphically in an annex to this memorandum.

Political loans

Report: "One World Bank/IDB loan of \$124 million to Mexico to construct a new steel plant appears to have been, in part, politically inspired - it is losing money and not meeting objectives set forth at appraisal." (Page iii, underlining added)

The allegation of political lending is, as the underlined text indicates, very hesitant. However, this point has been disseminated widely in the press and, in the dissemination, been generalized to: "the Banks are politically motivated in the selection of projects, including a \$124 million steel project..." (The Washington Post, March 22, 1979. Underlining added)

The only supporting evidence for this hint of a violation of the Articles of Agreement is to be found on page 36 of the Report, which notes that the then US Executive Director brought to the attention of the Treasury Department, "...his information that the project was a political deal." The investigators do not say whether there was any subsequent inquiry by the Treasury on this matter. The point was not followed up by the US Executive Director when the Board reviewed this project.

After making their own inquiries of IFI staff personnel, the Investigators found that "...the political overtones referred to the strong desire of a high government official of Mexico to accomplish the new construction in the home region of a former high government official who had a relative working for the steel company, and there was a strong appeal for both IDB and IBRD to participate in the financing." (Page 36)

The purpose of project appraisal is to test the appropriateness of a project's technical, organizational, financial, economic and commercial validity and satisfy the staff, management and Executive Directors

that the project merits support. The investigators do not suggest that the appraisal was deficient in any of these respects or that reservations were expressed by Executive Directors when they approved the loan. The fact that the project happened to have been strongly desired by a government official is not evidence that the appraisal and decision process was, by that fact, corrupted. Nor do the disappointing project results referred to indicate that the investment decision was made in response to political rather than to the conventional decision criteria; they reflect problems of the kind sometimes encountered with projects of this kind.

The investigators have cast a cloud of suspicion over the World Bank and the IDB with this comment without having offered any serious grounds for doing so.

Operations Evaluation

Report: There is "...need to take another look at the approach to review and evaluation in the Bank ... either the dual role of OED's service to both management and Executive Directors should be removed so that it is responsive solely to the Board or ... the Board should have within its own secretariat, a review and evaluation group to assess Bank operations and management effectiveness." (Page 84)

The present approach to review and evaluation in the World Bank has evolved with the full knowledge and support of the Executive Directors, and is under continuing review by them. The Standards and Procedures which currently govern the function were reviewed and approved by the Executive Directors on February 26, 1976 and published in June 1976. A second edition, prepared to reflect more accurately current practice, has just been reviewed by the Joint Audit Committee and will be considered by the Executive Directors in May 1979.

These Standards and Procedures make clear that the World Bank's evaluation system was designed deliberately to serve both the Executive Directors and the management, the former as an instrument of accountability and oversight, the latter as a channel for learning from experience and from borrowers in order to help make World Bank development assistance more effective and responsive to members' needs. Although the investigators report that the system is independent of the management and subject to oversight by the Joint Audit Committee of Executive Directors, they feel that it should become even more responsive to the Board, i.e., become a review and evaluation "secretariat of the Board".

The principal reason for this conclusion seems to be that the investigators feel the Board would be better served by a different OED work program, which would include (i) "...broader management reviews..." and (ii) reviews of ongoing projects. These same points were made by the U.S. General Accounting Office in its June 5, 1978 report to the Congress "Effectiveness of the World Bank's Review and Evaluation System". In the

observations on these GAO comments, which I communicated to the Chairman of the Joint Audit Committee on October 12, 1978 and which were copied to all Executive Directors the following day, I noted it was my understanding that Executive Directors felt adequately served by existing reporting in respect of overseeing the Bank's management systems and being kept abreast of experience with ongoing projects. It is for the Executive Directors to comment otherwise if they do not agree.

This conclusion of the investigators also seems to reflect a view that evaluation reports, like other Bank reports in their view, conceal. Report language is said to be "...so muted and diplomatic in tone and critical comments so recondite that it is difficult to come to grips with the actual conditions being reported..." (Page 84) Reports are said to be written "...primarily to avoid being unnecessarily offensive to a member country or to its representative on the Board... It appears that so much emphasis is placed on making a report palatable to one or more readers that the real findings might be covered up, obscured, rationalized, or obfuscated." (Page 84, underlining added)

The only observation I would make, as a party at interest, is to note that much of the investigators' commentary about operational experience is derived from this evaluation reporting; and that the preceding comments apply to the language of reports which earlier in the same paragraph are described as "...careful, well-written documents which report on the project experience knowledgeably and in perspective." (Page 84) and which, elsewhere in the Report, are described as "...professional..." and which "...surface substantial and valid self-criticism." (Page vii)

The investigators also do not find the Joint Audit Committee's oversight reporting adequate. They refer to their 1977 report to the Board "...rather routine..." (Page 85) and its "...general commendatory remarks concerning the overall quality of OED's work ... at some variance with a JAC sub-committee's critical comments on the project performance audit reports they reviewed. (Page 85)

The evidence cited on Page 86 for this variance consists of 12 points. Ten of these points have nothing to do with OED reporting but consist of comments on the project experiences reviewed by the sub-committee. Of the other two points, one observes that in two PPARs no reasons were provided for extending closing dates and/or cancelling portions of the loan. The other relates to observed inadequacies in reporting borrowers' perceptions of the projects' success or failure. On this last point, the JAC sub-committee had read intent to conceal in these reporting deficiencies without testing this perception with the authors of the reports in question before rendering judgment.

The investigators failed to report that this matter was discussed at the July 31, 1978 JAC meeting at which the informal sub-committee reports were reviewed. The Committee was told that the absence of any reference to borrower comment indicated only that there were no comments to report, not, as the sub-committee wrongly concluded, that comments had been ignored.

To avoid such misunderstandings in future, the Committee was told that OED reports would henceforth say explicitly whether a borrower's views requested had been received and, if so, what they were. The JAC decided that similar future sub-committee reviews should provide for early consultation with the authors of the audit reports.

Against this background, the investigators' qualification of the integrity of JAC's oversight reporting seems misplaced. [See also "Use of Consultants" for additional comment on the conduct of the operations evaluation function]

The Report does not offer credible evidence for the serious allegation in its concluding sentence on operations evaluation, which says "...accountability procedures simply do not work if the plain critical findings are not permitted to clearly surface so that lessons learned can be applied to policy changes." (Page 87, underlining added)

Problem projects and their supervision

Report: In 1977, 11% of all World Bank projects had major problems and 50% had moderate problems. The number of projects developing problems has increased. (Page 57)

The most recent summary data on problem projects is the following.

	(September)			
	1975	1976	1977	1978
Total projects under supervision	956	1124	1229	1313
% with moderate problems	n.a.	41	45	46
% with major problems	<u>14</u>	<u>10</u>	<u>8</u>	<u>9</u>
% with moderate or major problems	n.a.	51	53	55

The key statistic here is the relatively low and declining percentage of projects with major problems. Minor problems can be expected in many projects, in developed no less than developing countries, but especially in the latter as the investigators have clearly noted: "...one must recognize that cost overruns and institutional failures would be expected to be more prevalent in development lending, particularly concessional loans and social projects directed to reach the poorest of the poor, than would be the case in commercial lending." (Page 18) Nonetheless, the investigators find it a matter of concern that "The Executive Directors have no real involvement with supervision activities and, in fact, the key supervision documents ... are not available to Executive Directors." (Page 72)

While the relevant internal documents are not circulated to the Board, the highlights of the semi-annual problem project reviews, including the information cited above, and of the staff's continuing analysis of supervision findings are communicated to Executive Directors annually. The most recent such report was "Project Implementation and Supervision", R78-68, March 24, 1978. These reports reflect and provide occasion for Board discussion of ongoing operational experience -- the dimensions and kinds of problems being encountered and the efforts being made by staff and borrowers to deal with them. These annual reports complement the more detailed reporting throughout the year in (i) each President's Report proposing a new project to Executive Directors, which includes brief text on experience with completed and on-going projects and a standard annex on the status of each on-going project in the country and (ii) project performance audit reports on experience with completed projects.

The World Bank's experience with project supervision is currently being reviewed by the Operations Evaluation staff; a report should be issued to the Executive Directors later this year. This review will complement the reporting referred to above and will address the problems in project supervision noted on Page 57, which, as the investigators note, have surfaced in these various reports.

Report: Experience with implementation delays is widespread; cost over-runs are often subsumed in the funding of follow-on projects; some delays reflected inadequate project preparation because of "...the rush to commit funds to meet targeted goals before the expiration of the fiscal year." (Page 59)

The staff recently inquired whether the incidence of project problems was higher in projects approved towards the end of the fiscal year than in projects approved earlier in the fiscal year. Their study revealed no correlation between the incidence of project difficulties and the timing of loan presentations, nor did it reveal correlation between the incidence of serious project problems and the nature of the projects. These questions will be examined in the forthcoming Operations Evaluation review of delays in implementation.

Report: Bank staff had widely different perceptions as to which of the various facets of supervision are most important. (Page 72)

The investigators seem to feel that these widely different perceptions, ranging from ensuring the funds are spent as intended and that loan agreements are honored, to providing technical assistance to borrowers in addressing problems and drawing lessons about the significance of a project experience for future Bank operations, may lead staff to neglect important issues during supervision.

As the investigators correctly note, "supervision of projects is a multi-faceted monitoring of the borrowers' project activity..." (Page 72) Its multiple objectives (accountability, problem-solving, learning from experience) have different weights in different project circumstances and

no one aspect can be said to be the most important at all times and places. It is also an inherently difficult task to manage and schedule because of the complexity of many projects, their functional and geographical diversity, and the constraints on staff of requisite skills and experience. It is thus susceptible to the reported problems of scheduling, staff continuity, and making borrowers feel projects are being managed from Washington rather than by themselves. These problems notwithstanding, the investigators found that "in the majority of cases, the local officials were appreciative of the missions and had found them helpful in keeping the project progressing toward its desired goals." (Page 58)

Economic rates of return

Report: Re-estimates of project rates of return after completion have in cases been significantly lower than the original estimates.

In one project visited by the investigators, project officials deemed the estimating exercise by Bank staff to be meaningless; and in another, officials whose own rate of return estimates differed from those of the World Bank were unable to obtain responses to their inquiries as to how the World Bank estimates were made. (Pages 51, 52)

Differences between appraisal estimates and re-estimates after completion are frequent, as may be observed in individual performance audit reports and in the annual reviews of these reports. Although differences are inevitable in a real world of uncertainty and the unexpected, some of them point to deficient project design and inadequate provision for risk. Thus far, significant shortfalls from expectations have been few. There have also been cases where re-estimated returns have exceeded appraisal expectations.

There can be no excuse for borrowers not understanding fully how Bank estimates are made. Project documents, which are made available to borrowers as well as to Executive Directors, should be explicit on this matter and normally are. Borrowers who do not understand either the methodology or the computations are entitled to explanation by staff.

The Report cites reservations of borrowers about the usefulness of such estimates and about the difficulties of estimating some important benefits. The comments cited, however, do not suggest any reservations about the fundamental idea of testing each project to ensure that expected benefits warrant the commitment of scarce national resources to it rather than to another purpose and that the project design proposed is the most appropriate among alternatives. What they do suggest is that staff have, in cases, failed to make clear that the discipline of testing the economic worth of project proposals or design alternatives is not a peculiar hobby of the World Bank but a discipline that responsible Governments impose on themselves in one form or another. The objective of the exercise is

not simply to produce a number, as the officials cited seemed to think, but to apply the discipline of analyzing costs in relation to their expected benefits. The management should inquire why some borrowers, observers and staff perceive the institution mechanically to accept or reject projects only on the basis of these numbers and have reported to the investigators that "...documentation of project proposals are massaged to perfection and represent only an illusion of real conditions"; and that "...paper and bureaucratic procedures are substituted for substance." (Page 52)

Use of consultants

Report: There are ways in which the Bank can improve on the use of consultants in Bank projects. (Pages 42, 43)

The substantive comments of the Report derive from a special evaluation study of this subject, which was issued on March 27, 1978, reviewed at length by the Joint Audit Committee and the Executive Directors, and responded to by the management at the May 25, 1978 Board meeting. The results of the reconsideration of policy and practice that is now going on will in due course be reported to and reviewed by Executive Directors.

This case illustrates the World Bank's evaluation system in operation. It also illustrates feedback into the evaluation process.

The investigators reported that the evaluation study "...findings were cast in the usual muted and recondite terminology one encounters in IFI management documents;..." (Page 43) and that a member of the Joint Audit Committee was critical of the report. Matters of style aside, the investigators were correct in reporting criticism, its substance being that the study should have focussed more on the problem cases and less, if at all, on experiences which were satisfactory.

Discussion of this criticism in the Joint Audit Committee and the Board revealed the existence of two views about the objectives of special evaluation studies: one was that they should provide an overview of experience in the matter being examined, reporting both what went well and what went badly so as to give context to the problems encountered; the other was that they should focus just on problems and what might be done about them. The conclusion of these discussions was that there was place for both types of evaluation studies and that future overview studies should, without impairing their balance, communicate more illustrative detail of the problem cases encountered. Subsequent evaluation study reports have been designed to be responsive to these comments.

Corruption

Report: The Report recommends "...the establishment of a central point detached from operating responsibility to which suspected irregularities could be referred and investigated..." (Page 74)

The recommendation does not derive from actual or suspected evidence of fraud and corruption encountered by the investigators. Although they note that "Developing country projects present unusual challenges with respect to possible irregularities" (page 72), their only reference to a possible IFI involvement consists of two cases pending before the U.S. Department of Justice, in which U.S. companies or foreign companies selling stock in the United States have disclosed corrupt or improper practices involving one or more of the IFIs review in the Report. The investigators say they "...felt certain that neither of the IFIs was aware of the improper activities involved in a loan project." (Page 73-74)

It is impossible from this brief and ambiguous reference to know what the problem is, what the "involvement" of the IFIs was, what it implies for the review and control processes of the unnamed IFIs and, therefore, what further steps should be taken. The legal department will endeavor to seek clarification from the U.S. Department of Justice and will report to the Executive Directors what they find.

One official of the IFIs is reported to have observed that the IFIs internal control procedures "...are either very good because no instances [of corrupt or improper practices] have arisen or else are very poor because none have been uncovered." (Page 74) Other officials are said to have observed that the probability of corruption is remote because "...those who practice corruption avoid doing so in IFI loans because of the extent of IFI supervision afforded; and ...[because] use of a team approach by the IFI makes internal corruption remote..." (Page 74). Nonetheless, the investigators leave an element of doubt in the reader's mind. They say "It is difficult to establish the level or intensity of allegations or actual occurrences because of the absence of any central point of investigation with personnel skilled in inspection and investigative techniques and because of the closeness with which Bank documents and comments are held. It may be that possible abuses are suppressed because of the adverse publicity such disclosures would entail." (Page 74, underlining added). They report that "...an officer of one of the participating commercial banks confidentially advised that though he personally knows of no corrupt practices involved in the project lending, corruption is rampant throughout the country and could well exist in IFI projects." (Page 170, underlining added)

In the entire history of the World Bank, the total number of allegations of fraud, corruption, conflict of interest or other improper behavior by World Bank staff has been negligible. In each of these cases, the legal department has conducted an independent investigation, in one case with the assistance of special outside investigators. In none of these cases has the allegation been substantiated. Were a new case to arise, it would be handled the same way.

Since the legal staff are "...detached from operating responsibility..." in the sense recommended in the Report, the present arrangements appear fully responsive to the substantive concerns of the investigators and no new Inspector-General function appears warranted. However, in light of the hypothetical possibility raised by the investigators of "...abuses

being suppressed because of the adverse publicity such disclosures could entail." (Page 74) the General Counsel has decided to inform the Director-General, Operations Evaluation, who is appointed by the Executive Directors and removable only by them, of all future allegations of improper conduct, how they will be investigated and how they have been resolved.

Internal audit

Report: "Because the Internal Auditing Department is frequently auditing financial activities which are the responsibility of its superior officer, the investigative staff believes both management and the Executive Directors would be better served under an 'Auditor General' concept reporting directly to the President, enhancing the stature and independence needed to provide a broader internal audit program." (Page 79)

The comment is on the location of the internal audit function within the World Bank's organization structure. On substantive matters, the investigators register positive findings. They note that the Joint Audit Committee of the Executive Directors approves the work program and oversees the function, that a copy of IAD's work program and of each IAD audit report is given to the external auditors, and that the recent IAD reports they reviewed "...appear to be meaningful, necessary and consistent with IAD functional responsibilities..." and "...of good quality." (Page 80)

The investigators also report that the Director of the Department has access as needed to the President and the Joint Audit Committee.

These facts do not point to any pressing need to relocate the Department, whose substantive independence is real and protected from interference by superior officers. The management is considering how the "perception problem" to which the Report refers might best be addressed.

Program lending

Report: Although program loans are not to be made except under "special circumstances", the Report notes that this term "...has been construed rather liberally." As evidence, they note that World Bank program lending, which has ranged from 2% to 9% of total lending during the past five years, is significantly higher than that type of lending by IDB. (Page 32)

The proportions cited confirm that program lending is not routine. The subject is under continuing review by Executive Directors.

Report: Program loans are made "...at times with insufficient coordination with the International Monetary Fund (IMF)." (Page ii)

The general posture of the World Bank in this regard is clear in policy and in practice: it is to coordinate closely and continuously with the IMF on all operational matters of overlapping interest. This coordination extends beyond program lending and includes policy analysis and advice to countries in country economic reports and country visits; however, it is not intended that the institutions speak with one voice or be subject to veto by one another. The nature of this coordination in any particular operation is normally reported to Executive Directors in the loan documents submitted for their approval.

Local cost financing

Report: Having noted that the Board policy is to permit the Bank to make local expenditure loans when necessary to ensure that high priority projects are carried out, the Report notes "...it appears many projects may involve substantial financing of local costs which are not apparent in documents presented by management and do not show up in annual statistical summaries..." (Page 34, underlining added)

Staff follow standard instructions as to what constitutes local and foreign exchange cost for purposes of appraisal estimates. Where local expenditure procurement includes indirect foreign exchange costs, the appropriate proportions of such expenditures are classified in appraisal reports and statistical summaries as foreign expenditures. The proportion of the total cost of any project financed by the World Bank is a matter for determination in each case, primarily in light of the project's financing plan but also of the country circumstances in the case of the poorest countries. Within this cost-sharing, the proportion of financing for local expenditures reflects the nature of the procurement required for that project. Normally, total cost-sharing ranges between one-third and one-half of total project costs, except for poorest countries where it may be much higher. The amount of local cost financing is clearly stated in the President's Report in every case where it occurs.

Disbursements and liquidity

Report: Disbursement lag "...is a continuing problem plaguing all the IFIs..." (Page i)

This lag contributes to an "unnecessary and undesirable" level of liquidity which is "consistently running higher than its [the World Bank's] set policy in recent years "because of lagged disbursements and the practice of borrowing at faster than forecasted rates in order to take advantage of favorable interest rates." (Page 8)

Overall disbursements have been lagging behind expectations, although the dimension of this problem is not, as the Report suggests, measured by the 42% of outstanding IFI commitments still undisbursed. With project

disbursement periods normally ranging between 4-7 years, a significant proportion of an expanding commitment level will always remain undisbursed.

As the Report notes, the reasons are implementation delays caused by project problems and general financial problems of the borrowing country, and over-optimistic disbursement expectations. Because disbursement lags can constitute early warning of implementation problems and also affect the World Bank's financial planning, the subject is under continuing review by management and discussion with Executive Directors.

Light capital technology

Report: The Executive Directors are said to have no basis for assessing whether or not the right technology has been considered in the design of any project coming before them because the "...design is fixed before the project is present for approval...". Furthermore, they do not have any standard for measuring how effectively light capital technology is being substituted for capital intensive technologies in projects. (Page 42)

One of the central objectives of any project appraisal is to assess the appropriateness of the technology proposed for the project. Staff are required to satisfy themselves that the technology and project design proposed are appropriate to the circumstances; comments on project design are routinely incorporated in the project documents sent to the Board. Operational staff are supported in this effort by Central Projects Staff who conduct "appropriate technology" research of relevance to major sectors of World Bank operation. There are no doubt cases where alternatives may not be analyzed or reported as adequately as they should be; however, the appropriateness of this aspect of a project is as subject as any other aspect to internal staff review, to questioning by Executive Directors when the projects are presented for their approval, and to post-completion review.

The Report notes that in their field visits, "...the Investigative Staff observed a number of uses of light capital technology in agricultural, rural development, urban development, irrigation, and road projects in Latin America, Asia and Africa. All were being effectively used and local project managers and governmental officials were highly pleased with the inclusion of such approach in the design of the projects." (Page 42)

New style projects and poverty alleviation

Report: A former IFI official is reported to have said that "...a lot of money is being spent on new style projects, but there exists no real proof that the poorest of the poor are being reached or that the long range goals are being achieved." (Page 183)

The Report summarizes the investigators' field visit findings by saying: "In general, the 36 projects which were designed mainly to assist the poor or had substantial segments so designed were being diligently pursued by local project managers and staff towards the objectives set, and the failures encountered in meeting objectives, often resulting in a reduction of goals originally appraised, were outweighed by the accomplishments being achieved." (Page 167) The investigators also report that they encountered widespread satisfaction by beneficiaries and project managers about the design of the projects, the benefits being received or in prospect and the frequency and helpfulness of supervision visits by World Bank staff.

The opinion cited does not appear to be consistent with the rest of the discussion of this subject or with the reported findings of the investigators.

Administrative costs

Report: "...the World Bank management...is operating under a fallacious impression that there should be a direct correlation between the size of the Bank's staff and the amount of money lent..." (Page 106)

"...there are no rational tools with which to measure the need for increased operational work." (Page 106)

Numbers and types of projects, not amount of money lent, is what determines the administrative budget for operations. The numbers and types of projects in lending programs in turn reflect (i) the variety of development problems these lending programs are intended to address and (ii) the pace at which these lending programs evolve from retail lending for specific projects towards wholesale lending through national sectoral institutions for groups of projects or time slices of sectoral investment programs. In this light, the link between staff and money to be lent is a matter of policy. These operational policies, together with the detailed unit cost experience for different types of projects, shape the World Bank's annual operating programs and budgets, which are reviewed and approved by Executive Directors.

Report: "All of the IFIs find it difficult to measure productivity and cost effectiveness of operating departments." (Page viii)

"The change of emphasis of the IFIs lending programs is reported to have significantly increased the administrative cost per dollar of loan commitment." (Page 104)

The Report notes that the administrative expense per dollar lent is a questionable indicator of the institution's efficiency. What conclusions should be drawn from the comparison of World Bank, the IDB and the ADB in light of their differences in institutional output and geographical coverage is not clear.

The investigators refer to internal studies by the Programming and Budgeting Department of the World Bank's administrative costs, which are

conducted as part of their continuing review of the Bank's productivity and efficiency. The results of these studies are reflected in the annual budget document submitted to Executive Directors for their approval. Executive Directors can at any time request clarification of aspects of this document, such as unit cost criteria, cost controls and how staff are encouraged to be cost-sensitive.

Report: The planned 40% overage of projects in the pipeline may be excessive and, therefore, unnecessarily costly to sustain the desired level and mix of Board presentations. (Page 26)

The adequacy of the project pipeline and the administrative costs necessary to sustain it are matters for continuing management review and are also reviewed at least twice annually by the Executive Directors: when the next year's operational program and administrative budget is approved and during its mid-year review.

Report: Some donor members and IFI officials are reported to feel that current IBRD lending rates are too low and dividends should be declared in order to introduce greater cost consciousness and control of all administrative expenses in the Bank. (Pages 7, 108)

Current dividend policy is set by the Executive Directors and kept under continuing review by them. The investigators do not comment directly on the merit of the view cited; however, they do observe elsewhere that the World Bank's operational efficiency "...is clearly recognizable in the quality of its professional staff and the procedural controls and systems administered." (Page 10)

IFC

Report: Executive Directors have at times objected to IFC projects enriching wealthy families rather than contributing, as they should, to development needs, to aiding the poor and to creating jobs. (Page 41)

IFC's partners are frequently local private entrepreneurs, and thus unavoidably include the more affluent in their local communities. Comments of the kind reported have occurred, but rarely. IFC projects are not selected now simply on the basis of their attractiveness to investors, but on the basis of the contribution these projects make to the larger development objectives of the host country. IFC also seeks, wherever feasible, to broaden the ownership of enterprises in which it invests by selling its shareholding to other private investors after the investment has matured and proved to be a success. The size and emphasis of IFC's current five-year program and each new investment proposal in that program are subject to review and approval by the Executive Directors.

Report: "One of the loans written off in the year ended June 30, 1978, was for \$1.1 million to Ethiopia. The potential loss had been pending since the 1975 nationalization of all large and medium-scale financing,

commercial and industrial enterprise, including IFC holdings In April 1978 an IDA loan of \$24 million to Ethiopia for a grain storage project was presented and approved. It was apparently evident at that time that the IFC loan would be written off as a loss within the next two months." (Page 40)

The comment suggests that this write-off was the result of nationalization and that, in the absence of adequate compensation, the IDA credit should not have been made. The facts are that the firm in question was not nationalized. The company, which was 68% owned by the government, turned out to be a commercial disappointment and IFC accordingly had added to its loss reserves 100% of its investment in this company before the 1975 nationalization. The Executive Directors were advised of the serious operating problem the company was having in IFC's monthly report of January 1978, at which time it was indicated that the company might have to cease operations. The monthly report items regarding Ethiopia were discussed at the Board meeting in March 1978 and the matter was discussed again during the May 1978 Board review of the IDA credit referred to above.

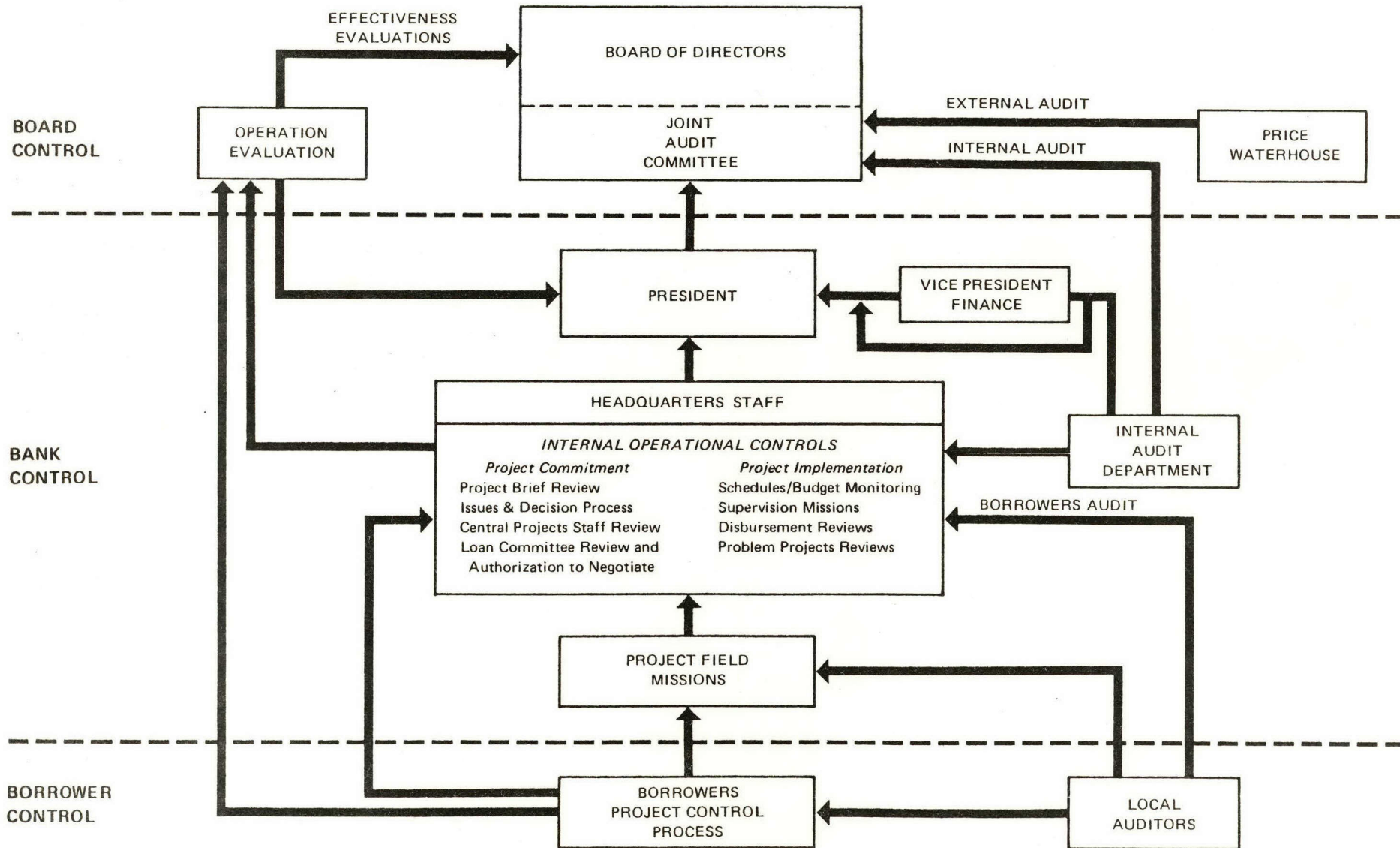
Investigators were denied access to World Bank information

Report: The US Executive Director was denied a report which had been requested by the investigator staff although it had been referred to in another Board document as being available on request. (Pages 3 and 168)

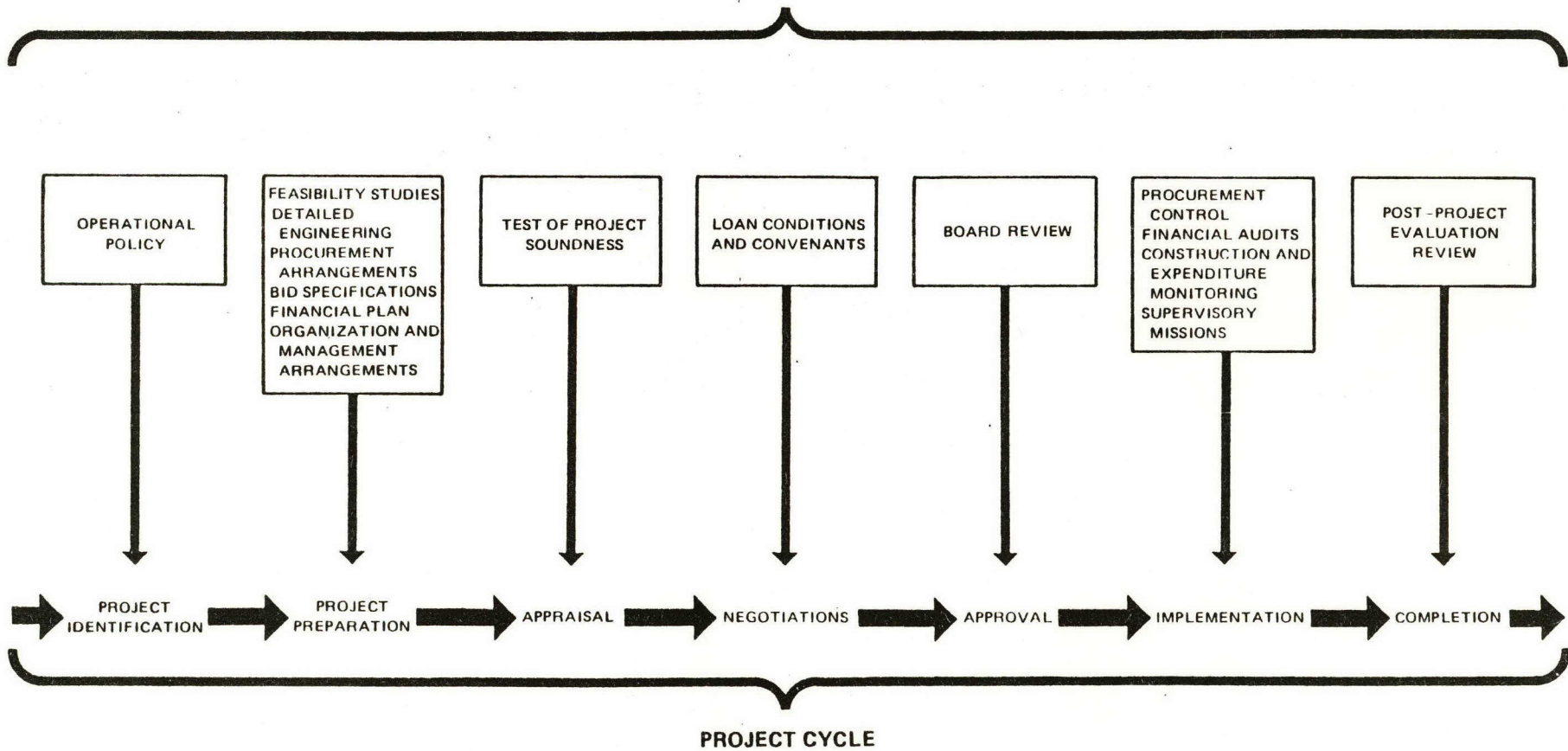
There is more to this story than the investigators have reported. The report referred to was produced for OED by a consultant as background material for a project performance audit report (PPAR) on a livestock project. It was long (163 pages) and contained much valuable fact and analysis. However, it also included comments on the role of different groups of ranchers in the project and on land reform, which turned out not to be shared by many beneficiaries, borrower officials and Bank staff associated with the project. Since the PPAR included all the substantive findings of the consultant and also other views of the project experience which were not in the consultant's report, the consultant's report was not circulated among Executive Directors with the PPAR; accordingly it was not released to the investigators. The reference to the report being available on request should not have been there; it had been inserted in an early draft circulated for comment but, through oversight, had not been deleted from the final report.

Because this refusal to release the consultant's report could have been construed as intending to conceal matters of substance, on May 11, 1978, the Director-General invited the investigative staff, through the office of the US Executive Director, to examine the report in his office, the only constraint being that they would not then refer to it in their Report as though it had been released. The investigators did not take up this invitation.

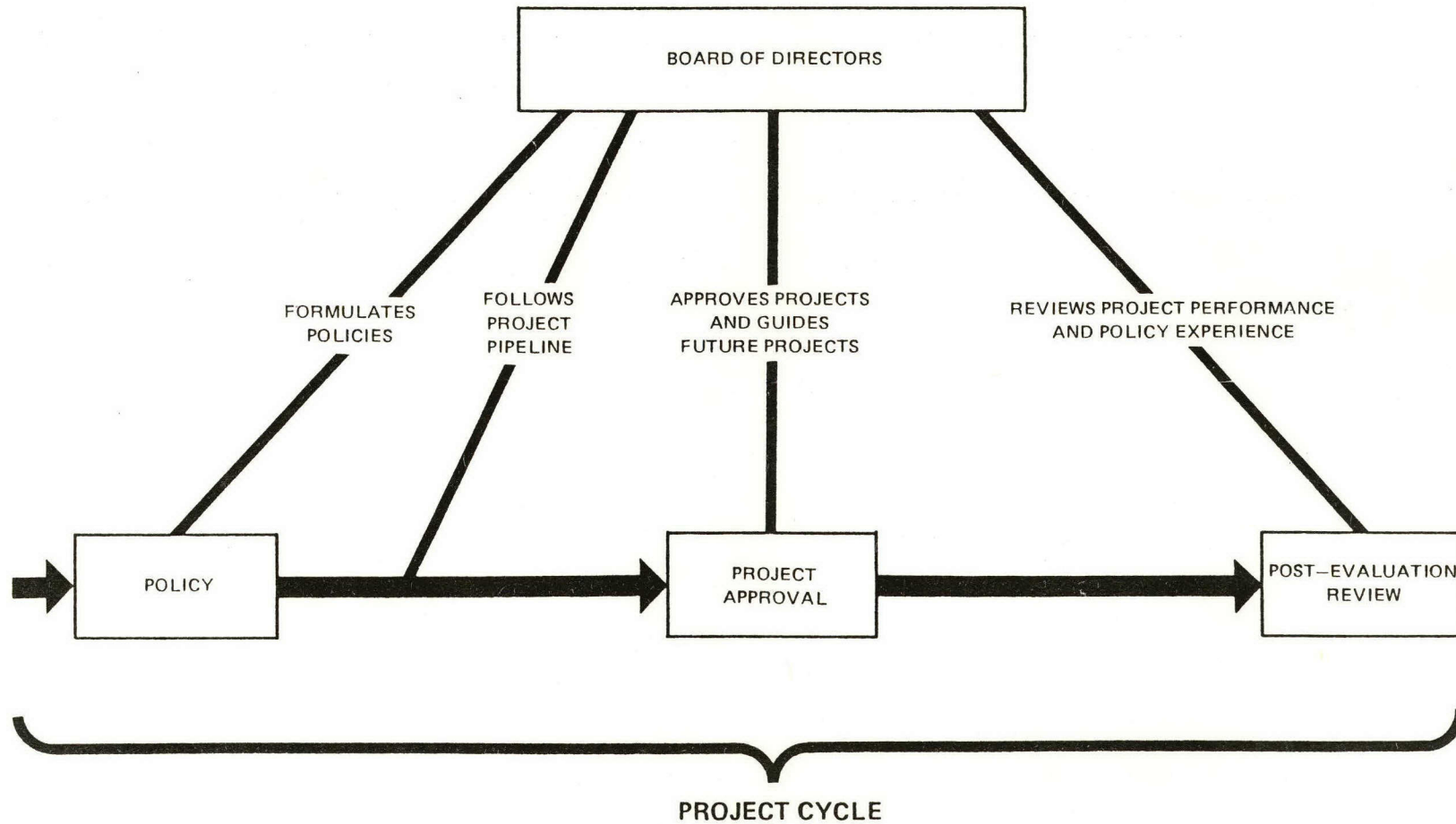
PROJECT CONTROL STRUCTURE



PROJECT CONTROL PROCESS



**PROJECT CONTROL
FUNCTIONS OF THE
BOARD OF DIRECTORS**



CONFIDENTIAL

International Bank for Reconstruction and Development

FOR OFFICIAL USE ONLY

DECLASSIFIED

JUN 19 2025

WBG ARCHIVES

SecM79-161

FROM: Vice President and Secretary

March 20, 1979

US HOUSE OF REPRESENTATIVES INVESTIGATIVE REPORT
ON THE INTERNATIONAL FINANCIAL INSTITUTIONS

Attached for the information of the Executive Directors is a memorandum of Mr. McNamara on the above subject.

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Finance
Vice President, Operations
President's Council

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

March 20, 1979

MEMORANDUM FOR THE EXECUTIVE DIRECTORS

SUBJECT: US House of Representatives Investigative Report on the
International Financial Institutions

We have been informed that a report to the *Committee on Appropriations, US House of Representatives on the International Financial Institutions* commenting on the policies, operations and performance of the Asian Development Bank, the Inter-American Development Bank, the African Development Bank and the World Bank will shortly be distributed.

I believe you will want to have this Report immediately even though it is not clear in all instances which comments relate to which institutions and we do not know the Report's degree of accuracy.

As is customary in the case of evaluative reports about the World Bank, this Report will receive careful and detailed attention. To facilitate this, I will refer it to Mr. Mervyn Weiner, Director General, Operations Evaluation, who reports to the Board, so that he and his staff of professional evaluators can conduct a thorough review of the Report and specifically:

- furnish to the Board within seven days a compilation of each of the Report's comments which touch upon the World Bank, and
- investigate thoroughly each comment about the World Bank and furnish directly to the Board his recommendations thereon as soon as possible.

Robert S. M. Weiner

→ USA

OFFICE MEMORANDUM

TO: Mr. Dinesh Bahl

DATE: March 5, 1979

FROM: Peter Riddleberger *PR*SUBJECT: Investigation of World Bank

The investigative staff of the House Appropriations Committee has now submitted a report on the World Bank. This year-long study by Messrs. Tenant, Eads and Walters has been made available to members of the foreign aid subcommittee on a confidential basis. No decision has been made on whether, or when, to make this report public.

I have learned that the highlights include the following observations:

- (1) the Bank prevents Executive Directors from seeing planning and supervision documents that are necessary if the Board is to make proper decisions;
- (2) the Bank has a sound understanding of intermediate technology;
- (3) the verdict is not yet in on the question of whether Bank projects assist the poor. No judgment can be made because "it is too soon to tell." A "former high Bank official" is quoted as being highly critical of our approach to reaching the poorest.

Comment:

This study will be used as a basis for questioning Treasury Secretary Blumenthal on March 14 and Fred Bergsten later on. Thus the pressure to release it in full will grow. This will undoubtedly lead to a rash of press releases by Clarence Long and Bill Young. However, if the points outlined above are a true reflection of the study, there is little support for the sanctimonious outrage so often expressed by our two adversaries last year. If for some reason it is not made public, we can expect the Chairman to quote out of context.

PBR:pam

cc: Messrs. McNamara, Cargill, Stern, Clark, Weiner, Nurick, Merriam
Mrs. Boskey

OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill

DATE: December 18, 1978

FROM: Mervyn L. Weiner *MLW*SUBJECT: U.S. Appropriations Committee Staff Visit

Further to my note of December 12 (attached), Messrs. Tennant and Eads visited with Messrs. Kapur and me for about two hours on December 15. The main purpose of their visit was to clarify questions they had after reading OED and Bank documents supplied by Mr. Fried's office.

The main thing to report relates to project implementation problems and Bank supervision. Mr. Eads said he had picked up at random a recent President's Report on a Colombian project and, after glancing through the annex relating the status of projects under implementation, concluded that most of the projects were either behind schedule, suffering cost overruns or in some other kind of trouble. He could not help feeling that if this were a representative case, the Bank's portfolio was full of problems. His reading of this material led him to wonder about the adequacy of Bank supervision and why OED did not make a practice of reviewing ongoing projects. He and Mr. Tennant had read the GAO report on the Bank's evaluation system and were aware of GAO's recommendation that OED review ongoing projects as well as get into larger matters of management audit.

We had a long discussion of this matter. They should now know how the Bank's supervision function is managed, the existence of problem projects reviews, and the respective roles of Bank staff and borrowers in project implementation (they read "supervise" to imply Bank responsibility for managing the implementation process, and that problems experienced during implementation thus reflected directly on Bank management).

As a result of this discussion, the team will ask Mr. Fried's office for several Board documents which had not come to their attention: the last annual report on operations evaluation, the approach papers for the OED studies on supervision and on delays in implementation, and my note to the Chairman of the Joint Audit Committee on the recommendation in GAO's report on the Bank's evaluation system.

The team clearly wants to be accurate and fair in their report. However, I was unable to tell from this discussion what their present views are nor what impressions they derived from their field visits.

cc: Mr. Nurick
Mr. Merriam

File - U.S. ✓

OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill

DATE: December 12, 1978

FROM: Mervyn L. Weiner *mlw*

SUBJECT: U.S. Appropriations Committee Staff Visit

I have agreed to meet with Messrs. Tennant and Eads on Friday morning, December 15, at 10 a.m. I understand the purpose of this visit is to follow up on a meeting we had in May.

The meeting was requested by Mr. Dixon's office.

cc: Mr. Nurick
Mr. Merriam

File - U.S. ✓



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

cc: Kopas
Rapley
Raizen (to
bring to attention
of operational staff)

November 3, 1978

→ + return.

W 1/6.

Mr. Mervyn L. Weiner
Director General, Operations Evaluation
World Bank
1818 H Street, N.W.
Room E1204
Washington, D.C. 20433

Dear Mr. Weiner:

Attached is a letter which I recently mailed to the heads of supreme audit institutions in developing nations, which I believe will be of interest to you.

It is my intention to establish a permanent fellowship program for government auditors, enabling them to spend time with the U.S. General Accounting Office. Participants in the program are expected to return to the audit institutions of their native country, where they can assist in the development of audit expertise.

I hope that you will encourage applications from those countries with whom you are in contact. In addition, I would be most interested in your ideas and reactions to the program.

Sincerely,

Elmer B. Staats

Elmer B. Staats
Comptroller General
of the United States

- welcome initiative
- Brought to all staff attention.
- Introduce to WB while here - +
make audit covenants more
effective, + support training.

check w. Raizen before sending
cc as above. file - v.i.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

October 20, 1978

THIS LETTER SENT TO ALL AUDITORS GENERAL OF DEVELOPING COUNTRIES

In keeping with the long expressed interests and objectives of the International Organization of Supreme Audit Institutions (INTOSAI) to recognize the urgent need to support the developing nations in strengthening their auditing institutions, the United States General Accounting Office has carefully considered what further avenues it might pursue, directly in support of these objectives. I am pleased to advise you of a development which I believe will be of interest to you.

The Comptroller General of the United States, as a demonstration of his support for the objectives of INTOSAI, wishes to inform you of an invitation to the Supreme Audit Institutions of the developing nations to nominate individuals for fellowships to work with the General Accounting Office for periods ranging from 6 months to 1 year. It is expected that the fellowships would be awarded to five or six recipients each year. Sponsoring countries would be expected to finance the travel and subsistence expenses involved, but the United States would finance the training activities. The General Accounting Office has no legal authority to provide for other expenses. However, to the extent that assistance can be made available through other agencies of the United States Government, the General Accounting Office will lend appropriate assistance to the sponsoring countries in an effort to obtain such assistance.

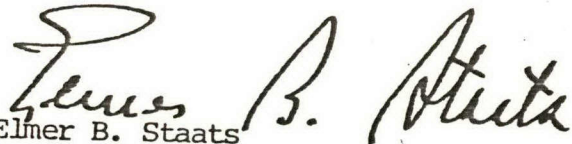
The qualifications of participants in the nominations for the fellowship program will be made by the Supreme Audit Institutions in the sponsoring countries. Among the factors which will be considered by the U.S. General Accounting Office in the selection of nominees are the following:

- (a) Application must be approved by the Supreme Audit Institution of the home country of the applicant.
- (b) Applicant must be a citizen of the country approving his application and employed in that nation's national government in the financial management area.

- (c) Applicant should plan to return to his post in his home country at the termination of the fellowship.
- (d) Applicant must have competency in the English language.
- (e) Preference will be given to candidates who have capability to assist in training or imparting the knowledge acquired during the fellowship to fellow workers upon return home.

If you would like to nominate a member of your staff to participate in this fellowship program during 1979, I would urge you to complete the enclosed three-page nomination form and to return it to me by January 1, 1979. With your assistance, I believe that this program can help in developing the audit resources of Supreme Audit Institutions around the world. I look forward to your early reply.

Sincerely,

A handwritten signature in cursive script, reading "Elmer B. Staats". The signature is written in dark ink and is positioned above the printed name and title.

Elmer B. Staats
Comptroller General
of the United States

(page 1 of 3)

NOMINATION OF FELLOWSHIP APPLICANT BY HEAD OF SUPREME AUDIT
INSTITUTION

(please indicate the length of time and positions held by the applicant within the auditing organization; also, an appraisal of applicant's career potential within audit group)

(page 2 of 3)

BACKGROUND STATEMENT OF APPLICANT

(please provide standard biographical information on applicant's age, background, education, and work experience; also, please furnish detailed information about audit experience and training)

(page 3 of 3)

PERSONAL STATEMENT OF APPLICANT

(please provide information on the type of audit assignments at GAO which would meet your career objectives and would enable you to maximize your time; also, furnish information about your long-range career plans within your own auditing organization)

INTOSAI COUNTRIES RECEIVING FELLOWSHIP LETTER

Afghanistan	Haiti	Pakistan
Algeria	India	Panama
Argentina	Indonesia	Peru
Bangladesh	Iran	Philippines
Barbados	Iraq	Portugal
Bolivia	Israel	Rhodesia
Botswana	Ivory Coast	Saudi Arabia
Brazil	Jamaica	Senegal
Brunei	Kenya	Sierra Leone
Burma	Korea	Singapore
Burundi	Kuwait	East Africa
Cameroun	Liban	Spain
Central Africa	Lesotho	Sri Lanka
Chile	Liberia	Sudan
Colombia	Libyan Arab	Surinam
Costa Rica	Republic	Swaziland
Cuba	Malagasy	Taiwan
Cyprus	Republic	Tanzania
Benin	Malawi	Thailand
Dominican Republic	Malaysia	Togolaise
Ecuador	Malu	Trinidad
Egypt	Malta	Tunisia
El Salvador	Mauritania	Turkey
Ethiopia	Mauritius	Uganda
Fiji	Mexico	Volta
Gabon	Morocco	Uruguay
The Gambia	Nepal	Venezuela
Ghana	Netherlands	Western Samoa
Greece	Antilles	Yugoslavia
Guatemala	Nicaragua	Zaire
Guyana	Nigeria	Zambia



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date October 13, 1978	Document Type Board Record			
Correspondents / Participants				
Subject / Title Report no. JAC 78-31 United States GAO Report on the Effectiveness of the World Bank's Independent Review and Evaluation System				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
Withdrawn by Diego Hernández	Date June 19, 2025			



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date October 13, 1978	Document Type Letter			
Correspondents / Participants To: Mr. William P. Dixon From: Mervyn L. Weiner, DGO				
Subject / Title General Accounting Office Inquiry Regarding Training Provisions of IBRD Financed Projects in Brazil				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date October 16, 1978	Document Type Letter			
Correspondents / Participants To: Mr. Michael F. Cross From: William P. Dixon				
Subject / Title G.A.O. concern regarding training provisions in IBRD loans to Brazil				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
Withdrawn by Diego Hernández	Date June 19, 2025			



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date July 17, 1978	Document Type Correspondence			
Correspondents / Participants To: Mr. I. P. M. Cargill From: Lester Nurick				
Subject / Title Congressional Research Service - Study on World Bank Audit Procedures				
Exception(s) Attorney-Client Privilege				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
Withdrawn by Diego Hernández	Date June 19, 2025			

OFFICE MEMORANDUM

Received July 12
Mr. Weiner (for return)

TO: Mr. B. Chadenet

DATE: July 11, 1978

FROM: James M. Kearns

SUBJECT: GAO Report on WB's Evaluation System

I'd say this Report has a neutral-to-positive cast to it. GAO has the reputation of fairness and objectivity which I feel is generally reflected in this Report. It should not cause us any real harm, particularly since it shows progress and attention -- always key matters in this area.

4/11/78 asked Kearns for his opinion for 2 reasons: as OED as a former USAID staff member familiar with GAO report

Although seeking objectivity, the GAO has its philosophy (and therefore biases). Two of these come through in this Report.

- Elmer Staats has been pushing what is called "Management Auditing" for years. This is what is meant by policy reviews, studies of the Administration Budget, Accounting and Management Information Systems, and projects and other work in process. OED does precious little of this and what it does is not (in my opinion) of the highest quality. The GAO is certainly right in saying that OED is not properly staffed and trained to do this work well.
- GAO sees itself as the servant of the US Congress, watching over an unmanaged (and unmanageable) bureaucracy in the interest of the people at large. It is that, and the US citizenry is fortunate that it exists. If the GAO were only to audit ex post facto -- the past, completed discrete actions -- its impact would be miniscule. Knowing that, it has gone deeply into policy reviews and systems and procedures with an emphasis on determining whether the things the US bureaucrats are currently doing make sense and are effective and efficient. However, and alas, the GAO wants everyone else to behave the same way.

This philosophy drives the GAO to a wrong perspective and conclusions about the Bank. GAO looks only at OED and ignores the Bank's total management approach which does constantly raise and deal with current administrative and operational policies and systems. If GAO were to have its way, OED would do the same things now done by PAB, IAD, OPD, PRC, and the many task forces and committees we use.

In the Bank, it would not make sense to follow GAO's recommendations. OED would have to be very large, staffed with a large variety of skills, and have very exceptional people on its staff to do the kind of work the GAO recommends and then the results would not be highly beneficial because, unlike the USG, we are well managed, rational and sensible. Although improvements are always possible, the Bank keeps after these in a reasonable fashion through its regular management processes.

I would not take the GAO on directly on this matter, but rather play a delaying game indicating our intention to do more of this and better of that, and put this Report to bed as quickly and quietly as possible. However, it might be useful to have the Board's Audit Committee itself conclude that OED

should play a limited role by concentrating on the one thing only it is doing -- i.e., the development impact of our lending work -- and sanction and support the Bank's total management approach and system so that when the US ED pushes the GAO line, as he inevitably must, he will not get support elsewhere.

Finally, I think the GAO's comments on standards, recommendations in reports and follow-up are generally well taken and we should accept them.

JMKearns:DW

~~Mr. Weimer~~~~Mr. Carzell~~

Many thanks Sir

Re: Inspectors - General

The attached will amplify my response to your query about what this means.

The general legislation seems to envisage a combination of internal audit and investigation; the Treasury appointment seems to be more narrowly fraud, corruption and misconduct-oriented.

Please return in due course.

M L Weimer

7/5

The World Bank

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.



With the compliments of

Mr Weiner

William P. Dixon

Alternate Executive Director for
the United States

477-3991 or 3992

I hope this is helpful.

Bill

Public Law 95-452
95th Congress

An Act

To reorganize the executive branch of the Government and increase its economy and efficiency by establishing Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and within the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration, and for other purposes.

Oct. 12, 1978

[H.R. 8588]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Inspector General Act of 1978".

Inspector
General Act of
1978.
5 USC app.

PURPOSE; ESTABLISHMENT

Office of
Inspector
General.
5 USC app.

SEC. 2. In order to create independent and objective units—

(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration;

(2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;

thereby is hereby established in each of such establishments an office of Inspector General.

APPOINTMENT AND REMOVAL OF OFFICERS

SEC. 3. (a) There shall be at the head of each Office an Inspector General who shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. Each Inspector General shall report to and be under the general supervision of the head of the establishment involved or, to the extent such authority is delegated, the officer next in rank below such head, but shall not report to, or be subject to supervision by, any other officer of such establishment. Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena during the course of any audit or investigation.

5 USC app.

(b) An Inspector General may be removed from office by the President. The President shall communicate the reasons for any such removal to both Houses of Congress.

(c) For the purposes of section 7324 of title 5, United States Code, no Inspector General shall be considered to be an employee who determines policies to be pursued by the United States in the nationwide administration of Federal laws.

(d) Each Inspector General shall, in accordance with applicable laws and regulations governing the civil service—

(1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to programs and operations of the establishment, and

(2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such programs and operations.

DUTIES AND RESPONSIBILITIES

5 USC app.

SEC. 4. (a) It shall be the duty and responsibility of each Inspector General, with respect to the establishment within which his Office is established—

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment;

(2) to review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations in the semiannual reports required by section 5(a) concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;

(4) to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies, and non-governmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse; and

(5) to keep the head of such establishment and the Congress fully and currently informed, by means of the reports required by section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

(b) In carrying out the responsibilities specified in subsection (a) (1), each Inspector General shall—

(1) comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions;

(2) establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and

(3) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General as described in paragraph (1).

(c) In carrying out the duties and responsibilities established under this Act, each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation.

(d) In carrying out the duties and responsibilities established under this Act, each Inspector General shall report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.

Report
violations to
Attorney
General.

REPORTS

SEC. 5. (a) Each Inspector General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30. Such reports shall include, but need not be limited to—

5 USC app.

(1) a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period;

(2) a description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1);

(3) an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed;

(4) a summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted;

(5) a summary of each report made to the head of the establishment under section 6(b) (2) during the reporting period; and

(6) a listing of each audit report completed by the Office during the reporting period.

(b) Semiannual reports of each Inspector General shall be furnished to the head of the establishment involved not later than April 30 and October 31 of each year and shall be transmitted by such head to the appropriate committees or subcommittees of the Congress within thirty days after receipt of the report, together with a report by the head of the establishment containing any comments such head deems appropriate.

Transmittal to
Congress.

(c) Within sixty days of the transmission of the semiannual reports of each Inspector General to the Congress, the head of each establishment shall make copies of such report available to the public upon request and at a reasonable cost.

Availability to
public.

(d) Each Inspector General shall report immediately to the head of the establishment involved whenever the Inspector General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of

Transmittal to
Congress.

such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the head of the establishment containing any comments such head deems appropriate.

AUTHORITY; ADMINISTRATION PROVISIONS

5 USC app.

SEC. 6. (a) In addition to the authority otherwise provided by this Act, each Inspector General, in carrying out the provisions of this Act, is authorized—

(1) to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector General has responsibilities under this Act;

(2) to make such investigations and reports relating to the administration of the programs and operations of the applicable establishment as are, in the judgment of the Inspector General, necessary or desirable;

(3) to request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this Act from any Federal, State, or local governmental agency or unit thereof;

(4) to require by subpoena the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by this Act, which subpoena, in the case of contumacy or refusal to obey, shall be enforceable by order of any appropriate United States district court: *Provided*, That procedures other than subpoenas shall be used by the Inspector General to obtain documents and information from Federal agencies;

(5) to have direct and prompt access to the head of the establishment involved when necessary for any purpose pertaining to the performance of functions and responsibilities under this Act;

(6) to select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates;

(7) to obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS-18 of the General Schedule by section 5332 of title 5, United States Code; and

(8) to the extent and in such amounts as may be provided in advance by appropriations Acts, to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and to make such payments as may be necessary to carry out the provisions of this Act.

(b) (1) Upon request of an Inspector General for information or assistance under subsection (a) (3), the head of any Federal agency involved shall, insofar as is practicable and not in contravention of any existing statutory restriction or regulation of the Federal agency from which the information is requested, furnish to such Inspector General, or to an authorized designee, such information or assistance.

(2) Whenever information or assistance requested under subsection

5 USC 5101 et
seq., 5331.

5 USC 5332 note.

(a) (1) or (a) (3) is, in the judgment of an Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the head of the establishment involved without delay.

(c) Each head of an establishment shall provide the Office within such establishment with appropriate and adequate office space at central and field office locations of such establishment, together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein.

EMPLOYEE COMPLAINTS

SEC. 7. (a) The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

5 USC app.

(b) The Inspector General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation.

(c) Any employee who has authority to take, direct others to take, recommend, or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for making a complaint or disclosing information to an Inspector General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

SEMIANNUAL REPORTS

SEC. 8 (a) (1) The Secretary of Defense shall submit to the Congress semiannual reports during the period ending October 1, 1982, summarizing the activities of the audit, investigative and inspection units of the Department of Defense. Such reports shall be submitted within sixty days of the close of the reporting periods ending March 31 and September 30 and shall include, but not be limited to—

Submittal to Congress.
5 USC app.

(A) a description of significant instances or patterns of fraud, waste, or abuse disclosed by the audit, investigative, and inspection activities during the reporting period and a description of recommendations for corrective action made with respect to such instances or patterns;

(B) a summary of matters referred for prosecution and of the results of such prosecutions; and

(C) a statistical summary, by categories of subject matter, of audit and inspection reports completed during the reporting period.

(2) Within sixty days of the transmission of the semiannual reports, the Secretary shall make copies of such reports available to the public upon request and at a reasonable cost.

Availability to public.

(3) If the Secretary concludes that compliance with the reporting requirements in paragraphs (1) and (2) of this subsection would require inclusion of material that may constitute a threat to the

national security or disclose an intelligence function or activity, the Secretary may exclude such material from the report. If material is excluded from a report under this subsection, the Secretary shall provide the chairmen and ranking minority members of the appropriate committees or subcommittees with a general description of the nature of the material excluded.

(4) The Secretary may delegate his responsibilities under paragraphs (1) through (3): *Provided*, That the delegation be to an official within the Office of the Secretary of Defense who is a Presidential appointee confirmed by the Senate. In preparing the reports, the designee of the Secretary shall have the same access to information held by the audit, investigative or inspection units as the Secretary would.

Submittal of
proposed
legislation.

(5) In order to effectuate the purposes of this Act with respect to the Department of Defense, the Secretary of Defense shall submit, not later than March 31, 1981, proposed legislation to establish appropriate reporting procedures, for the period after October 1, 1982, concerning the audit, investigative and inspection activities of the Department of Defense.

Task force,
establishment.
Membership.

(b) (1) The Secretary of Defense shall establish a task force to study the operation of the audit, investigative, and inspection components in the Department of Defense which engage in the prevention and detection of fraud, waste, and abuse. The Secretary shall appoint the Director and other members of the task force: *Provided*, That the Director shall be a person who is not an employee of the Department of Defense. The Director shall have the authority to hire such additional staff as is necessary to complete the study.

(2) The Director and members of the task force and, upon the request of a member or the Director, the staff of the task force shall have access to all information relevant to the study and held by the audit, investigative, and inspection components in the Department of Defense including reports prepared by such components: *Provided*—
That—

(A) such information or reports may be withheld if a component head determines that disclosure would compromise an active investigation of wrong-doing;

(B) the Inspectors General of the Military Departments may delete the names of individuals in a report prepared by them if the Inspector General determines that the inclusion of the names would affect the ability of the Inspector General to obtain information in future investigations and inspections; and

(C) no classified information shall be released to the task force unless the members and staff who will have access to the classified information have the appropriate clearances.

Upon the request of the Director, the Secretary of Defense and the Secretaries of the Military Departments shall assure that the task force has access to information as provided in this subsection.

Comprehensive
report.

(3) The task force shall prepare a comprehensive report that shall include, but not be limited to—

(A) a description of the functions of the audit, investigative and inspection components in the Department of Defense and the extent to which such components cooperate in their efforts to detect and prevent fraud, waste and abuse;

(B) an evaluation of whether such components are sufficiently independent to carry out their responsibilities;

(C) the relationship between such components and the Criminal Division of the Department of Justice; and

(D) recommendations for change in organization or functions that may be necessary to improve the effectiveness of such components.

(4) The task force shall submit its final report to the Secretary of Defense and the Director of the Office of Management and Budget. The Secretary and the Director of the Office of Management and Budget may, in the form of addenda to the report, provide any additional information that they deem necessary. The Secretary shall submit the report and the addenda to the Congress not later than April 1, 1980. The task force shall be disestablished sixty days following such submission.

Final report.

(5) Any matter concerning the intelligence or counterintelligence activities of the Department of Defense and assigned by regulation to the Inspector General for Defense Intelligence shall be excluded from the study of the task force.

TRANSFER OF FUNCTIONS

SEC. 9. (a) There shall be transferred—

5 USC app.

(1) to the Office of Inspector General—

(A) of the Department of Agriculture, the offices of that department referred to as the “Office of Investigation” and the “Office of Audit”;

(B) of the Department of Commerce, the offices of that department referred to as the “Office of Audits” and the “Investigations and Inspections Staff” and that portion of the office referred to as the “Office of Investigations and Security” which has responsibility for investigation of alleged criminal violations and program abuse;

(C) of the Department of Housing and Urban Development, the office of that department referred to as the “Office of Inspector General”;

(D) of the Department of the Interior, the office of that department referred to as the “Office of Audit and Investigation”;

(E) of the Department of Labor, the office of that department referred to as the “Office of Special Investigations”;

(F) of the Department of Transportation, the offices of that department referred to as the “Office of Investigations and Security” and the “Office of Audit” of the Department, the “Offices of Investigations and Security, Federal Aviation Administration”, and “External Audit Divisions, Federal Aviation Administration”, the “Investigations Division and the External Audit Division of the Office of Program Review and Investigation, Federal Highway Administration”, and the “Office of Program Audits, Urban Mass Transportation Administration”;

(G) of the Community Services Administration, the offices of that agency referred to as the “Inspections Division”, the “External Audit Division”, and the “Internal Audit Division”;

(H) of the Environmental Protection Agency, the offices of that agency referred to as the “Office of Audit” and the “Security and Inspection Division”;

(I) of the General Services Administration, the offices of that agency referred to as the “Office of Audits” and the “Office of Investigations”;

(J) of the National Aeronautics and Space Administration, the offices of that agency referred to as the "Management Audit Office" and the "Office of Inspections and Security";

(K) of the Small Business Administration, the office of that agency referred to as the "Office of Audits and Investigations"; and

(L) of the Veterans' Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations"; and

(2) such other offices or agencies, or functions, powers, or duties thereof, as the head of the establishment involved may determine are properly related to the functions of the Office and would, if so transferred, further the purposes of this Act, except that there shall not be transferred to an Inspector General under paragraph (2) program operating responsibilities.

(b) The personnel, assets, liabilities, contracts, property, records, and unexpended balances of appropriations, authorizations, allocations, and other funds employed, held, used, arising from, available or to be made available, of any office or agency the functions, powers, and duties of which are transferred under subsection (a) are hereby transferred to the applicable Office of Inspector General.

(c) Personnel transferred pursuant to subsection (b) shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions except that the classification and compensation of such personnel shall not be reduced for one year after such transfer.

(d) In any case where all the functions, powers, and duties of any office or agency are transferred pursuant to this subsection, such office or agency shall lapse. Any person who, on the effective date of this Act, held a position compensated in accordance with the General Schedule, and who, without a break in service, is appointed in an Office of Inspector General to a position having duties comparable to those performed immediately preceding such appointment shall continue to be compensated in the new position at not less than the rate provided for the previous position, for the duration of service in the new position.

CONFORMING AND TECHNICAL AMENDMENTS

SEC. 10. (a) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(122) Inspector General, Department of Health, Education, and Welfare.

"(123) Inspector General, Department of Agriculture.

"(124) Inspector General, Department of Housing and Urban Development.

"(125) Inspector General, Department of Labor.

"(126) Inspector General, Department of Transportation.

"(127) Inspector General, Veterans' Administration."

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(144) Deputy Inspector General, Department of Health, Education, and Welfare.

"(145) Inspector General, Department of Commerce.

"(146) Inspector General, Department of the Interior.

"(147) Inspector General, Community Services Administration.

“(148) Inspector General, Environmental Protection Agency.

“(149) Inspector General, General Services Administration.

“(150) Inspector General, National Aeronautics and Space Administration.

“(151) Inspector General, Small Business Administration.”

(c) Section 202(e) of the Act of October 15, 1976 (Public Law 94-505, 42 U.S.C. 3522), is amended by striking out “section 6(a)(1)” and “section 6(a)(2)” and inserting in lieu thereof “section 206(a)(1)” and “section 206(a)(2)”, respectively.

DEFINITIONS

SEC. 11. As used in this Act—

5 USC app.

(1) the term “head of the establishment” means the Secretary of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Administrator of Community Services, Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans’ Affairs, as the case may be;

(2) the term “establishment” means the Department of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, or Transportation or the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, or the Veterans’ Administration, as the case may be;

(3) the term “Inspector General” means the Inspector General of an establishment;

(4) the term “Office” means the Office of Inspector General of an establishment; and

(5) the term “Federal agency” means an agency as defined in section 552(e) of title 5 (including an establishment as defined in paragraph (2)), United States Code, but shall not be construed to include the General Accounting Office.

EFFECTIVE DATE

SEC. 12. The provisions of this Act and the amendments made by this Act shall take effect October 1, 1978. 5 USC app.

Approved October 12, 1978.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 95-584 (Comm. on Government Operations).

SENATE REPORT No. 95-1071 (Comm. on Governmental Affairs).

CONGRESSIONAL RECORD, Vol. 124 (1978):

Apr. 18, considered and passed House.

Sept. 22, considered and passed Senate, amended.

Sept. 27, House concurred in Senate amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 14, No. 41:

Oct. 12, Presidential statement.

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THE SECRETARY OF THE TREASURY
WASHINGTON 20220

July 18, 1978

JUL 25 1978

MEMORANDUM FOR HEADS OF OFFICES AND BUREAUS

SUBJECT: Treasury Inspector General

I have today established the position of Inspector General of the Department and selected Mr. Leon Wigrizer, presently Associate Chief Counsel of the Internal Revenue Service, to that position. A copy of the Treasury directive establishing the position is attached.

I regard this position as important to the Administration's objective of ensuring an open and responsible government. Mr. Wigrizer has my strong support, and I would ask you and your staffs to cooperate with and assist him in every way possible when he assumes his duties shortly after Labor Day.

W. Michael Blumenthal
W. Michael Blumenthal

Attachment

DEPARTMENT OF THE TREASURY
TREASURY DEPARTMENT ORDER NO. 256

Establishment of the Position of
Inspector General

Pursuant to the authority vested in me as Secretary of the Treasury by Reorganization Plan No. 26 of 1950, there is hereby established the position of Inspector General reporting directly to the Secretary and Deputy Secretary. The Inspector General is authorized to perform the following duties:

1. Receive and analyze allegations of (i) illegal acts, (ii) violations of the Rules of Conduct of the Treasury Department or Bureaus, (iii) violations of the merit system or (iv) any other misconduct (if the matter is one which is not appropriate for normal grievance or appeal procedure or other routine management action) concerning any official or employee of any Treasury office or Bureau.
2. Receive by referral from head of Treasury offices or Bureaus serious allegations of official or employee misconduct which the Treasury office or Bureau does not want to investigate using its own staff.
3. With regard to senior Treasury and Bureau officials:
 - a. Initiate, organize, direct, and control investigations of any allegations received pursuant to paragraphs 1 or 2 against such officials which have potential validity and which, within the discretion of the Inspector General, merit such action, and,
 - b. Review and report the results of investigations of senior officials conducted by the Inspector General or at his or her direction to the Secretary or Deputy Secretary for appropriate action.
4. Refer allegations of misconduct by any non-senior official or employee of a Treasury office or Bureau that does not have an Inspection service

to any Inspection service within Treasury for investigation and receive a full report of the results of such investigation.

5. Refer any complaints concerning improper activity of a non-senior official or employee of a Treasury office or Bureau that has an Inspection service to that service and receive a full report concerning the investigation and action taken concerning any such referral.
6. Conduct in exceptional situations such investigations as may be specifically directed by the Secretary or Deputy Secretary concerning any allegations or misconduct by an official or employee of any Treasury office or Bureau.
7. Review existing policies, procedures and operations for ascertaining, reporting and investigating misconduct of officials and employees of any Treasury office or Bureau and, after consulting with other Treasury officials as may be appropriate, make recommendations, if any, to the Secretary or Deputy Secretary for their change or implementation.
8. Carry out those duties and functions set forth in Treasury Department Order No. 246 (Rev.) which are required of the Department under Executive Order 12036 and relate to the oversight of foreign intelligence activities in Treasury.
9. Obtain, as needed, under prescribed procedures developed pursuant to paragraph 10, investigative and other support personnel from Inspection services within Treasury for conducting investigations under his or her direct supervision, any such detailed personnel to remain on the rolls of the services from which they are detailed but to report exclusively to the Inspector General as to the matter being investigated.
10. Develop detailed procedures and definitions for approval by the Deputy Secretary and Secretary which shall become a part of this Order.

This Order does not change or reduce the authority presently existing in Treasury offices or Bureaus having Inspection services to conduct their own investigations in accordance with their procedures with the exception of investigations being conducted by the Inspector General. Where notice is received by a Treasury office or Bureau from the Inspector General that he or she is conducting an investigation in a particular area, no investigation or similar activity will be initiated or continued in that area by any Treasury office or Bureau except with the approval of the Inspector General.

A handwritten signature in black ink, reading "W. Michael Blumenthal". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

W. Michael Blumenthal

Date: July 18, 1978

DEPARTMENT OF THE TREASURY

TREASURY DEPARTMENT ORDER NO. 246 (REVISION 1)

Responsibilities for Oversight of Foreign
Intelligence Activities Under Executive Order 12036

By virtue of the authority vested in me as Secretary of the Treasury, including the authority vested in me by Reorganization Plan No. 26 of 1950, and pursuant to Executive Order 12036, it is ordered as follows:

1. The Inspector General established by Treasury Department Order No. 256 shall assume for the Treasury Department the duties and responsibilities established under Executive Order 12036 (hereinafter Executive Order) for Inspectors General within the Intelligence Community.

2. The General Counsel shall assume for the Treasury Department the duties and responsibilities established under the Executive Order for General Counsels within the Intelligence Community.

3. The Inspector General shall inform in writing all employees in the Office of the Assistant Secretary for International Affairs (OASIA) and in the Office of Intelligence Support of the restrictions on intelligence activities contained in Section 2 of the Executive Order and obtain a written acknowledgment from each such employee that he has read the materials provided by the Inspector General. Heads of inspection services of Treasury Department Bureaus shall provide a copy of Section 2 of the Executive Order to each employee within their bureau.

4. Treasury Department employees shall report in confidence to the Inspector General, the General Counsel, or the head of the inspection service of their bureau any matters which they feel raise questions of propriety or legality under the Executive Order.

5. The Inspector General shall review at appropriate intervals any foreign intelligence activities of the Treasury Department to determine whether any such activities raise questions of propriety under the Executive Order. Any questions arising from this review as to the legality of such activities shall be referred by the Inspector General to the General Counsel. In connection with the activities of the OASIA representatives stationed overseas, the Inspector General shall seek to make appropriate arrangements with the State Department to provide for adequate inspection while avoiding duplication of inspection activities by the State and Treasury Departments.

6. The inspection service within a bureau shall review at appropriate intervals the activities of the bureau in its relations with U.S. foreign intelligence agencies to determine whether such activities raise questions of legality or propriety. Any questions of legality or propriety arising from this review shall be referred to the Inspector General who shall report to the General Counsel any illegal activities. The procedures established by Treasury Department Order No. 240 (Revision 1), which provides for coordination and review of support arrangements between the Treasury Department and U.S. foreign intelligence agencies, shall remain in full force and effect.

7. Treasury Department employees shall cooperate with the Inspector General, the General Counsel, and the inspection service within their bureau and shall make available all necessary data to allow those officials to perform their duties and responsibilities under this Order.

8. Treasury Department Order No. 246 is rescinded, effective this date.



W. Michael Blumenthal
Secretary of the Treasury

Date: July 18, 1978



FOR IMMEDIATE RELEASE
Tuesday, July 18, 1978

Contact: Charles J. Arnold
566-2041

LEON G. WIGRIZER NAMED INSPECTOR GENERAL OF TREASURY DEPARTMENT

Treasury Secretary W. Michael Blumenthal today named Leon G. Wigrizer, 51, Deputy Chief Counsel of the Internal Revenue Service, to the newly-created post of Inspector General of the Treasury Department.

Mr. Wigrizer, who will assume his new position shortly after Labor Day, will supervise the conduct of investigations of illegal acts, violations of the merit system or other misconduct concerning any official or employee of the Department. He will also carry out the duties of Inspector General with respect to the foreign intelligence activities of the Department.

The Inspector General will report directly to the Secretary or Deputy Secretary. He is authorized to receive referrals of allegations of misconduct, to refer such allegations to existing Treasury inspection services for investigation and to initiate, conduct and review investigations of misconduct.

Mr. Wigrizer has more than 26 years of professional legal experience in the Internal Revenue Service. At Internal Revenue he was responsible for advising and assisting the Chief Counsel in planning and coordinating the legal program, including direction of five National Office Divisions of the Chief Counsel's Office whose combined staff amount to about 1800 attorneys and other staff personnel. His background includes wide experience in criminal law and other assignments in tax litigation. He served in the Regional Counsel's Office of the IRS in Philadelphia for 22 years. He is a member of the Massachusetts, Pennsylvania and District of Columbia bars.

According to Deputy Treasury Secretary Robert Carswell, Mr. Wigrizer was selected after an extensive search. "His demonstrated supervisory and managerial abilities and his educational and professional legal experience make him fully qualified to perform the duties of this position," Mr. Carswell said.

The establishment of the position of Inspector General of the Treasury Department does not change or reduce the authority of Treasury offices or Bureaus having inspection services to conduct their own investigations, with the exception of investigations being conducted by the Inspector General.

If Treasury Department Bureaus or offices are advised that an investigation is being conducted by the Inspector General, they will not conduct or continue investigations in the same area without approval of the Inspector General.

Mr. Wigrizer was born in Lawrence, Massachusetts, November 4, 1927. He received a Bachelor of Laws Degree, Cum Laude, from Boston University in 1950 where he was editor of the Law Review. Mr. Wigrizer is married and lives Bethesda, Maryland. He has a son at Boston University School of Law and a daughter at Wellesley College.

The Treasury Order establishing the position of Inspector General is attached.

OFFICE MEMORANDUM

TO: Mr. I.P.M. Cargill

DATE: May 3, 1978

FROM: Mervyn L. Weiner *mlw*SUBJECT: U.S. Appropriations Committee Staff Visit

You had told me some weeks ago to expect a visit from Mr. Walters of the U.S. Appropriations Committee. Mr. Walters finally visited me on the afternoon of Monday, April 24. He was accompanied by Messrs. Stenton (also of the Committee Staff, I believe) and Mr. Tennant, formerly the U.S. member of the Group of Controllers of IADB, which manages IADB's operations evaluation system. The actual appointment was made by Mr. Fried's office.

The conversation, which lasted just over 3 hours, explored the meaning of accountability in the Bank. It covered the evolution and the current structure and practices of the Bank's operations evaluation system. Copious notes were taken during the meeting, which concluded with expressions of appreciation for the fullness of the discussion.

Mr. Walters had read the draft GAO report on the Bank's evaluation system and asked a number of questions similar to those raised by the GAO team earlier this year: e.g., does the evaluation function include the functions of an Inspector General concerned to expose and investigate inefficiency, fraud and corruption? (I told them it did not); does the staffing of OED by limited term career Bank staff compromise the objectivity and integrity of the evaluation function? (I told them why I thought this was not a problem but an advantage, and described the cross checks built into the system).

I invited Mr. Walters and his team to return should they wish to pursue the discussion. They said they would return after they had read some OED reports, and hoped they might then also speak with the OED authors of the project performance audit reports they would want to discuss. They did not ask for copies of OED reports and did not say through what channels they would have access to them.

I found all of the visitors' questions quite reasonable. I had the impression that much of what they heard Monday afternoon was new for them and that they left with a positive impression about accountability in the Bank. They wondered aloud why the regional banks did not have operations evaluation systems comparable to the Bank's.

cc: Mr. Nurick
Mr. Merriam

File - USA ✓



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

MAR 31 1978

Mr. Mervyn L. Weiner
Director-General
Operations Evaluation
The World Bank
Washington, DC 20433

Dear Mr. Weiner:

As Mr. Staats mentioned in his letter of March 14, 1978, we have started a review of the availability of training LDC's especially in the field of fiscal management.

Mr. Jim Wesberry, presently Advisor to the Comptroller General of Ecuador and President of the International Professional Development Institute will be visiting us early in May with a group of top audit directors and advisors of Ecuador.

During our meeting with Mr. McNamara, Mr. Staats suggested that we make arrangements to have Mr. Wesberry meet with you and Mr. Frost while he was here. If it would be convenient for you and Mr. Frost, I would like to bring Mr. Wesberry over to meet with you for an hour or so on May 9th or 10th. We could chat about our respective activities and the overall need for fiscal training in LDC's.

I'll drop Mr. Frost a note along with a copy of this letter. Give me a call on 275-5522.

Sincerely yours,

Jim
James A. Duff
Associate Director

If Frost agrees, I'll
invite Duff, Wesberry &
Frost to lunch. Ask his
secy. to confirm, & pick
the date. Then let
me know, to call Duff.

Weds. May 10
12.30



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date January 1978	Document Type Letter and Report			
Correspondents / Participants To: Mr. Mervyn Weiner, Director-General Operations Evaluation From: Edward R. Fried, U.S. Executive Director				
Subject / Title Draft of a proposed report Effectiveness of World Bank Independent Review and Evaluation System				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
Withdrawn by Diego Hernández	Date June 19, 2025			



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date January 26, 1978	Document Type Letter			
Correspondents / Participants To: Mr. Weir M. Brown, Inspector General for International Finance, Treasury Department From: William P. Dixon, U.S. Alternate Executive Director				
Subject / Title GAO Draft on the World Bank Evaluation System				
Exception(s) Communications of Executive Directors' Offices				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date January 26, 1978	Document Type Letter			
Correspondents / Participants To: Messrs. Robert S. McNamara and Jacques Henri Wahl From: William P. Dixon				
Subject / Title Draft General Accounting Office Report				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara and Mr. Jacques Henri Wahl

DATE: January 26, 1978

FROM: Mervyn L. Weiner

SUBJECT: Draft GAO Report: "Effectiveness of World Bank Independent Review and Evaluation System"

GAO has asked the Secretary of the U.S. Treasury to comment on their draft report by February 10 and to include in the reply any comments he may wish to solicit from the Bank. In preparation for this response, Mr. Fried asked me to comment on the GAO draft. I have done so and have just finished discussing my comments at length with Mr. Dixon, his Alternate.

Mr. Dixon and I agreed to formulate a composite response, part of which will take the form of a note from him to the Inspector General for International Finance, Treasury Department, and part of which will take the form of a note from me to him. The two notes would be submitted as a package to the Treasury and would, presumably, be incorporated into the requested Treasury response.

As we have just completed our discussion, and today is my last day in the office until February 13, Mr. Dixon has undertaken to send you copies of the proposed composite response as soon as ready.

You will be interested to learn that the GAO report compliments the World Bank on its "... considerable progress toward developing an independent review system" and, therefore, focusses its analysis and recommendations on how the effectiveness of this system might be enhanced. To this end, it makes a number of recommendations, but only one I would regard as of major import for you:

"The Secretary of the Treasury through the U.S. Executive Director should encourage the Board of Directors to: - broaden the Operations Evaluation Department's scope of work ..."

Mr. Dixon's comment on this recommendation will be formulated after he has met with his Treasury colleagues next week.

P.S. I have only one copy of the GAO report and am attaching it to Mr. McNamara's copy of this note.

cc: Mr. Dixon



Record Removal Notice

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Correspondents / Participants To: Mr. William P. Dixon, Alternate U.S. Executive Director From: Mervyn L. Weiner				
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Exception(s)				
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P.S. I have only one copy of the GAO report and am attaching it to Mr. McNamara's copy of this note.

cc: Mr. Dixon

OFFICE MEMORANDUM

→ file : c : USA.

TO: Mr. Peter Cargill

DATE: January 23, 1978

FROM: Uma Lele (dictated by Mrs. Lele, signed in her absence)

SUBJECT: The United States Congressional Investigation
Interview with Mr. WeaverBackground

1. I met with Mr. James Weaver of the United States Congressional Research Service on January '10 at his request. (I was informed by your secretary that the meeting had been approved by your office.) The following is the account of my meeting for your information. I have presented my full statement as I believe that the issues Mr. Weaver raised with me are complex and needed elaboration for developing their full understanding.
2. According to Mr. Weaver, the committee is examining if the Bank assistance to the poor has increased over time and whether, and to what extent, the new projects are having an impact on their living standards. Data are already being collected on the volume of lending by sectoral breakdown and by types of projects, on the income levels and the size of the target groups to which the Bank projects are directed. Information collection and collation is expected to be completed by March 1978 or so.
3. The committee is, however, also considering carrying out a longer term field study; i.e., over the next year or so, of Bank projects selected at random to examine their impact on the income levels of target groups. More specifically, the study as now being considered would include projects that got underway around 1972, to compare base line incomes and incomes say in 1977 of the various income classes benefiting from the projects' activities. Interventions such as agricultural credit, the benefits of which can be measured relatively easily would be the primary candidates for investigation.
4. Mr. Weaver indicated that he would appreciate my comments on all the issues the committee was investigating. However, in view of my experience in reviewing past World Bank and other donor aided projects through the African Rural Development Study, he wanted my reaction specifically to whether (i) the approach that he had selected was appropriate, (ii) what data would be available from the monitoring and evaluation units which - he had been told by Bank staff - were being established in almost all recent Bank projects, and particularly, (iii) if I were given a similar assignment by the United States Congress, how would I carry out such a study. My comments were along the following lines.
5. , Examining the direct impact on the target groups was important and the lack of quantitative data on this issue and the need to improve knowledge of beneficiaries and benefits was highlighted by the African study and subsequently in a number of other evaluations, including those carried out by the Bank's Operations Evaluation Department. It was this concern within the Bank which had led to the rapid expansion of the monitoring and evaluation units in the Bank financed projects. However, as the Bank's lending to the

poverty groups has begun to expand, there are a number of issues related to the methodology, the practicality and the scope of the Bank's impact on the poverty problem on which much experience is being acquired and much evolution in our understanding has been occurring. I hoped that this understanding would be reflected in the study, should the committee consider it appropriate to undertake one.

The Approach Proposed by the Committee

6. Estimating impact on incomes of target groups in a short period of 5 years is tricky for a variety of reasons. First, in many Bank projects income data which can be constructed from yields, prices, etc. in baseline and subsequent years, often cannot yet be very reliable, particularly at the farmer level, despite much effort being made by Bank staff to get monitoring and evaluation underway. Second, even if a great deal of data are available in a few the crucial variable in determining impact; i.e., farm level yields and prices, often fluctuate substantially in either direction around the average levels, the former by as much as 20% and the latter by as much as 50%. This is largely due to weather factors. The impact of project interventions is therefore often difficult to distinguish at a statistically significant level in a short period of five years from the income variations arising from weather. There is a risk that an error somewhat similar to that frequently made by politicians in developing countries would be made in this case. The politicians often blame crop failures on acts of gods and attribute success to Government plans. If failures are attributed to a donor's involvement in a project, it may result in an unnecessarily negative attitude towards assistance; whereas attributing success to a donor would lead to complacency, when it should be recognized that the problems related to raising productivity and incomes of the least productive groups in any country are much more long-term and complex than we are willing to accept, given our understandable concern about the poor and the consequent impatience in wanting to buy time. Achieving in developing countries in 25 years what some industrialized countries have achieved in 50 to 75 years may be the more realistic aspiration. Any impact study should recognize these limitations of the proposed approach. Third, there are indirect effects of the Bank's project components; i.e., of opening up of a road in a project area which may benefit large numbers, in addition to the groups benefitting from the direct credit program. These may not be captured simply by estimating income changes in those receiving credit.

Considerations Related to Availability of Data

7. Much detailed data are being collected on the wealth and income profile of the target populations in pre-project and project periods in some projects; i.e., in Northern Nigeria, or the Muda River project in Malaysia. However, these projects are as yet more an exception than the rule. The reasons are many and should be well understood in generalizing from those experiences.

- (i) The trained manpower needed for data collection is often extremely scarce in developing countries.

- (ii) The countries do not always respond well to using expatriates for such data collection on the scale on which it has been possible in Nigeria and Malaysia. The reluctance to accept expatriates in itself is a result of three factors:
 - (a) Outsiders are often viewed with suspicion particularly in information gathering, even if the country has a strong commitment to the distributive objective; i.e., Tanzania.
 - (b) The commitment of many governments to the distributive objective does not always match that of the United States Congress or the World Bank. There may even be a negative correlation between the acceptability of expatriates for monitoring and evaluation and the commitment to objectives of equity and self-reliance.
 - (c) Many governments do not yet realize the importance of such data collection for management purposes. (This understanding is itself frequently a result of development.)
- (iii) Some of us are ourselves becoming more ambivalent about using expatriates for the purposes of monitoring and evaluation. This is because expatriates:
 - (a) are expensive;
 - (b) do not always do a training and institution building function related to data gathering analysis; and,
 - (c) often collect too much data geared to analysis by high flown quantitative techniques. The countries frequently not only are unable to carry over such analysis on a regular basis but can not even comprehend the technical terms in which results are presented.

We are, therefore, groping with ways of designing simple monitoring and evaluation systems to produce the data which would be useful in the studies such as the one proposed by the Committee. However, these systems are not yet in place.

The Scope of the Bank's Impact on the Poverty Problem

8. As the Bank has begun to expand its lending to the poor, our understanding of the nature of the basic constraints that come in the way of realizing this objective has increased a great deal. The constraints are broad-ranging and therefore the Bank's assistance has to be responsive to these constraints. They could be classified into three categories: technological, policy and institutional. Due to the nature of past policies and investments in many developing countries, frequently there are no profitable technologies to extend, particularly relating to the activities carried out by low income classes; i.e., production of food crops. Targeting programs directed towards the poor may therefore not be effective in the short run until the necessary profitable technology is developed first by using plant breeders, agronomists, etc. The latter are however often not seen to be reaching the poor. Developing an effective adaptive research system takes time. (This may even be as much as 10 to 20 years.) The Bank is doing more to address these basic constraints by developing national research systems and improving the link between research and extension related to low income farmers now that it did in the past. Its impact on aspects such as national technological institutions is too early to evaluate and not easily amenable to a narrowly quantitative evaluation that the one proposed seems to be. 1/

9. A great deal of analysis of a country's sectoral and institutional policies is carried out by the Bank, at times in the context of target-oriented projects, but frequently through its country and sector work. Its impact would not necessarily be captured in the evaluation proposed although when policy changes are achieved in the short run, these frequently may benefit low income populations faster than do the projects. Incidentally, upto a point the larger the lending program to a country, the better able is the Bank to carry out a constructive dialogue on major policy and institutional issues such as grain prices or land tenure. 2/

1/ In contrast to the Bank's efforts, many USAID officers that I meet in the field indicate to me that despite the comparative advantage that they think the United States has in its bilateral program in assisting governments on development of agricultural technology, they are hesitant to develop projects related to agricultural universities or research institutions, because it would not be seen to serve the Congressional mandate.

2/ Again, USAID field staff have frequently pointed out to me that because of its small amount of lending, AID is often not in a position to speak to the governments constructively on such issues the way the Bank can.

January 23, 1978

10. To summarize, the scope of the impact of the Bank's lending on the poverty groups is wide-ranging. To capture it, one would need a study much broader in scope than that geared simply to analyzing income changes among target groups although this latter could be of some limited interest. For methodological and other realistic reasons the Bank's impact must also be evaluated over a longer term and in a qualitative way. It may therefore be too early to carry out such a study. (I happen to know Mr. Weaver who is a former USAID employee and a Professor at The American University in Washington, D.C. The interview was cordial. Mr. Weaver carried out the discussion in a very constructive vain.)

cc: Messrs. Wapenhans, Adler, Hendry, Eccles

ULele:jb

C- U.S.

OFFICE MEMORANDUM

TO: President's Council

DATE: December 23, 1977

FROM: I.P.M. Cargill *IC*

SUBJECT: Long Committee Enquiries

As Mr. McNamara told you at the President's Council meeting last week a small committee consisting of myself as Chairman, Mr. Nurick as Deputy Chairman, and Messrs. Clarke, Damry and Merriam as members has been set up to consider procedural guidelines for meeting the requirements of the Long Committee. We have met twice and Mr. Nurick and I have had several discussions with the U.S. Executive Director. The formal position has always been that inquiries about the activities of the Bank made by legislative leaders come through the Executive Director and any replies are coordinated with the E.D. (See Administrative Manual Statement 503, Paragraph 7) The formal procedures have not always been followed, chiefly in the interest of saving time; but the U.S. Executive Director agrees that in view of the importance of the work of the Long Committee, and particularly because the time available for it to make inquiries is fairly short, the procedures to be followed in response to any inquiries should be clear.

Thus, the responsibility for obtaining documents or asking for interviews with members of the Bank staff rests with the U.S. Executive Director. He expects that a great part of such information can be supplied by the U.S. Treasury in their own offices. However, if additional documents or interviews are to be sought, the requests will be addressed to the U.S. Executive Director. If a staff member is directly asked by a representative of the Long Committee for information or for an interview, he should advise the representative to address the inquiry to the Executive Director. The U.S. Executive Director will then ask me or Mr. Nurick for such information or other action which seems appropriate.

To be specific, the following procedures will be followed:

- (i) Additional copies of documents or other information previously given to the Executive Directors will be supplied on request.
- (ii) Subject to (iii) and (iv) below, requests for any additional information by the United States Executive Director will be complied with.
- (iii) If any additional information is requested which raises an issue of policy, the matter will be brought to the attention of the Executive Directors for appropriate action.
- (iv) Requests for disclosure of information of a particularly confidential nature will be considered individually by the Committee: of which I am Chairman.

Requests for interviews with staff members will be handled as they are made. If an interview is arranged at the request of the U.S. Executive Director, it is probable that the Executive Director or his designee acting as the channel of communication between the Bank and the Congress will be present. The interview may be in his office and a member of my Committee, or somebody designated by it, may attend.

If material is furnished to the United States Executive Director which has not been previously distributed to the other Executive Directors, copies will be sent them for their information.

I would be grateful if you would draw the attention of your staff to the contents of this memorandum.

OFFICE MEMORANDUM

CWS SK
return

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Office of the President

DECLASSIFIED

JUN 19 2025

WBG ARCHIVES

FROM: The President

December 16, 1977

Memorandum to the Executive Directors

U.S. CONGRESSIONAL "OVERSIGHT" HEARINGS ON ACTIVITIES
OF THE WORLD BANK AND OTHER FINANCIAL INSTITUTIONS

During the debate in the House of Representatives on the legislation required to authorize and appropriate the funds necessary to enable the United States to participate in the increases in capital subscriptions in the Bank and IFC and in the Fifth Replenishment of IDA resources, Congressman Long announced on October 18, 1977 that the Foreign Appropriations Subcommittee which he chairs would conduct "oversight" hearings on the international financial institutions with the following objectives in mind:

"First. Is the multilateral assistance reaching the very poor--not only the poor countries but the poor people within these poor countries?

Second. Are the institutions' operations publicly accountable in the same way that the operations of U.S. Government agencies are accountable--through audits, openness and disclosures?

Third. What amounts of multilateral assistance are channeled to countries, both Communist and right wing dictatorships, that are gross violators of human rights, and what measures are being used to stop these flows?

Fourth. What loan subsidies have been going to establish or expand production for export of commodities that could injure U.S. producers?

Fifth. How effectively and how economically are these financial institutions being administered, with attention to the large salaries paid to management and staff, the benefits received by the institutions' staffs, the effectiveness of the administrators in directing assistance to the problem areas and to the poor people in poor countries?"

Congressman Long enlarged on his statement in a letter to me dated October 17, 1977, a copy of which is attached.

It is expected that the hearings will begin February 1978. Staff members of the Subcommittee, members of Congressman Long's personal staff, as well as staff of the Library of Congress, have begun making preparations. These activities have already resulted in requests for information from the Bank (including additional copies of reports already distributed to the Executive Directors) and it is likely that the number of such requests will increase greatly in the new year.

In accordance with the general principle that our institutions should consider themselves fully accountable to their members, we propose to make every effort to be responsive to these requests in line with present practices. If material is prepared for transmission to the Subcommittee which has not been previously distributed to the Executive Directors copies will be sent them for their information.

All contacts with the Subcommittee will be channeled through the office of the U.S. Executive Director.

Attachment

A handwritten signature in dark ink, reading "Robert S. M. Newman". The signature is written in a cursive, flowing style with a large initial "R".

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

TO: President's Council

Mr. McNamara would like to have the attached
memo on "U.S. Congressional Hearings on the International
Development Institutions" discussed at the PC Meeting
on December 19.

Caio Koch-Weser

Caio Koch-Weser
December 16, 1977

*cc → Mr. ~~Kapser~~ (do not circulate
but ~~instruct~~ staff accordingly)*

✓ file : - C - U.S.

W 12/19

TO: President's Council

FROM: R. S. McNamara

SUBJECT: US Congressional Hearings on the International Development Institutions

A Subcommittee of the US House of Representatives' Appropriations Committee will conduct hearings on the operations of the international development institutions in which the US is a member. The hearings are expected to start early next year and be completed before the House considers appropriations for Bank capital and IDA contributions sometime next year.

Subcommittee members are: Long (Chairman), Burke (D-Calif.), Koch (D-N.Y.), Obey (D-Wisc.), Roybal (D-Calif.), Stokes (D-Ohio), Yates (D-Ill.), Wilson (D-Texas), Conte (R-Mass.), Smith (R-Nebr.), and Young (R-Fla.). Subcommittee staff assignments have not yet been arranged but Mr. Vallianatos and Mr. Anderson of the Chairman's personal staff are making inquiries into Bank operations.

Such hearings on the World Bank and other international development institutions have not taken place in the past. The Subcommittee will inquire into a wide variety of Bank activities. Subcommittee members and/or staff will doubtless be seeking various Bank documents and may wish to talk with many Bank staff members.

We shall, of course, extend the same degree of information and courtesy to the US Government in this matter that we would normally extend to any member government. However, given the absence of clear precedents and the probable breadth of the hearings, it will be necessary to coordinate our responses and keep abreast of developments. I have, therefore, designated Mr. Peter Cargill as the central point of contact on all aspects of the Long Subcommittee Hearings. Mr. Lester Nurick will be his deputy in this regard.

For the time being, let us all follow the procedures listed below:

- Requests by the Subcommittee for Bank documents and responses thereto should be channeled through the US Executive Director's office. Mr. Fried will pass on all requests he receives to Messrs. Cargill/Nurick who will prepare the Bank's response.
- Should any requests for existing documents, or for documentation to be specially prepared for the Subcommittee, be made directly to a Bank staff member, he should immediately get in touch with Messrs. Cargill/Nurick who will handle the matter thereafter.
- Should Subcommittee Members or staff request a meeting with Bank staff, the Bank staff member should get in touch with Messrs. Cargill/Nurick before taking any action.
- Any other contacts related to these hearings -- including impromptu conversations with Subcommittee Members or staff, press inquiries, etc. -- should be reported as soon as possible to Messrs. Cargill/Nurick (by memorandum if time permits).

Consultants

*Pl. keep me informed, also,
of contacts & responses.*

OFFICE MEMORANDUM

TO: Mr. John E. Merriam
FROM: Peter Riddleberger *PR*
SUBJECT: Library of Congress Investigation

DATE: December 13, 1977

I met yesterday with Bill Dixon and the Library of Congress team (made up in part of three American University Professors and their graduate students) who have been instructed by Clarence Long to do a preliminary study on "whether the Bank has been effective in reaching the poor."

1. We are informed that they seek answers to the following:
 - (a) The change of directions in Bank lending from 1972 and 1977.
 - (b) What has the Bank done to measure its success.
 - (c) How has Bank policy been implemented.
 - (d) Bank objectives for the future.
 2. In this connection, requests were made for the following:
 - (a) President's Reports for all projects in fiscal 1972 and 1977.
 - (b) Tables showing the shift in direction of Bank lending.
 - (c) All policy statements outlining Bank objectives.
 - (d) Internal studies to measure Bank effectiveness.
 - (e) Permission to interview certain Bank officials.
- Dixon agreed to provide them with copies of all President's Reports requested. They will be delivered to the Library of Congress within a week. He also agreed to provide them with statistical tables on the shift in Bank lending.
3. Left open were:
 - (a) The question of access to internal Bank evaluations.
 - (b) The possibility of interviews with staff.

Comment

Jonathan Sanford is the leader of this exercise. I have no qualms about his objectivity and desire to be fair. But he is working in a rather confused and unsettled environment. He is supposed to deliver this preliminary study by early February. At the same time the investigative staff of the full House Appropriations Committee will initiate their investigation of the Bank. All this is taking place while the Treasury itself is working on its evaluation of Bank operations. In addition, the GAO is also finishing up a report on IFIs. Finally, Long's personal staff aide, Evan Vallianatos, continues to request Bank documents.

PBR:pam

cc: Messrs. McNamara, Knapp, Cargill, Stern, Clark, Weiner, Nurick
Messrs. Gabriel, Vibert

OFFICE MEMORANDUM

TO: Mr. John E. Merriam

FROM: Peter Riddleberger *PR*

SUBJECT: Congressional Action on IFIs in 1978

DATE: December 13, 1977

We have been told by Treasury that there will be no supplemental appropriations request for IFIs in early 1978. Accordingly, the following amounts are expected to be requested by the Administration in their regular FY'79 foreign aid message.

IDA - \$1.55 billion

\$800 million for second installment of fifth replenishment, \$375 million for third installment of fourth replenishment, and \$375 million for fourth installment of fourth replenishment.

IBRD The basic FY'79 request will almost certainly include \$52 million for paid-in capital and \$471 million for callable capital. For FY'78, \$14 million was cut from paid-in capital and \$129 million from callable. If all of the cuts were to be made up, the request would total \$66 million for paid-in and \$600 million for callable.

IDB The basic request for the IDB will probably include \$450 million for callable capital and \$200 million for the Fund for Special Operations. For FY'78, paid-in capital was cut by about \$3.3 million, and two different callable capital funds by \$31.43 million. The FSO was cut by \$85.28 million. If all the cuts were to be made up, the request for callable capital of various kinds would be \$481.43 million, \$3.3 million for paid-in capital, and \$285.28 million for the FSO.

IFC The basic request for the IFC should be \$33.5 million. \$6.6 million was cut from the request for last year. If that cut were made up, the total request would be \$40.1 million.

ADB The basic FY'79 request for the ADB should be the same as for '78, \$20.4 million paid-in and \$183.2 callable. Cuts last year totaled \$3.2 paid-in and about \$22 m. callable. If the cuts were made up, the totals would be \$23.6 m. paid-in and about \$203 m. callable.

ADF The basic request should be \$60 million, the same as for FY'78. About \$11.1 m. was cut last year. A request making up the cut would total \$71.1 million.

TOTAL (including all of FY'78 cuts)	\$2,039,380,000 paid-in
	\$1,284,430,000 callable

cc: Messrs. McNamara, Knapp, Cargill, Stern, Clark, Weiner, Nurick,
Messrs. Gabriel, Vibert

OFFICE MEMORANDUM

Mr. Alener
E-1204
The other copy was SC's from Phyllis. Do you wish to keep this?
 DATE: December 7, 1977

TO: Mr. John E. Merriam
 FROM: Peter Riddleberger
 SUBJECT: Library of Congress Investigation for Clarence Long (D. Md.)

C : USA

Jonathan Sanford from the Congressional Research Service called me today to explain the study on the World Bank which will be done for Congressman Clarence Long.

1. The Library of Congress has contracted with three faculty members of American University. They are: James Weaver, Steven Arnold, and Cora Lee Bryant.

2. The outline of their study will be as follows:

- (a) The background of Bank lending from 1968-1977 with emphasis on the effectiveness of the World Bank reaching the poorest people;
- (b) A summary of views of Bank critics and defenders including a compilation of current literature on the subject;
- (c) Recent trends in Bank loans and their ultimate beneficiaries;
- (d) A step by step plan for an intensive field study to determine World Bank effectiveness.

3. Sanford tells me that he will be in touch with the U.S. Treasury regarding this matter.

Comment

Sanford, sympathetic observer, discussed this matter with Bill Dixon after speaking with me. I feel confident that anything that comes from his supervision will be balanced.

What Clarence Long does with it is another question. He originally asked them to investigate "why the World Bank is ineffective" and report to him by January 1. This has now been moved back to mid February. I expect Long will put pressure on the Treasury to insist that these investigators (who are not even U.S. Government employees) have access to Bank documents.

PBR:pam

cc: Messrs. McNamara, Knapp, Cargill, Chadenet, Chenery, Clark, Stern, Krieger
 Messrs. Nurick, Gabriel, Burnham, Vibert
 Mrs. Boskey



Record Removal Notice

File Title U.S. Congressional Staff Report on International Financial Institutions (IFIs) and DGO's Commentary - Volume 1		Barcode No. 1738124		
Document Date November 11, 1977	Document Type Letter plus enclosure			
Correspondents / Participants To: Mr. Mervyn Weiner, Director-General Operations Evaluation From: Eugene C. Wohlgorn, Assistant Director, U.S. General Accounting Office				
Subject / Title Re: Points for discussion based on GAO review of the World Bank independent review and evaluation system				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 19, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 19, 2025
Withdrawn by Diego Hernández	Date June 19, 2025			

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Congress of the United States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

October 27, 1977

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TELEPHONE:
CAPITOL 5-3121
EXT. 32771
OR
225-4771

Mr. Robert S. McNamara
President
International Bank for Reconstruction
and Development
International Development Association
International Finance Corporation
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. McNamara:

During consideration of the Foreign Assistance Appropriation Bill for fiscal year 1978, there was a great deal of debate regarding the prohibition of indirect assistance to Vietnam, Laos, Cambodia, Uganda, Mozambique, Angola and Cuba and the prohibition of funds to the international financial institutions for the production of sugar, palm oil or citrus crops. These explicit prohibitions were finally deleted by the Conference Committee after written assurances by President Carter (see enclosure) that the United States representatives to the multilateral institutions will be instructed to vote against and oppose loans to these seven countries and for the production of the three commodities where such production is for export and could injure producers in the United States.

In addition to the actions to be taken by the United States representatives as instructed by the President of the United States, the statement accompanying the Foreign Assistance Appropriation Bill for fiscal year 1978 (House Report 95-701) contained the following language:

"The managers on the part of the House agree that extensions of assistance to any country by multilateral institutions during fiscal year 1978, contrary to the opposition of the United States representatives as directed by the President, will be the subject of intensive Committee oversight."

Mr. Robert S. McNamara

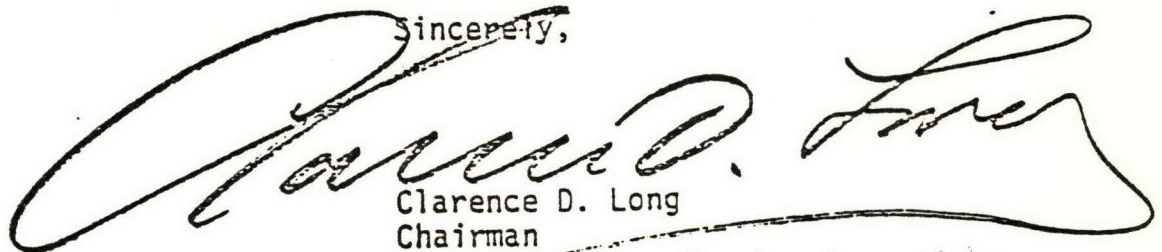
-2-

October 27, 1977

Accordingly, I wish to inform you that the Foreign Operations Subcommittee on Appropriations, of which I am Chairman, intends to conduct continuing oversight during the coming year with one of its purposes to monitor the granting of loans or other assistance by the multilateral institutions to the countries or for the export of the commodities previously mentioned. If loans are provided to these countries or are provided for the export of these commodities notwithstanding the United States action to vote against and oppose such assistance, this Committee and the House of Representatives will take a very serious view of this conduct next year when consideration of the fiscal year 1979 budget requests for the multilateral institutions will be before the Congress of the United States. Congress must judge the actions of all the multilateral institutions in this respect when arriving at the final United States appropriation level for these institutions in fiscal year 1979. I can personally guarantee that I will consider the actions of the institutions regarding assistance provided to these countries or provided for these commodities notwithstanding the United States opposition to such assistance in arriving at the final appropriation levels for the multilateral institutions next year.

I hope my position is understood by the multilateral institutions and the possible consequences are noted.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "Clarence D. Long". The signature is fluid and cursive, with a large loop at the end.

Clarence D. Long
Chairman

Subcommittee on Foreign Operations

Enclosure - President Carter's letter

THE WHITE HOUSE

WASHINGTON

[October 6, 1977]

To Chairman Clarence Long

Secretary Blumenthal has informed me of your constructive efforts to achieve a successful resolution of the problems posed by the amendments to the foreign aid appropriations bill restricting the use of U.S. contributions to the international development banks.

I deeply appreciate your helpful suggestions and the role you have played thus far in steering this vitally important legislation through the House.

As I stated in our meeting last Friday, I fully agree with you and your colleagues in the House that U.S. assistance through the banks must take full account of the human rights policies of recipient countries. Accordingly, I will shortly sign into law the recently passed authorizing legislation for U.S. participation in the international development banks which require that the U.S. representatives to the banks oppose loans to gross violators (except where those loans are directed specifically to programs which serve the basic human needs of citizens of such countries).

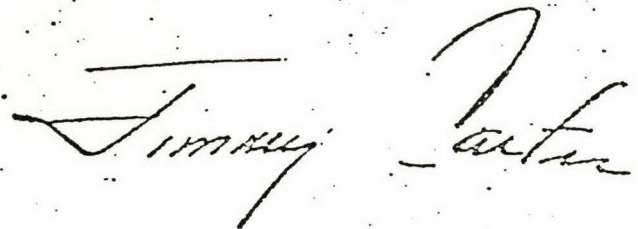
Additionally, as we discussed earlier, I shall instruct the U.S. Executive Directors in the banks to oppose and vote against, throughout FY 1978, any loans to the seven countries mentioned in the House amendments. Our representatives will also oppose and vote against loans for the production of the three commodities where such production is for export and could injure producers in the United States. You may be certain that I shall closely watch and review the lending practices of the banks during this fiscal year.

For the longer run, I have directed the Secretary of the Treasury, in consultation with the leadership and appropriate committee of the Congress, to undertake a thorough study of how the whole range of U.S. objectives, including the type envisaged in these amendments, can best be pursued in the banks. I would expect that the results of this appraisal could help guide our efforts for FY 1979 and beyond, in partnership between the Administration and the Congress.

I would hope that these steps would enable the House to avoid adopting any of the restrictive amendments, previously passed, in the final foreign assistance appropriations bill for FY 1978.

I appreciate your support and counsel on these critically important issues confronting our foreign policy.

Sincerely,



The Honorable Clarence D. Long
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

cc: Speaker Thomas P. O'Neill, Jr.
Majority Leader James C. Wright, Jr.
Chairman George H. Mahon
Congressman C. W. Bill Young

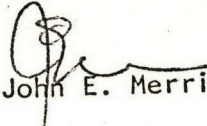
C - U.S.A.

The World Bank

December 1, 1977

To: Mr. McNamara
Mr. Knapp
Mr. Cargill
Mr. Wm. Clark (o/r)
Mr. Baum
Mr. Benjenk
Mr. Chauffournier
Mr. Husain
Mr. Krieger
Mr. Stern
Mr. Wapenhans
Mr. Nurick
Mr. Weiner

This letter describes the objectives of the Oversight Hearings to be held by Congressman Long (and ranking Republican Young) this February. Long and Young are planning to visit projects this month.


John E. Merriam

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Congress of the United States
House of Representatives
Committee on Appropriations
Washington, D.C. 20515

November 25, 1977

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TELEPHONE:
CAPITOL 5-3121
EXT. 5277
OR
215-3771

Honorable Edward I. Koch
U. S. House of Representatives
Washington, D. C. 20515

Dear Ed:

Early in 1978, the International Financial Institutions will be the subject of intensive oversight hearings by the Foreign Operations Subcommittee. These hearings have long been needed and Chairman Mahon, in his letter to me of October 17, 1977, said he would ask for such oversight hearings. Some of the broad questions or areas to be covered are as follows:

1. Is the multilateral assistance reaching the very poor--the poor people within poor countries?
2. Shouldn't the multilateral institutions' operations be publicly accountable in the same way that the operations of the U.S. Government, including the Congress, are accountable -- through audits, open proceedings, and disclosures?
3. What amounts of multilateral assistance are channeled to dictatorships, both left wing and right wing, that are gross violators of human rights or are hostile to the United States, and what measures can be used to stop these flows?
4. What assistance is being used to subsidize the production of commodities that could injure U.S. producers by enabling these countries to compete unfairly with U.S. produced goods, either in U.S. or in foreign markets?

A

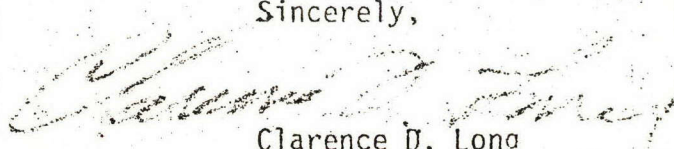
Ask but has
Long waiting for permission to
use Special Investigative
Staff for investigation by the
ICI's

November 25, 1977

5. How efficiently and how economically are these international financial institutions being administered, with attention to the size and location of staffs, salaries and fringe benefits paid to management and staffs, and the qualifications and the conflicts of interest of management and staffs?

Your suggestions of issues would help us greatly in planning these hearings. I hope to utilize the Appropriations Committee investigative staff to assist us in the conduct of the oversight hearings; enclosed is a ballot for your convenience.

Sincerely,



Clarence D. Long
Chairman
Subcommittee on Foreign Operations

Enclosure

The use of the Appropriations Committee investigative staff to assist the Foreign Operations Subcommittee in preparing for the oversight hearings of the International Financial Institutions has my approval.

Signed _____

Date _____

June 29, 1977

For B.2 File

I visited Mr. Staats on Monday afternoon, June 27. Mr. Morse, Assistant Controller General was also present.

The purpose of the meeting was to tell him that I had encountered much interest in operations evaluation by Auditors General of borrowing countries whom I had met in recent months but also little prospect of their becoming involved in it for legislative and staff constraints. I told Mr. Staats of our current efforts to get borrowers more actively involved in the evaluation of Bank-financed projects and wondered whether he had any thoughts about how we may approach the community of Auditors General more effectively.

Two suggestions emerged from the conversation. The first was that I attend INTOSAI's annual meeting in Peru this October to meet the Auditors General who attend. I did not respond with enthusiasm to the suggestion that I be included as a member of the U.S. delegation, since there didn't seem to be any arrangements for other than national governments to be represented at the Congress. However, Mr. Staats suggested that Mr. Morse enquire of Mr. Henderson, former Canadian Auditor General, about the possibility of international organizations being represented as observers. Mr. Morse undertook to let me know what he found out.

The second suggestion was that we think in terms of training programs in appropriate cases.

GAO does not have the resources to conduct such programs but thinks it would have no difficulty in staffing them ^{with} ~~xx~~ appropriately qualified persons recently retired from GAO. Mr. Staats said that he would pick up this thought with Mr. Brad. Morse, head of UNDP, and see whether UNDP would be interested in and had the resources to fund training programs of this kind.

Mr. Staats thought that IBRD and UNDP together would provide an ideal international umbrella for a program of this kind which GAO would be more than happy to support.

I welcomed the initiative but said that I thought that the first problem was not a training problem but what might be called a decision problem of governments, namely, was the government really interested in enquiring systematically about the results of its major development programs and, if it was, had it confronted the not always easy problem of deciding who was going to be responsible for this function. I told Mr. Staats that the Bank ^{was} ~~had~~ now fairly systematically providing for post-evaluation at the project level but that there was a conspicuous gap at higher levels in most governments. *of the projects it finances*

Mr. Staats welcomed the visit and encouraged borrowers ~~to~~ develop a national evaluation function.

our efforts to help

In the course of our conversation I told Mr. Staats that I welcomed GAO's study of the Bank's evaluation system and hoped that we might learn from it. He said GAO's objective was to be constructive in this review and that it was also being done for the other development finance agencies to which the U.S. contribute. What I did not realise was that this was a follow up to similar review that GAO had conducted in the early 1970's. It has for some years been pressing persistently on the whole U.N. system to develop an effective evaluation function in it.

W

cc: Mr. Kapur


June 24, 1977

For B.2. file

Subject: GAO visit

Messrs. Walhorn, Johnson and Miss Claudia Gravino spent an hour and a half with me this morning, for part of which Peggy Gonzales of Reynolds office was present. Since Mr. Walhorn was not present at the first meeting, much of the discussion went over ground that had been discussed last week, principally the nature of the process by which project performance audit reports are prepared and reviewed before being issued to the Board. Mr. Walhorn enquired about whether OED was involved in reviewing any categories of ongoing projects and was told that the annual review of supervision which CPS prepares for the Board will henceforth include a review of experience with ongoing projects in a particular sector, principally the newest sectors on which there is no long experience.

They will return again in July and may at that time wish to ask Kapur about the organization and procedures within OED. They may at some stage wish to meet with Baum to understand how the ongoing evaluation in the annual supervision reports is carried out and, much later, with the Chairman of the JAC to get his perspective on the process and understand JAC's role in it.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Mervyn L. Weiner *mlw*

SUBJECT: U.S. - GAO Visit

DATE: June 7, 1977

At Mr. Reynolds' request I met with three GAO staff in my office on the afternoon of June 3. ^{1/} Miss P. Gonzales, Reynolds technical assistant, was also present.

GAO has been instructed to review operations evaluation in IBRD, IABD and ADB. The GAO Washington office staff who visited me have the IBRD assignment. Two other teams will be examining the Regional Banks and separate reports will be issued on them later this year. The purpose of this visit was to make contact, explain the assignment, and inquire how the system described in our Evaluation Standards and Procedures booklet actually works.

We had an open and friendly discussion from 4 to 5:30 PM. I expect the group to return after they have read some OED reports.

I was asked whether the team should meet again with me when they return or meet directly with others they may wish to see. I told them to arrange to meet with me, through Reynolds' office. Would you object to their talking with OED or other Bank staff if they ask?

I was also asked whether the team might observe the next Board meeting at which the annual report of the Joint Audit Committee, the annual report on the evaluation system and the annual review of project performance audit reports will be discussed. I explained why I thought this might be quite awkward, but said that this question should be addressed to Hal Reynolds.

1/ Claudia Gravino; Sandy Johnson; Dennis Duquette (team leader).

cc: Mr. Kapur

cc: SK 6/13

File: B-2

OFFICE MEMORANDUM

B2

TO: Mr. Robert S. McNamara

FROM: Mervyn L. Weiner *MLW*

SUBJECT: U.S. - GAO Visit

DATE: June 7, 1977

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1/ Claudia Gravino; Sandy Johnson; Dennis Duquette (team leader).

cc: Mr. Kapur

The World Bank

B-2

April 11, 1977

To: Mr. McNamara
From: Mervyn L. Weiner
Subject: Congressional Request for OED Report

I just learned that one of Congressman Clarence Long's staff will soon be receiving a copy of the big evaluation report on agricultural credit programs that was issued last November. It was requested from Mr. Weir Brown, the U.S. Treasury's Inspector General for International Financial Institutions.

The information came to me from Mr. Kapur, who first heard it last Friday from Hal Reynolds, while I was away. I phoned Hal to see whether he had anything further to add by way of background. He didn't, but promised to keep in touch.

I learned during this conversation that OED reports are normally available to Congress through Mr. Brown's office.

cc: Mr. Kapur

Mr. Brown

cc: *Mr. Koper*
→ *return*

file - US

B.2

12/6/76

1. What actual use does the Bank staff make of the PPA's? Do loan officers review PPA's for the countries they are working on and related projects or sectors in other countries when undertaking new loan appraisals? Is there anything in the Bank's operating manuals which guide or direct the use to be made of PPA's and the annual review of them?
2. In the PPA (SecM76-449) of the Iran Feeder Roads Project (Loan 411-IRN) signed April 28, 1965, it is concluded (para. 2.03) that

"Due to the shortage of time, a reappraisal of the new project (which would have meant the loan could not be signed within the fiscal 1965 target period) was not possible, nor was a visit to the sites made. This was unfortunate because several of the roads which have since proved economically unjustified were added at this time and could perhaps have been avoided."

In the PPA (SecM76-503) of the Nigeria Apapa Road Project (Loan 426-UNI) signed September 26, 1965, it is concluded (para. 20)

that the adequacy of the outside consultant on the project was not confirmed and "... that this may have been because the Bank wanted to draw the Government away from involvement with expensive contractor finance by making an early appraisal and concluding negotiations so that the Loan Agreement could be signed by the Bank's Annual Meeting in September 1965."

3. Independence of Appraisals - The Bank's general policy is to rely on PCR's and the files with 10 to 20% of completed projects being "subject to thorough independent review by the OED" (Annual Report, document R76-245) para. 6.

However, the Second Annual Review, para. 1.07 (SecM76-481) says about 70% of projects covered were the object of "independent visits." How can one distinguish between these two types of appraisals?

4. Procurement - A chief cause among implementation problems remains procurement difficulties. It would appear that of all the causes of implementation problems -- inflation, institutional deficiencies on the part of the borrowers, exchange rate changes, physical factors -- procurement problems should be among the more tractable. Is the Bank focusing on this problem?

5. Cost Overruns - In both the First and Second Annual Reviews, about 20% of projects suffered serious cost overruns (Second Review, para. 2.01). Since inflation probably affected the projects under the Second Annual Review, more severely than those of the First, what can we conclude about the Bank's cost estimate performance?
5. Borrower Non-compliance With Covenants -- We looked at the first 28 PPA's issued in 1976 and found that borrower non-compliance with covenants remains a problem -- 20 out of 28 had this fault.

The single most frequent instance is the failure by utilities to adjust user charges, as prescribed by the Bank. Is the Bank exploring policies to reduce the instances of non-compliance, in this and the other areas?

OIG/MFCross:md:12/6/76
(For 3:45 mtg w/Reynolds)

CA/DP Chron

File - US

THIS SAME LETTER WAS SENT TO ALL MISSION DIRECTORS- (LA)

DEC 21 1976

cc: Mr. Kapur

Mr. Frank B. Kimball
Mission Director
US A.I.D. to Bolivia
c/o American Embassy
La Paz, Bolivia

→ return
→ (B.I.)

Dear Frank:

Last January I wrote to you about the status of the Bureau's evaluation activities. At that time I described what we were doing to extend the requirements for annual evaluations to capital projects, to provide training to increasing numbers of our staff, and to assist Missions in project design and evaluation requirements. The past year has seen an intensification of these efforts, with the result that the system has become fully established and, in keeping with Agency policy, now covers all A.I.D.-funded projects. We recognize, of course, that although institutionalized, the system will require continuing reinforcement.

As a consequence of the above developments, we feel that we are now entering a second phase in which we can begin to realize the benefits -- the real pay-off -- of the system, not only through immediate effect on project management, but also through improved lateral transfer of evaluation findings.

On the assumption we will be operating with two professionals and one Secretary/Program Operations Assistant, when fully staffed, we plan to continue the routine performance of certain functions, e.g., participating in the project review process, critiquing design and evaluation aspects of project papers, providing some sort of feed-back to the Missions on their evaluations. To the extent they have proved helpful in the past, we would continue to identify and provide project designers with illustrative lists of indicators from the computerized Progress Indicator Retrieval Program.

We also hope to expand our activities as a service unit and introduce some innovations. For example, we have developed and will soon make available to the Missions a series of guidelines or checklists to be used in connection with the formulation of project design, development of evaluation plans, and evaluation reporting. We would like to plan training seminars that would carry course material beyond the elementary stages of the present Program Design and Evaluation (PDE) seminar. Such "post graduate" training would include consideration of design and evaluation at more complex, sector levels; the problems of data collection; and a review, in some detail, of various social science and perhaps economic research methodologies, etc. We would also like to provide a

should

PED take any

initiative

in

annual

sector review organized by CPS? By the way, what schedule has been arranged? I'd like to attend.

more ready and effective response to the Missions in identifying consultants for design and evaluation work. We would appreciate your comments on these plans.

CPS +
project
brief

Our major concern continues to center on ways in which we can utilize past experience more extensively than has been the case up to now. We believe it is especially important to provide the designer at the earliest possible opportunity (i.e., PID stage) with the experience of similar other projects. When fully established, the DIS (Development Information Service) should facilitate some lateral transfer of project experience. Also, revisions in the evaluation reporting format, still in the drafting stage, aim at providing more substantive information of a transferable nature. (You will be hearing further from us on the proposed new reporting format which, in our view, represents a substantial improvement over the old PAR.) We believe that the comparative approach used in the Bureau's series of intercountry evaluations provides an effective means of transferring lessons of experience. You should by now have received the recently published Intercountry Evaluation of Small Farmer Organizations. Earlier studies included evaluations of Municipal Development Programs and Institutions (available both in English and Spanish), Agriculture Sector Programs, Cadastral Programs, Education Credit Institutions, and Land Sale Guaranty Programs. The Intercountry Study of Education Sector Programs will be published shortly. We would like to have your views on the value of these studies, as well as your suggestions for alternative approaches to special evaluations that might be more responsive to your needs.

It is in this context that we are currently examining the role of the Bureau's evaluation staff and how it can better serve you. Accordingly, we would like to have your thoughts on the following:

- In what specific ways has the design/evaluation system Agency-wide and/or in your Mission contributed to your programming or project design work? We are particularly anxious to have concrete examples.
- In what ways is the present design/evaluation process not sufficiently demanding, or in what ways is it excessively demanding?
- Does it routinely produce useful results for you?
- If it were not required by A.I.D./W would you continue it?
- If you would not continue it, would you replace it with anything else?
- Was the LA Evaluation staff useful to you in establishing your evaluation program, training people, etc.?
- Do you require assistance in the design/evaluation process which A.I.D./W has not been able to furnish? If so, in what areas?

Your candid opinions on the evaluation process in general and its actual or potential contribution to project design and implementation will be extremely helpful to us as we consider future directions. I thank you in advance for your contribution. We would appreciate hearing from you as soon as possible.

Sincerely,

Patrick F. Morris
Associate Assistant Administrator
Bureau for Latin America

cc: AA/LA, EGirard
DAA/LA, DLion
LA/DR, CWeinberg
PPC/DPRE, HTurner
~~LA/SA/LEXX~~ ARA-LA/SA:RFWeber

LA/DP/ES:BGoldstein:12/13/76:nct

Shiv:

*AID/KA seems to be evaluating their evaluation.
I will ask Lion to let us know when
he has some feedback from this letter to
all field missions.*

M. 1/11



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

August 10, 1976

Mr. Mervyn L. Weiner
Director-General, Operations Evaluation
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Weiner:

Thanks for sending me a copy of the statement of standards and procedures governing operations evaluation in the World Bank. The statement as written is in substantial agreement with the criteria established by the GAO for formulating independent review groups and should have a significant positive impact on the Bank's operations.

The World Bank statement although peculiar to World Bank operations should be a good example for the United Nations and its affiliated organizations to emulate.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Thomas R. Staats", is written over the typed name.

Comptroller General
of the United States

RECEIVED
AUG 13 1976
U.S. DEPT. OF COMMERCE

cc: Mr. Cooper

→ file: B-2.

W



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Director-General, Operations Evaluation
International Bank for Reconstruction
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1818 H Street, N.W.
Washington, D.C. 20433

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Sincerely yours,

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Comptroller General
of the United States



COMPTROLLER GENERAL
OF THE UNITED STATES
WASHINGTON, D. C. 20548

July 9, 1976

Thank you
① Mr. Kaper 7/14
② Weiner 82
W 7/13

The Honorable Robert S. McNamara
President, World Bank
1818 H Street, NW.
Washington, D.C. 20433

Dear Bob:

I have just had a chance to read the publication of the Bank entitled "Operations Evaluation, World Bank Standards and Procedures." I was delighted to see this.

I believe your efforts in the World Bank will be helpful in demonstrating what can be done in other international organizations. We have been concentrating our efforts recently on the United Nations and the specialized agencies which are in particular need of stronger evaluation capabilities.

Sincerely,

cc: Mr. Weiner

Elmer B. Staats

324
7/14



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

B2

OFFICE OF
PROGRAM ~~AND BUDGET~~
ANALYSIS

DEC 15 1975

Mr. Mervyn L. Weiner
Director-General
Operations Evaluation
International Bank for
Reconstruction and
Development
1818 H Street NW.
Washington, D.C. 20433

Dear Mr. Weiner:

I very much enjoyed our discussion on Thursday of your Operations Evaluation activity.

As I mentioned in the course of our conversation, we recently published a draft document on evaluation and analysis. I am enclosing two copies of the document, Evaluation and Analysis to Support Decisionmaking. As you will recognize, this paper is aimed at the relatively unsophisticated analyst and is intended primarily as a strong introduction to the subject. I would greatly appreciate any comments or suggestions which you, Chris Willoughby or others may wish to offer.

I would also enjoy getting together again for further discussions on items of mutual interest if you believe it would be useful. Please do not hesitate to call.

Sincerely,


Harry S. Havens
Director

Enclosure

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1975 DEC 15 PM 5:08

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RECEIVED

1975 DEC 17 PM 2:08

INCOMING MAIL UNIT

ENCLOSURE

DIRECTOR
MILITARY & NAVAL

DIRECTOR

MONITORING AND EVALUATION. Please do not hesitate to call.
discussions on items of mutual interest in your office is
I would also enjoy getting together with you further

After you, this memorandum or others may refer to other
subject. I would also appreciate your comments or suggestions
and is intended primarily as a second introduction to the
this order is signed by the relatively unscrupulous and
analysis to support decision-making. As you will recognize,
I am enclosing two copies of the document, Evaluation and
Research. I prepared a draft document on evaluation and analysis.
As I mentioned in the course of our conversation, we

Operations Evaluation activity.

I would also enjoy our discussion on Thursday of your

Dear Mr. Nelson:

Washington, D.C. 20433
1818 H Street NW
Development
Reconstruction and
International Bank for
Operations Evaluation
Director-General
Mr. Melvin F. Nelson

DEC 17 1975

UNITED STATES GOVERNMENT
OFFICE OF THE DIRECTOR
OF THE BUREAU OF THE BUDGET



WASHINGTON, D.C. 20548
UNITED STATES GOVERNMENT ACCOUNTING OFFICE