

**Current Events and the World Bank Group's Development Effectiveness  
Statement of the Director-General, Evaluation  
To The Board of Executive Directors**

April 20, 2007

IEG welcomes this opportunity to address the World Bank Group's development effectiveness as the Board considers the current crisis in leadership. The institution is at a critical juncture where its development effectiveness is being jeopardized by serious governance problems that have recently come to light. A proper and quick resolution of this problem is vital for the organization's continued effectiveness in development.

The WBG's fundamentals remain strong. IEG evaluations find that past performance of projects the WBG finances has been strong and improving. Moreover, the Group's support for country programs helps to improve effectiveness in the use of financing from all sources. The WBG is well-positioned, in partnership with other multi-laterals, bi-laterals and the private sector, to help get results from the financial flows for development. Clients value the Group's impartial and professional advice.

Recent IEG and other evaluations point to criteria for assessing the governance of programs and public organizations, which include accountability, transparency, and probity. The recent chain of events raises concerns in these respects. Indications are that the ability of staff -- particularly those working in client countries -- to carry out daily interactions with clients, as well as the institution's ability in convening partners, are eroding. Trust is being damaged.

This breakdown seems to have occurred because of three inter-related aspects below:

- An increasing lack of transparency in the application of Bank's development policies, for example, in population, climate change, governance and anti-corruption.
- Serious breaches of internal HR policies in certain instances, which creates double-standards and also impairs the Bank's ability to engage with clients on governance issues.
- Parallel lines of authority and bypassing of lines, leaving clients and staff confused and demoralized.

Unless confronted immediately, the current problems can impair the institution's knowledge base and begin to affect its financial base, particularly making it more difficult to mobilize vital IDA funds. Further damage to one of the premier development institutions can cause irreversible harm to worldwide efforts in poverty reduction and sustainable development. Looking forward, it may become difficult to retain and attract staff.

The WBG is in a unique position to provide voice, leadership and support for global development. To continue to deliver on that promise, the institution must build on its strengths, and apply the principles of good governance. That is why there must be swift changes in Management and a concerted effort to restore credibility. It is also time to assess critically the governance structure for the WBG and take steps to strengthen it.