

January 21, 2011

MEMORANDUM TO THE EXECUTIVE DIRECTORS**U.S. Government Accountability Office:
Review of International Financial Institutions' Response to Crises in Low-Income
Countries**

1. When the Bank receives requests from Supreme Audit Institutions (SAIs) of member countries, we accommodate such requests in accordance with the established procedures set out in the SAI Framework.¹
2. At the request of U.S. Congress, the U.S. Government Accountability Office (GAO) is initiating a Review of International Financial Institutions' Response to Crises in Low-Income Countries. The U.S. Executive Director's office submitted the attached Terms of Reference that the GAO intends to use for this review. As required by the Framework, the Multilateral Audit Advisory Group (MAAG) was consulted on the categorization of this request, and they advised that this be treated as a Category II².
3. According to the Terms of Reference, the review will focus on: (i) determining how the global food, fuel, and financial crises have affected low-income countries; (ii) determining what actions the international financial institutions³ have taken to mitigate the impacts of the crises on low-income countries; and (iii) determining to what extent these actions have helped mitigate the impacts of the crises on low-income countries.
4. As noted in the Terms of Reference, the GAO intends to examine actions and impacts relating to the global food, fuel, and financial crises from 2007 to September 30, 2010; and to review the status of World Bank Group programs and progress against stated program goals. To determine the actions taken by international financial institutions to mitigate the impacts of the crises on Low Income Countries, the GAO will review steps taken and documentation that details changes in lending/grant volumes, technical assistance, access limits, and available resources as well as any reforms that have affected response efforts. It will also identify and review policies and procedures guiding international financial institutions crisis response efforts, including framework and charter documents, facility and project guidance, and implementation plans. The GAO intends to obtain the WBG's documents that are publicly available or provided to the Executive Board through the U.S. Executive Director's

¹ *A Framework for Audits by World Bank Group Members' Supreme Audit Institutions: A Joint Policy Framework* for IBRD, IDA, IFC and MIGA, July 13, 2006, R2006-0129. This Framework replaces the Supreme Audit Institutions Framework from January 9, 2001, R2000-234/1 and in essence extends the Framework, as applied to the Bank, to IFC and MIGA, along with the refinements set out in its Explanatory Note.

² The SAI Framework identifies three categories of requests: I - information sharing; II - audit of the Bank and/or programs, not involving the sharing of any confidential information; and III - audit of the Bank involving the sharing of confidential information.

³ International Financial Institutions subject of this review include: The World Bank Group's IDA and IFC, as well as the International Monetary Fund, the African Development Bank, the Asian Development Bank and the Inter-American Development Bank.

office, and to carry out interviews with WBG staff primarily to clarify information that is presented in documents. This work will be performed in accordance with the United States' Generally Accepted Government Auditing Standards (GAGAS).

5. During preliminary discussions with Management, it was agreed with the GAO that, although Internal Evaluation Group (IEG) is currently conducting a similar study and has recently prepared Phase I of a [report](#) titled "The World Bank Group's Response to the Global Economic Crisis"⁴, its focus was on the financial crisis and middle income countries. Therefore, the degree of overlap is limited. Moreover, the GAO confirmed that it will liaise with the IEG during their review in order to minimize the degree of overlap.

6. The SAI Framework provides Management with procedures that guide the interview process with Bank staff, responses to document requests, the handling of issues relating to any request for confidential information, potential changes to the terms of reference, and the manner in which the draft report will be vetted. Following past practice and consistent with the protocol attached to the SAI Framework, all WBG staff contact with the GAO will be channeled to Management through the U.S. Executive Director's office. As provided in the Framework, costs associated with this review will be borne by the WBG. Based on the Terms of Reference for this Category II request, Management estimates a budget of approximately \$224,000⁵.

7. Consistent with the Framework for a Category II review, Management will coordinate and attend all discussions involving WBG staff, including maintaining records of discussions, and will monitor all information requests. There will be strict compliance with existing WBG policies regarding disclosure of information and documents. The GAO currently does not foresee the need to request any confidential information. As part of Management's oversight of this request, any change to the Terms of Reference will be brought to the attention of the Audit Committee. Management will review all portions of the GAO's draft report pertaining to the Bank and will have the option of providing formal comments on the report.

8. **Recommendation:** In accordance with paragraph 26 of the Framework, and based on the advice of the MAAG, Executive Directors are requested, on an absence of objection basis, to agree that this review should be treated as a Category II request. If this request is approved, and consistent with the Framework, WBG Management will be responsible for oversight and decision-making during the course of the review.

Robert B. Zoellick
President

Lars H. Thunell
Executive Vice President

Ngozi N. Okonjo-Iweala
Managing Director

⁴ Report reference CODE2010-0057 dated August 26, 2010.

⁵ The estimate comprises staff costs of US\$ 199,000 for IBRD/IDA and US\$ 25,000 for IFC.



GAO

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United States General Accounting
Office
Washington, DC 20548

GAO REVIEW OF INTERNATIONAL FINANCIAL INSTITUTIONS'
REPOSENSE TO CRISES IN LOW-INCOME COUNTRIES
JOB CODE 320805
WORLD BANK TERMS OF REFERENCE
JANUARY 2011

This document outlines our current approach. Specifics are subject to change in order to meet the needs of congressional requesters and address other issues that may arise. Although we do not expect significant changes, we understand that if alterations are required, then the Terms of Reference may need to be reevaluated by the World Bank.

Congressional Requesters

This review was requested by Representative Gregory Meeks, Chairman, Subcommittee on International Monetary Policy and Trade, House Committee on Financial Services.

Objectives

Our objectives are to answer the following questions:

1. How have the global food, fuel and financial crises affected low-income countries?
2. What actions have the international financial institutions taken to mitigate the impacts of the crises on low-income countries?
3. To what extent have these actions helped mitigate the impacts of the crises on low-income countries?

Scope

- We will focus our work on international financial institutions (IFIs), including the World Bank Group's International Development Association (IDA) and International Finance Corporation (IFC), the International Monetary Fund (IMF), and possibly regional development banks such as the African Development Bank (AfDB), the Asian Development Bank (ADB), and the Inter-

American Development Bank (IDB). We will review actions and impacts relating to crises from 2007 onward.

- To identify the impacts of the food, fuel and financial crises on low-income countries (LICs), we will review relevant literature, reports, multimedia products and other sources of information from IFIs, nongovernmental organizations, academia, national governments, and other international/multilateral organizations.
- To determine the actions taken by IFIs to mitigate the impacts of the crises on LICs, we will review steps taken and documentation that details changes in lending/grant volumes, technical assistance, access limits, and available resources as well as any reforms that have affected response efforts. We will identify and review policies and procedures guiding IFI crisis response efforts, including framework and charter documents, facility and project guidance, and implementation plans. We will also discuss these responses and related documentation with IFI staff and others as appropriate.
- To determine the extent to which actions helped mitigate the impacts of the crises, we will review the status of World Bank programs and progress against stated program goals. We also intend to meet with knowledgeable researchers and nongovernmental organizations. We will coordinate with the Independent Evaluation Group, particularly regarding their ongoing evaluation of the World Bank Group's response to the global crisis.

Methodology/Data Gathering

- We will obtain information from the World Bank (IDA/IFC), AfDB, ADB and IDB, including annual and periodic reports, financial statements, country assistance strategies, assumptions and projections, and other relevant crisis response materials from IFIs, such as decision, progress and completion point documents and other economic and financial data for low-income countries. We will discuss and clarify analysis with IFI staff.
- We will obtain and summarize policy, planning, and reporting documents that describe goals and objectives for crisis response assistance. We also will review available performance assessments and discuss this topic with IFI staff.

The work will be performed in accordance with generally accepted government auditing standards.

Support Requested From World Bank Staff

We will work closely with the Treasury to arrange meetings with World Bank officials. We are seeking to obtain documents publicly available or provided to the Executive Board through the U.S. Executive Director's office. We are also seeking interviews with staff at the IMF and World Bank (IDA/IFC), and possibly the AfDB, ADB and IDB primarily to clarify information that is presented in documents. Follow-up may be required by phone and/or e-mail.

As part of its quality assurance process, GAO will give the World Bank the opportunity to comment on the entire draft report or, if appropriate, the sections of a draft report to which it is a party. Written comments provided through signed correspondence from the organization designated to comment on the draft report will be published in the final GAO report, along with GAO's assessment of the comments.

Time Frames

- Begin to obtain and review documents in October 2010 and continue through report issuance.
- Interviews with World Bank staff to begin in November 2010.
- Data processed and provided by World Bank staff for the GAO review will be current through September 30, 2010; however, if mutually agreeable by GAO and the World Bank, updates and revisions to such data will be provided in 2011 as analysis continues. In addition, this cut-off date does not include information the Bank issues to the public after September 30, 2010.
- Report issuance in 2011.

Information Requested From the World Bank

We do not anticipate requesting documents that have not gone to the executive boards of the IFIs. However, if a need for such documents arises, we will coordinate with the U.S. Executive Director on how to proceed.