

ETHICS COMMITTEE

CASE NO. 2

Record of Ethics Committee Deliberations on Case No. 2

Following the request to consider and provide guidance on a potential conflict of interest with regard to Staff Rule 3.01, paragraph 4.02, which was presented to the Committee in relation with the contract of the President, the Ethics Committee met respectively on June 2, 2005, June 8, 2005, July 22, 2005, August 29, 2005, and September 1, 2005.

Staff Rule 3.01, paragraph 4.02 reads as follows:

“4.02 A sexual relationship between a staff member and his/her direct report, or direct or indirect manager or supervisor is considered a *de facto* conflict of interest. The manager/supervisor shall be responsible for seeking a resolution of the conflict of interest, if need be in consultation with management, who will take measures to resolve the conflict of interest. Failure to promptly resolve the conflict of interest may result in a finding of misconduct.”

June 2, 2005

The Ethics Committee met on June 2, 2005 to consider the request from the President (Requestor) for guidance and advice with regard to the de facto conflict of interest with regard to Staff Rule 3.01, paragraph 4.02. The Committee considered the communications that, in the context of the negotiations of the President's contract, were exchanged between Mr. Barnett, Counsel for the President-elect, and Mr. Danino, General Counsel of the Bank. The Committee also considered the provisions of the Staff Rules which would be applicable to the matter in question.

In order to clarify the nature of the request, the Committee requested further information from the Requestor, including the name, position held by the staff member concerned and any other relevant facts. A letter was agreed by the Committee and sent to Requestor on June 6, 2005. The letter is attached as **Annex 1**. The Committee also considered that it was appropriate and important to understand fully the practices of the institution with regard to dealings under the relevant Staff Rules on Conflict of Interest. It, therefore, decided to invite the Vice President, Human Resources, the Director of the Institutional Integrity Department, and the Ethics Officer, respectively, to meet with the Committee to explain the practices with regard to the relevant Staff Rules. The meeting was scheduled for June 8, 2005.

The Committee also had as a background document for its deliberations, a legal note dated June 2, 2005 prepared for the Ethics Committee by the General Counsel. A copy is attached as **Annex 2**.

June 8, 2005

As agreed at its meeting on June 2, 2005, the Ethics Committee met respectively with the Vice President, Human Resources, the Acting Director of the Institutional Integrity Department, and the Ethics Officer. The salient points from the respective discussions are set out in **Annex 3** to this Record.

July 22, 2005

The Committee met on July 22, 2005 to review the response dated July 21, 2005 (**Annex 4**) furnished by the Requestor in response to its letter dated June 6, 2005 to the Requestor. The Committee also heard from the Chairman about informal discussions he had had with the Requestor regarding a possible resolution of the matter, including exploration of the different dimensions of the situation and possible ways in which the matter could be resolved. In this connection, the Chairman of the Committee provided the other members of the Committee with a personal and confidential note dated June 27, 2005 (copy attached as **Annex 5**) which he had written to the Requestor. In addition, the Committee considered a legal note from the General Counsel which reviewed various alternatives (copy attached as **Annex 6**). The Committee also had before it relevant information on the staff member concerned as well as the job description for an open position in the Middle East and North Africa Region (copy attached as **Annex 7**).

With respect to the letter dated July 21, 2005 from the Requestor, the Committee was unanimous in its view that the proposal which had been made by the Requestor to recuse himself from any influence over personnel decisions involving the staff member concerned, would not cure the de facto conflict of interest that existed. Members noted that paragraph 4.02 required the Manager/Supervisor to promptly seek a resolution of the conflict of interest and reassignment to a unit outside the line of authority was a possible course of action; however, recusal meant that the staff member concerned worked within the line of authority of the Requestor. The Committee then explored various options which were available to deal with this situation, including external service, reassignment, compensation to offset negative career impact on the staff member as a result of reassignment inside or outside the Bank Group in terms of promotions or salary increases, and also mutually agreed separation. The Committee concluded that: (1) the situation disclosed by the Requestor constitutes a de facto conflict of interest under Staff Rule 3.01, paragraph 4.02; (2) the recusal proposed by the Requestor would not be sufficient in light of the relocation and absence of professional contact standard applicable for spouses and declared partners; and (3) the qualifications and career perspectives of the staff member concerned should be fully taken into account.

The Committee therefore decided that the best possible option to be conveyed to the Requestor would be one in which the staff member concerned is reassigned on external service or to a position beyond the potential supervision of the Requestor and, at the same time, due to the potential disruption of the staff member's concerned career, an in situ promotion should be considered. This advice would be communicated by the Requestor to the Vice President, MNA and the Vice President, Human Resources. The Committee believed this was an appropriate course of action, especially since this matter could be

potentially damaging to the interests of the World Bank Group. It was agreed that the Chairman would continue informal discussions with the Requestor with the view to finding an appropriate solution to the matter.

August 29, 2005

The Committee met on August 29, 2005 to deliberate further on the issues raised after informal consultations between the Chairman of the Committee and the Requestor on the basis of the recommendation agreed during the meeting on July 22. The Chairman furnished Committee members with a memorandum dated August 12, 2005 from the Requestor, but delivered by hand on August 22 due to the absence from office of the Chairman. A copy of this memorandum is attached as **Annex 8**. The Committee agreed that, as indicated in the memorandum from the Requestor, the matter would be deemed resolved if indeed the action indicated in the letter, i.e., “detailed outside the Bank Group” was implemented. The Committee discussed issues concerning communication to the Executive Directors on this matter and the substance of the memorandum from the Requestor and possible response from the Committee.

On the question of communications with Executive Directors, it was agreed that Executive Directors should be notified, in case they would inquire, only after the Requestor had resolved the conflict of interest. Any such communication should only indicate that the Ethics Committee considered the request and confirms that the conflict of interest has been dealt with appropriately. The Committee also took note of paragraph 7 of the Ethics Committee and Procedures which requires the Committee to communicate advice given to a Requestor, subject to consultation with the Requestor and in a manner that ensures the privacy of the individual concerned.

Finally, although the Committee took exception to the characterizations contained in the Requestor’s memorandum of August 12, 2005, it agreed that the outcome is consistent with the Committee’s findings and advice as noted above. In particular, the Committee noted its views on various misstatements in the Requestor’s memorandum:

- The Committee had not made a final determination. The communications of the Chairman with the Requestor were expressly characterized as informal and aimed at finding a constructive solution to the situation prior to the Committee making a final determination.

Members of the Committee “cannot interact directly with staff member situations”. Therefore, the Chairman appropriately declined to meet with the staff member concerned as the Requestor had suggested. Instead, it was proposed that, the VP HR be instructed by the Requestor to do so

- The Committee had indicated that the staff member could continue to work at the Bank provided that the position she holds is outside the direct or indirect supervision of the Requestor and there is no routine professional contact between them.

- The Committee was also of the view that the de facto conflict of interest which had been created was not the result of any action by the staff member concerned. The conflict of interest was created by the appointment of the Requestor and could not be resolved without affecting the staff member's position. Indeed, in recognition of this situation, the Committee took the extraordinary step of recommending the consideration of an in situ promotion.

Finally, the Committee agreed that as soon as the action indicated in the Requestor's memorandum was implemented, the Committee will inform the Requestor that it considers the matter closed.

- Annex 9 is the final letter from the Ethics Committee to the Requestor on this case. No. 2

- Annex 10 is the statement made by the Chairman of the Ethics Committee to an informal meeting of the Board

- Annex 11 is the Ethics Committee Discussion on the "John Smith" emails.

copy

ANNEX: I

AD MELKERT

Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052

Fax: (202) 522-1572

E-mail: amelkert@worldbank.org

To:
Mr. Paul Wolfowitz
President

Personal and Confidential

Washington, D.C., June 6, 2005

Dear Mr. Wolfowitz:

Recusal

The Ethics Committee met on June 2, 2005, to consider your request for guidance and advice on a potential conflict of interest with regard to Staff Rule 3.01, paragraph 4.02.

Having taken note of different formulations in the correspondence between Mr. Danino, on behalf of the Bank, and Mr. Barnett on your behalf, we consider it necessary to have an unambiguous understanding of your proposed recusal so as to cure the potential conflict with respect to the staff member concerned. This would include information on the name, position held by the staff member and the unit in which the staff member works and any other relevant facts and considerations that would enable the Ethics Committee to guide and advise as appropriate.

We would be grateful to receive such information from you personally as it is the role of the Ethics Committee to interact directly with the Board Official/President on a confidential basis in order to assist compliance with the Board's Code of Conduct. It is our intention subsequently to provide you expeditiously with the advice you have requested.

Very best regards,



Ad Melkert
Chairman
Board Ethics Committee

STRICTLY CONFIDENTIAL
JUNE 2, 2005

BACKGROUND INFORMATION FOR THE ETHICS COMMITTEE

In connection with the Ethics Committee's consideration of the request for guidance concerning conflict of interest referred by the President, I am providing the following background material:

- I. Correspondence during contract negotiations
- II. Legal Background
- III. Available information on the Administration of Staff Rule 3.01 and Staff Rule 4.01, with respect to supervisory relationships and employment of Bank spouses and domestic partners.

I. LEGAL BACKGROUND

Legal Background Regarding Conflicts of Interest**Senior Vice President and General Counsel**

1. The President's proposed Terms Of Appointment (the Contract) provide, in paragraph 3, that the President will: (a) be required to adhere to the standards of the Code of Conduct for Board Officials; and (b) be expected to observe the ethical standards applicable to staff, where these reflect a stricter standard:

"You will adhere to the standards set forth in the Code of Conduct for Board Officials (the Code). You will also be expected to observe the standards of ethical conduct applicable to staff members of the Bank, where these reflect a stricter standard."

In addition, there are several specific provisions that apply to the President under paragraph 3, "notwithstanding any provisions to the contrary in the Code or the staff standard."

- "It is understood that you will avoid any conflict of interest, real or apparent." (paragraph 3d)
- "It is understood further that you will not, without the prior approval of the Executive Directors, accept any public or private employment or engage in any other business activity." (paragraph 3c)

2. The Code Of Conduct provides the following with respect to conflicts of interest generally:

"Board Officials shall endeavor to avoid any situation involving an actual conflict, or the appearance of a conflict, between their personal interest and the performance of their official duties...."
(paragraph 4 (b))

3. As noted above, the contract also requires the President to observe the ethical standards applicable to staff, where these reflect a stricter standard. The ethical standards embodied in the Staff Rules apply to the President because of this contract provision; as a legal matter, the President is not a staff member and thus the Staff Rules themselves do not apply to him. (Note that under the Articles, the President is the chief of the operating staff of the Bank, and is responsible for the organization, appointment and dismissal of staff, subject to the general control of the Executive Directors. Article V, Section 5 (b))

4. The Principles of Staff Employment, adopted by the Board, provide: "[A]s employees of international organizations, staff members have a special responsibility to avoid situations and activities that might reflect adversely on the Organizations, compromise their operations, or lead to real or apparent conflicts of interest." (Principle 3)

5. Supervisory Relationships. Staff Rule 3.01 sets out the Standards of Professional Conduct for staff, and provides the following regarding Supervisory Relationships (paragraph 4.02):

"A sexual relationship between a staff member and his/her direct report, or direct or indirect manager or supervisor is considered a de facto conflict of interest. The manager/supervisor shall be responsible for seeking a resolution of the conflict of interest, if need be in consultation with management, who will take measures to resolve the conflict of interest. Failure to promptly resolve the conflict of interest may result in a finding of misconduct."

The announcement introducing this provision in 1999 explained:

"Conflicts of interest are likely to arise in relationships where one person has the authority to make decisions about the other's conditions of employment (recruitment, salary, contract approval, performance evaluation, promotion, work program).* When a supervisor and subordinate engage in a sexual relationship, the unequal institutional power heightens the vulnerability of the subordinate and the potential for coercion. Other negative effects include perceptions by others of unfair advantage enjoyed by the person involved in the relationship, and the potential for one or both parties to injure the other if the relationship does not end amicably. Experience of other organizations and of the Bank Group has shown that the costs of relationships between managers and subordinates, even when initially consensual, are high in terms of staff morale, perceptions of fairness, and in extreme cases, legal fees." (Kiosk Announcement, March 26, 1999)

The Announcement further noted that Management would work with both parties in the relationship to resolve the conflict of interest, and that any actions taken will not be considered punitive in any way. Lastly, in implementing this amendment to Staff Rule 3.01, the Announcement stated that: "management shall ensure full compliance with due process and take into account all the relevant facts and circumstances of a given situation and will observe the principle of proportionality in deciding what action to take."

6. *Conclusion*: Staff Rule 3.01, Section 4.02 establishes the principle that sexual relationships between staff and those who are their indirect supervisors present a conflict of interest. It also establishes the obligation of management, rather than the staff member, to take measures to resolve the conflict.

7. Spousal Relationships. Spouse and domestic partners can be hired by the Bank under current rules. Staff Rule 4.01, Appointment, paragraph 5.02, provides:

"The spouse or domestic partner of a staff member who meets the normal selection standards may be employed by the Bank Group. A husband and wife or domestic partners may be assigned to the same vice presidency or department, if neither supervises the other, directly or indirectly, and their duties are not likely to bring them into routine professional contact. They may not be assigned to the same division or equivalent unit. A spouse or a domestic partner of a staff member may be assigned to the same country office, provided that neither supervises the other, directly or indirectly, and provided that the Vice President responsible for the country office, in consultation with the Manager, Human Resources Service Center or the IFC Manager, Recruitment, approves the assignment."

8. Reassignment. Where staff members marry someone in the same unit, the Staff Rules call for the Bank's management to reassign staff where necessary to comply with Staff Rules 4.01, paragraph 5.02. Staff Rule 5.02, Reassignment, in Section 2, "Reassignment at the Initiative of the Bank Group", paragraph 2.03, provides:

"...The Director, Human Resources, shall reassign a staff member who marries or registers as a domestic partner of a staff member assigned to the same vice presidency, department, or other unit, if one spouse or domestic partner supervises the other, directly or indirectly, or their duties are likely to bring them into routine professional contact. If two staff members assigned to the same department or unit (other than a vice-presidential unit) marry each other or register as domestic partners, one of the staff members shall be reassigned except as the Director, Human Resources, decides."

Generally, the Vice President, Human Resources has the authority under this paragraph to reassign staff members within the Bank when the interests of the Bank Group require it.

9. *Conclusion*: Staff Rule 4.01, Section 5.02 establishes the principle that spouses and domestic partners should not be in positions where one supervises the other, directly or indirectly, and where their duties are likely to bring them into routine professional contact. Staff Rule 5.02, paragraph 2.03, establishes the use of reassignment to achieve compliance with this principle, and also permits reassignment by the Vice President, Human Resources "when the interest of the Bank Group require it."

10. The Code of Conduct provides a mechanism for resolution of real or apparent conflicts of interest for Board Officials:

"If an actual conflict arises, the Board Official concerned shall promptly refer the matter to the Ethics Committee described in paragraph 10 below and shall withdraw from attendance or participation in deliberations or decision-making connected with

that matter. If an appearance of conflict arises, or if there is doubt whether a conflict, actual or apparent, exists, the Board Official concerned shall promptly refer the matter to the Ethics Committee for guidance.” (paragraph 4 (b))

11. The role of the Ethics Committee is reinforced under the contract, as paragraph 3(f) provides that “where clarification is required with respect to ethical standards, [the President] may seek the guidance of the Ethics Committee....”

12. The Ethics Committee Procedures specifically refer to requests for guidance from the President:

"A Board Official or the President may submit a request for guidance concerning his or her annual disclosures, conflicts of interest, or other ethical aspects of conduct in respect of his or her personal situation to any Committee Member for consideration by the Ethics Committee in accordance with the procedures set forth in this paragraph 7." (Paragraph 7)

The Procedures provide for the Ethics Committee to review the request, with the assistance of the General Counsel. The Ethics Committee can also consult with the outside Ethics Advisers, once these are selected.

13. The Ethics Committee Procedures regarding requests for guidance do not specifically provide for consideration by the Board or for decision by the Board, in contrast to the Procedures for allegations of misconduct considered by the Ethics Committee. However, the Procedures do provide that the Ethics Committee may communicate its advice to other Board Officials and the President, subject to consultation with the individual and in a manner that ensures the privacy of the individual concerned. (Paragraph 7 (c))

14. The 2003 COGAM paper, recommending Board approval of the Code, noted the following:

"Matters involving the President. No mechanism currently exists to handle allegations against the President. INT, which reports to the President, cannot handle such allegations. As requested by the Executive Directors, and with the agreement of the President, it is proposed that the Ethics Committee would handle allegations involving the President as well as Board Officials." (paragraph 4a of Board paper)

15. *Conclusion:* Referring an actual or perceived conflict of interest to the Ethics Committee for guidance is provided for under the President's contract and the Code of Conduct, and is specifically referred to under the Ethics Committee Rules.

II. AVAILABLE INFORMATION ON THE ADMINISTRATION OF STAFF RULE 3.01 AND STAFF RULE 4.01 (with respect to supervisory relationships and employment of bank spouses and domestic partners)

- a. Email from David Rivero, Chief Counsel, Corporate Administration, to Roberto Danino, Senior Vice President and General Counsel, June 1, 2005 (5:24 PM), "Administration of Staff Rule 3.01 and Staff Rule 4.01"
- b. Email from Mr. Rivero to Mr. Danino, June 2, 2005 (9:29 AM), "Fw: Data You Requested," forwarding email from Maria Borrero, Ethics Office, June 2, 2005 (6:29 AM)
- c. Materials regarding Shengman Zhang spousal relationships

III. CORRESPONDENCE DURING CONTRACT NEGOTIATIONS

- a. Letter from Roberto Danino, Senior Vice President and General Counsel, The World Bank to Messrs. Robert Barnett and Michael O'Connor, Williams & Connolly, counsel for Mr. Wolfowitz, May 27, 2005

"I would also like to acknowledge the two other issues that have been raised in the context of our discussions.

(a) First, I would like to acknowledge that Mr. Wolfowitz has disclosed to the Board, through you, that he has a pre-existing relationship with a Bank staff member, and that he proposes to resolve the conflict of interest in relation to Staff Rule 3.01, Paragraph 4.02 by recusing himself from all personnel matters and professional contact related to the staff member. A determination on whether a recusal is sufficient to resolve the conflict would be made within the legal framework of the institution, namely the contract, the Code of Conduct and the Staff Rules.

...

I would be grateful if you could confirm our understanding on these two points."

- b. Email response from Mr. Barnett to Mr. Danino, on May 29, 2005 (6:49 PM)—all responses indicated in ALL CAPS

"MR. WOLFOWITZ UNDERSTANDS THE NEED TO DEAL WITH THE APPEARANCE OF A CONFLICT OF INTEREST. HE HAS PROPOSED A FAIR AND APPROPRIATE RECUSAL PROCESS THROUGH CONSIDERATION BY THE ETHICS COMMITTEE. THAT RECUSAL PROCESS WOULD NOT -- I REPEAT, NOT -- INVOLVE RECUSAL FROM PROFESSIONAL CONTACT. GIVEN THE ATTITUDE THAT THE BANK HAS EXPRESSED WITH RESPECT TO THIS MATTER, WE BELIEVE THAT THIS MATTER MUST BE RESOLVED BEFORE A CONTRACT IS SIGNED."

- c. Email Letter response from Mr. Danino to Mr. Barnett, on May 30, 2005 (4:20 PM)

"*Conflict of interest.* We understand from your response that Mr. Wolfowitz proposes now that the potential conflict arising from the disclosed pre-existing relationship would be resolved before a contract is signed. We can agree to this request. The mechanism he has proposed for resolution is consideration by the Ethics Committee, which is a mechanism within the legal framework of the Bank. Based on his request, we will arrange for the Ethics Committee to deal with this matter as soon as possible."

- d. Email from Mr. Danino to Mr. Barnett, May 30, 2005 (4:46 PM)

"Pls call me to confirm that I can request the Ethics Cmte. to meet tomorrow to review the pre-existing relationship issue."

e. Email from Mr. Barnett to Mr. Danino, on May 30, 2005 (7:10 PM)

“There are reports that Mr. Wolfowitz has had a personal relationship with a long-time employee of the Bank. In order to avoid any appearance of a conflict of interest involving that individual, Mr. Wolfowitz will recuse himself from any personnel actions or decisions with respect to that individual. We ask confirmation from the Ethics Committee that this approach is consistent with the regulations and policies -- and, most importantly, the practices -- of the Bank. Thank you.”

Summary of Ethics Committee Meetings with HRVP, INT, Ethics Officer

HRVP

- With respect to 3.01, the HRVP noted that the key issue is a supervisor who is in a relationship with the subordinate and how one defines the word "supervisor".
- There have been three cases where action has been taken including a demotion and reassignment.
- HR cannot police relationships, but knowledge and disclosure are key and once information comes out, action is immediately taken.
- **With respect to 4.01, HRVP indicated that there were 581 couples with 193 potential for supervision between spouses, 19 cases of potential conflict, and 4 who work in the same department where there is no supervisory relationship but all these cases are being reviewed to see whether any corrective action needs to be taken.**
- The key issue here is "perception", i.e., how do staff members working under the supervisors feel about the relationship, and how does it affect their work. Perception can be bona fide or mala fide. Also, HR is always concerned about fairness in dealing with those situations. The key, therefore, is to avoid appearance of conflict of interest.

Ethics Officer

- The Ethics Officer has already received a number of enquiries relating to the case involving the Requestor.
- Normally, 3.01, 4.01 cases come to Ethics Office for advice.
- A recent case under 3.01 involving a supervisor and consultant was treated very seriously; strong action was taken against Manager even though the other party had found a job elsewhere and had been reassigned. In that case, Manager lost all work assigned to him in his field of competence.
- The Ethics Officer noted that there were no cases where recusal has been considered as the appropriate course of action for those in the conflict situation. Even with recusal, the issue of "perception" remains. In addition, it leads to the creation of a difficult work environment and an issue of trust as well as fairness is often present. Recusal does not work because the

manager may be sandwiched between senior management and the other person involved in the matter.

- **Ethics Officer indicated her intention to raise matter with the Requestor at the appropriate time. While noting the role of the Ethics Officer, Committee members informed the Ethics Officer about their intention to act as swiftly as possible in providing their advice on the matter.**
- **Finally, as a result of the Stern brothers' case a few years ago, where the Staff Rules were waived in order to appoint Nick Stern as Chief Economist, resolution of the present case is of great interest to staff who are watching to see whether "special people get special treatment". Indeed, the Ethics Officer has been approached in the corridors and asked questions about the case under consideration by the Ethics Committee.**

INT

- As a general rule, INT has not been involved in issues relating to 3.01 or 4.01. Key issue is avoiding appearance of conflict of interest.
- **INT only engages in cases of misconduct and cannot investigate EDs or President.**
- INT has received over its hotline inquiries/information on the case.
- **INT's role is to deal with misconduct, abuse of authority, or appearance of conflict of interest. Issue of "perception" is also a key ingredient in their work.**



The World Bank

ANNEX 4 5

July 21, 2005

PAUL WOLFOWITZ
President

Mr. Ad Melkert
Chairman
Board Ethics Committee

Personal and Confidential

Ad,

As you know, during the negotiations of my contract, to avoid any appearance of a conflict of interest, I provided a statement to the Board recusing myself from any personnel actions or decisions with respect to a longstanding professional staff member of the Bank with whom it has been reported that I have a prior personal relationship. I asked at that time for the Ethics Committee to ensure that this approach was consistent with the regulations, policies and practices of the Bank.

In order to complete your review, I understand that the Ethics Committee needs to be officially informed of the name and professional position of the Bank employee to ensure a recusal can be properly implemented. Ms. Shaha Riza currently works in MENA as Acting Director of EXT.

It is important that my recusal uphold the highest standards of conduct which should be applied across the institution. Moreover, I appreciate the concern you reflected in your memo dated June 22 that my recusal and any related Board decisions not be punitive nor have an adverse impact on Ms. Riza's professional opportunities. The conflict, if there is one, is mine and not hers and the Board was fully informed of it before my contract was signed.

The challenge for your Committee and for me, as President, is how to:

- 1) avoid a conflict of interest, real or apparent; and
- 2) treat a loyal professional employee with the respect and fairness that all employees deserve.

I would appreciate the advice of the Ethics Committee on how this challenge can best be met.

In your consideration of these questions, I would ask the Committee to keep in mind two facts:

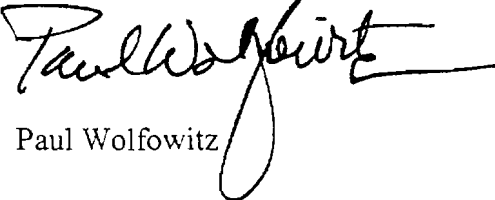
With respect to point 1 above, the recusal I propose goes beyond the current prohibition on direct or indirect supervision, by recusing myself from any influence over personnel decisions involving Ms. Riza. This sets a higher standard than I believe has been applied previously. In the future, the same standard should apply to all senior management of the Bank and to members

of the Board who have a personal relationship with an employee of the Bank, regardless of the supervisory relationship.

With respect to point 2 above, the reasonable prohibition on direct or indirect supervision necessarily precludes Ms. Riza from many professional opportunities in the Bank. She is thus necessarily disadvantaged by a circumstance that is not of her own making.

Thank you for your consideration.

Sincerely,



Paul Wolfowitz

Thank you for your assistance. Please circulate this letter to the members of the Ethics Committee as you deem appropriate.

Informal Draft
July 27, 2005

EC advice in response to the President's letter d.d. July 21, 2005

- 1) The situation as described constitutes a de facto conflict of interest.
- 2) The EC has noted the proposed recusal. At this point in time the EC does not consider recusal sufficient and would most likely at least propose relocation/absence of professional contact which is the standard for spouses/declared partners. Before entering into any further in dept consideration the EC is of the opinion that the approach below should prevail.
- 3) The EC subscribes to the need that the qualifications and career perspectives of the staff member should be taken fully into account.
- 4) Having considered different options the EC advises:
 - a) That the staff member will be relocated to a position beyond (potential) supervising influence by the President and therefore will withdraw from the current selection procedure for job promotion within the MENA department;
 - b) That at the same time the potential disruption of the staff member's career prospect will be recognized by an in situ promotion on the basis of her qualifying record as confirmed by her shortlisting for the current job process and as consistent with the practice of the Bank;
 - c) That the President, with the General Counsel, communicates this advice to VPMENA and VPHR so as to implement a) and b) with immediate effect.

Tab 7

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Ethics Committee Discussion

1. **Proposed recommendation that management facilitate the staff member's relocation either on: (a) External Service; or (b) Reassignment.**

(a) **External Service:** Staff Rule 5.02, "External Service," provides for External Service With Pay, to perform services for member governments, international organizations or other entities providing technical assistance to the Bank Group clientele. The services to be performed are to support Bank Group objectives, whether by: (i) providing technical assistance to Bank Group clientele; (ii) enhancing the Bank Group's relations with its members, the UN, other international organizations or agencies sharing the Bank Group's missions; and/or (iii) enabling Bank Group staff to acquire skills and experience which will contribute to the Bank Group's efficiency and effectiveness.

The Rule also provides for External Service Without Pay to meet these same objectives; External Service With Pay is not available for service in the staff member's country of citizenship.

External Service may be approved for a maximum length of 2 years, renewable for a maximum of another 2 years. The Rule provides that staff members may be eligible for External Service if, inter alia, their performance is fully satisfactory and they express interest in writing.

(b) **Reassignment:** Staff Rule 5.01, "Reassignment," provides for the reassignment of a staff member within the Bank or MIGA when the interests of the Bank Group require it. The Rule also specifically authorizes the reassignment of a staff member who marries or registers as a domestic partner of a staff member assigned to the same vice presidency, department or other unit, if one spouse or domestic partner supervises the other, directly or indirectly, or their duties are likely to bring them into routine professional contact. The minimum time in assignment for staff in Grade GG is 3 years, but that is not applicable in the case of reassignments at the initiative of the Bank.

The Rule also provides for staff exchanges with the International Monetary Fund, under which staff members remain employed and remunerated by the Bank Group.

The Rule provides that the reassigned staff member transfers without any change in grade or salary. However, if the staff member were promoted and/or received a salary increase before transfer, the higher grade and/or salary would be maintained.

2. **Proposed Recommendation that management provide some form of additional personnel benefit to offset the negative career impact on the staff member, who would be reassigned outside or inside the Bank Group as a result of a pre-existing relationship with the person selected by the Board as the Bank's President. Possible benefits include: (a) promotion; or (b) additional salary increase.**

Note that the Bank would normally obtain a release of claims from the staff member should such additional benefits be provided.

(a) **Promotion:** Staff Rule 5.05, "Promotion," provides that promotion may occur as a result of: a job review or evaluation; a decision taken during an annual performance management review; or a decision to reassign a staff member selected for a position at higher grade through the Job Posting System (competitive selection).

There would be two avenues here for promotion--an "in situ" promotion to Grade GH for the staff member; and promotion through competitive selection to another position.

For "in situ" promotions, HR sent out in late April and posted on the Kiosk on April 28, 2005, a note on "Managing GH and GI Complements and Introduction of New Local Level GH." Noting that "in situ" promotions accounted for 80% of all GH promotions, the note provides that the percentage of GH and GI staff will be set relative to each VPU's cohort of GE-GK staff. VPUs are expected to manage staffing flows so that their GH and GI complements are within March 2005 levels by end FY06. The note specifically provides:

"Within this framework, VPUs may proceed with the filling of GH and GI vacancies and with 'in situ' promotions to level GH so long as their end of FY 06 ratios are within their March 2005 GH and GI complements."

In this case, the Region could make a judgment of whether or not an in situ promotion would be merited. Since the staff member has recently been shortlisted for a similar GH position, this would provide evidence of the competence and experience required for Grade GH. Also, there would be no impact on the Region's GH complement, because the staff member would move from the Region, presumably without a re-entry guarantee, long before end FY06.

For competitive promotions, it remains possible that the staff member will be selected in the competition for a GH position where she has been shortlisted. It is also possible that the reassignment could be made to a GH position not under the direct or indirect supervision of the President, through a competitive selection process. The odds of the latter working out are slim, given the few areas outside his supervision and the small number of GH jobs advertised.

Pros: For the staff member, the increase in grade level is of permanent benefit, and is likely to be perceived as valuable. For the institution, it directly offsets the negative

career impact by providing a career boost. It would be transparent. Normally, a promotion would also result in a salary increase (see below).

Cons: Other staff may perceive the promotion as based on relationship rather than merit, particularly given the timing. It comes at a time when such promotions generally are being monitored strictly, so is somewhat more likely to generate claims of favoritism. Offering this promotion as an offset to a required reassignment could set a precedent for other "no-fault" reassignees. In addition, the staff member may find it harder in the future to find positions at Grade GH that fall outside the President's supervision--that's a choice for the staff member to make.

(b) **Salary Increase:** Staff Rule 6.01, "Compensation," provides for two types of salary increase that could be relevant here. One is the overall pay increase, which is about to be entered in the Bankwide system and effective. The other is a promotion increase, which is normally 3 to 12 percent of the market reference point of the new grade.

The Bank can also decide, as part of settlement of claims, to offer an ad hoc salary increase.

Pros: A salary increase benefits the staff member in financial terms--and not just one time, but continuously, and also affects the individual's pension. A salary increase as compared to a promotion may lead to fewer concerns about favoritism--promotions are harder to get, especially since the April directive, and a salary increase is less public, though one has to assume that any solution will become known.

Cons: There will still be concerns over favoritism.

3. Proposed recommendation: Mutually Agreed Separation. Staff Rule 7.01, "Ending Employment," provides for separation by mutual agreement. The severance payments in this case would be limited to one month's net pay for each complete year of continuous service, up to a maximum of 18 years.

Staff members who have left through mutually agreed separation may only return to Bank service if they repay their severance payments. They may be employed as Bank consultants for a maximum of 30 days a year for the first two years after leaving, and for a specified number of days thereafter (currently ?150 days per year).

The staff member appears to have 6 years of continuous service (not counting about 2 years as a consultant). The actual amount would thus be six months' actual net salary. Looking at the market reference point for Grade GG (\$120,000) and the maximum salary for that grade (\$167,000), this would be in the order of \$60,000-\$66,000. Outside the mutually agreed separation provisions, a larger payment could be made at managerial discretion.

Pros: The staff member's departure from staff would obviate the need to find a suitable position for reassignment, and would insulate the institution from further complaints of favoritism.

Cons: For some, the institution would be perceived as harming a staff member by forcing her out, because of a relationship that had nothing to do with the Bank when initiated. That could be perceived as a harsh result, rather than a benefit. For the staff member, the amount offered under the normal rules would not be great and would be a one-time payment. For the Bank, the payment is likely to subject the Bank to criticism by some staff members.



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Meet Shaha Riza

Last Upd.



Shaha Riza
 Title: Sr Communications Officer
 Dept/Div: MNAEX (08031)

No Leave Information

Work Phone: 458-1592
 Location: Washington, DC (IBRD)
 E-mail: Sriza@worldbank.org

Fax:
 Room Number: H 1C
 269
 Mail Stop: H 10-100

- **Sector Mapping:** COMM
- **Professional Affiliation:** ESSD (Social Development), PREM (Gender and Development)
- **Specialization in:**

Entries suggested by staff will be identified with an asterisk. [Find out more.](#)

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- **Regional Work Experience:**
- **Country Work Experience:**
- **Languages:** Arabic(Native) - French(S:F R:E W:G) - Italian (S:E R:E W:F) - Turkish(S:G R: W:)
- **Communities of Interest:**
- **Formal Education:**
 - 1983 - M.Lit. - (Completed). Major - Social Studies from St. Antony's College, University of Oxford (GB)
 - 1977 - B.Sc.(Hons.) Economics - (Completed). Major - International Relations from London School of Economics (GB)

Bank Experience:

- - **Sr Communications Officer - July 01, 2005**
MNA-Middle East & North Africa Regional Office, MNA External Affairs
- - **Sr Communications Officer - November 11, 2004**
MNA-Middle East & North Africa Regional Office, Operational Core Services
- - **Senior Gender Specialist - July 01, 2004**
MNA-Middle East & North Africa Regional Office, Operational Core Services
- - **Senior Gender Specialist - May 07, 2002**
MNA-Middle East & North Africa Regional Office, Office of the Regional Vice Pres

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
Projects and Teams

Operations

Lending

Country ▲▼	Project ID ▲▼	Description ▲▼	
Tunisia	P076193	TN-Integrating Gender	

Non-Lending

Country ▲▼	Project ID ▲▼	Description ▲▼	
Middle East and North Africa	P076438	Regional - Gender and Development	
Morocco	P071086	MA - Gender Fund(<i>Team Lead</i>)	
Egypt, Arab Republic of	P076194	Egypt Gender Assessment	
Egypt, Arab Republic of	P068337	EG-CAS	
Morocco	P069792	MA-Morocco CAS	
Middle East and North Africa	P069380	5m - Regional Gender Research Study(<i>Team Lead</i>)	
Middle East and North Africa	P076434	Governance and Development in MENA	
Morocco	P076238	MA-Civil Society Note (<i>Team Lead</i>)	
Middle East and North Africa	P077692	Regional: Dialogue Across Cultures(<i>Team Lead</i>)	
World	P073746	TG-Funded KM Activities-PRSP	
Morocco	P076236	MA-Gender Update(<i>Team Lead</i>)	
World	P073099	Gender Training for MNA Staff(<i>Team Lead</i>)	

Learning:

Additional Assignments:

Publications:

- **01-Mar-2005 -**
"Women in the Arab Region: Learning from the Past, Preparing for the Future" in Arab World Competitiveness Report 2005
- **01-Mar-2004 -**
World Bank Civil Society Engagement to Promote Development in MENA: Challenges and Opportunities in Towards a Common European-American Strategy for Democracy in the Greater Middle East: The Role of Civil Society Institutions

30-Nov-2002 -

"The Right to Tell: Information and Economic Development,"
opinion piece in Al-Hayat newspaper

■ **20-Oct-2001 -**

A Time to Help Mideast Democrats, Washington Post

Prior Bank Experience:

Professional Associations/Clubs:

Work Preference


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JPS # 200503091 - Non-Managerial	
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Closing Date :	05/02/2005
Grade Range :	GH - GH (Preferred Grade : GH)
Appointment Type :	OPEN (Subject to International Recruitment)
Network :	COMM - Communications Network
Sector :	-
Department /Division :	MNACS
Manager Name :	Tuluy,Hasan A. (Director)
HR Contact :	Armitage,Michele
Language Preferences:	Arabic- Desirable French- Desirable
Duties and Accountabilities :	
<p>Duties and Accountabilities Regional Context:</p> <p>The World Bank s Middle East and North Africa (MNA) Region serves 12 client countries (2 IDA; 2 Special Financing Countries; and 8 IBRD eligible countries) as well as an active reimbursable technical services program with Malta and GCC member states. The Bank's strategy in MNA is to provide cutting edge knowledge and lending services to its clients. The Region currently has about 370 core staff in Washington D.C. and in 9 field locations; a lending program of about US\$1.5 billion (FY04); and a substantial program of analytical work and other non-lending services.</p> <p>As highlighted in the 2002 Global Poll, the World Bank Group is not well known in the region and when it is known; its mission is often misunderstood and perceived to be closely aligned with theG8. At the same time, building on the success of the 2003 Annual Meetings in Dubai, with the four high profile MNA flagship reports; a concerted outreach effort, and sustained engagement, the Bank s image has improved. Nevertheless, the Bank s reputation remains at risk due to the continued conflict, the importance of the region in oil resources and geopolitical interests.</p> <p>From FY05 MNA s Core Services Department (MNACS) includes the units responsible for Quality; Knowledge Management; Learning; Information Technology; Procurement; Financial Management; Communications and Outreach; and Partnership functions.</p> <p>To further enhance and leverage MNACS support for our work in the countries of the region, the regional external affairs and communications efforts will be spearheaded by a GH-level Adviser. S/he is expected to provide oversight and direction on regional, country and sector-level communications and outreach and contribute to the corporate communications agenda. The adviser will be a member of the extended Regional Management Team (RMT) and will report to the Operations Director. The job requires excellent judgment, environmental sensitivity and communications savvy.</p>	

Specific responsibilities of the MNA Adviser for External affairs & Communications include:

Serve as lead communications expert and shape, drive and monitor the design, development and delivery of a communications strategy for MNA which is integrated with the Bank wide strategy based on a clear understanding of risks, sensitivities and opportunities.

Provide strategic advice to the RVP and management team on high profile or sensitive country/sector internal or external communications issues in which proactive interaction with the Bank's constituents is critical to Bank credibility and where inadequate engagement creates significant reputational risk.

Support MNA staff in the design of communications strategies on a country or sector-wide basis as an integral part of the country and sector assistance strategies; ensure close coordination among constituencies to ensure effective and coordinated implementation of communication strategy throughout MNA.

Create and maintain networks of communications contacts with the media, governmental agencies, international institutions, and civil society organizations (NGOs, business organizations, labor unions, community organizations, women's groups, etc.) in the relevant countries and sectors.

Provide oversight in close consultation with the regional and country management team to the definition and delivery of a work program along with the associated budget, performance indicators, and timetable for monitoring and evaluation purposes;

Working across the matrix with country and sector management, the Adviser will develop a strong and cohesive team of communications and partnership staff; directly coach and mentor and oversee performance of this team consisting of staff at HQ, the Public Information Centers (PICs) and Communications staff decentralized to the country offices to ensure that the team meets its objectives and ensure transfer of knowledge and skills among them; and,

Serve as member of CommNet Steering Group: make contributions to the overall communication strategy for the Bank Group; provide leadership in the development and mentoring of communications staff in the Bank; ensure consistency of message and derive support from and collaborate with the Bank's core communications team.

Selection Criteria :

Knowledge, Skills and Competencies:

MA degree with a minimum of 15 years of relevant experience, or Ph.D. and 12 years of relevant experience, in communications, journalism, political science, international relations, public affairs, marketing or other related fields;

Expertise in the field of communications and strategic communications skills needed to provide guidance to the MNA management team on the full range of communications issues including high profile, sensitive challenges that could seriously impact the Bank's reputation;

Analytical and strategic skills needed to develop and implement the Region's communications strategy based on a deep understanding of communications environments in client countries and in sectors;

In-depth knowledge of the Region's economic, political and social context; knowledge of developments in the Region's business strategy and sector/country portfolio and the proactive ability to identify and recommend approaches to emerging communication challenges;

Leadership skills needed to articulate a vision and strategy; build a strong and motivated team; and lead staff to execute an effective communications plan, working with multiple teams across the Region;

Demonstrated ability to operate effectively in a matrix environment, both as team leader and team member, working collaboratively across units and teams and building excellent working relations based on strong value addition;

Extensive experience and expertise in building relationships with key constituencies, and in managing high level communications with the media, NGOs, government officials, international institutions, business groups, etc.;

Sound knowledge of the fundamentals of the development disciplines;

Highly developed judgment and sensitivity to multi-cultural environments;

Excellent oral and written communications skills and command of English, and ability to present and defend difficult positions to MNA's internal and external constituencies at all levels;

Language skills in French and/or Arabic are highly desirable.

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12 AUGUST, 2005

ANNEX 8

MEMO

TO: AD MELKERT
FROM: PAUL WOLFOWITZ **PW**
SUBJECT: SHAHA RIZA

On August 8, I received a memo from you stating that the Ethics Committee had rejected my proposed recusal as the appropriate means to avoid any conflict of interest bearing on the professional circumstances of Shaha Riza. Your memo noted that it would not be appropriate for the Committee to "interact with staff situations", nevertheless you provided the opinion that she could not be permitted to stay in her current position or serve in the Bank. While I believe any potential conflict is due to my position, not hers, the Committee explicitly directed me to resolve the matter by providing instruction to Xavier Coll, Vice President, Human Resources to meet with her to discuss options. Further you requested I report back this week.

Mr. Coll and Ms. Riza have reached an agreement. Since she has agreed to his recommendation to be detailed outside the Bank Group, there is no further potential conflict of interest. I hereby withdraw my request for consideration of my proposal for recusal and view this matter as closed.

Received by hand on August 22nd [Signature]

AD MEIKERT

Executive Director

for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Iraq, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 450-2052

Fax: (202) 522-1572

E-mail: amelkert@worldbank.org

Mr. Paul Wolfowitz
President
The World Bank

August 8, 2005

Dear Paul,

As agreed by phone last week I have, following your suggestion, approached Xavier Coll and, assisted by Roberto Danino, have shared with him the considerations and preliminary conclusion by the Ethics Committee that I have presented to you in the July 27 informal draft. This briefing has prepared Xavier to meet - upon your request - the staff member concerned in order to inform her on the EC's considerations and preliminary conclusions in preparing the advice that you had requested in June. I have underscored to Xavier that the following facts should be well understood:

- 1) The EC cannot interact directly with staff member situations, hence Xavier should act upon your instruction.
- 2) The interaction with the staff member at this stage is only for information purposes, by way of courtesy, as both you and the EC have been preoccupied from the outset to have a procedure in place and an outcome reached that would duly recognize the record and career perspectives of the staff member, taking into account the scope of the EC which is limited to Board officials.
- 3) Once the EC will have formalized its advice it will be up to you and the VPMENA and VPIR respectively to take the appropriate steps, also for that reason Xavier's meeting could not be considered part of formal decision-making.

Assuming that all of this is in the spirit of our previous conversations I would like to suggest that you take the following steps:

- A) request Xavier to meet the staff member on the basis of the above
- B) to do so as early as possible this week
- C) to ask Xavier to report back to you so as to enable you and me to conclude our deliberations on the EC's informal draft, upon which I will report back to the EC in view of its formal advice. I would highly appreciate if we could be in touch by the end of this week.

Best regards,

Ad

Personal and Confidential

From: Chairman Ethics Committee

To: Mr. Paul Wolfowitz
President

Washington, D.C., October 24, 2005

Dear Mr. Wolfowitz,

Thank you for your memo dated 12 August 2005, received by hand on August 22, 2005, regarding your request to the Ethics Committee for guidance. I am writing on behalf of the Ethics Committee to acknowledge the resolution of the conflict of interest in line with the guidance provided by the Committee, as conveyed through my informal draft of July 27, 2005. Your memo confirms that the staff member has agreed to be detailed outside the Bank Group, and that you withdraw your proposal for recusal. Because the outcome is consistent with the Committee's findings and advice above, the Committee concurs with your view that this matter can be treated as closed.

With best personal regards,



Annex 10

Communication to the EDs From the Ethics Committee on Case No. 2

On May 31, 2005 in the course of the negotiations of the contract of the President, the Ethics Committee was requested to provide guidance on a potential conflict of interest with regard to Staff Rule 3.01, paragraph 4.02. The Ethics Committee considered the request and is pleased to confirm to the Executive Directors that the conflict of interest has been dealt with appropriately.

* Under paragraph 7 of the Ethics Committee and Procedures, consultation is required with the Requestor before communicating the Committee's advice to any other Board officials. Any communication must be made in a manner that ensures the privacy of the individual involved.

→ oral communication on the request by the Board

⇒ orally mentioned in ED meeting Oct 25, 2005

Record of Ethics Committee Discussion on February 13, 2006

1. The Ethics Committee, composed of Messrs. Ad Melkert (Chairman), Octaviano Canuto and Yoshio Okubo, met on Monday, February 13, 2006 and discussed, inter alia, whether allegations made in an email from "John Smith<hannelore234@yahoo.com>" dated January 21, 2006 of "ethical lapses of a corrupt nature by the President of the World Bank" warranted further review by the Ethics Committee. Also in attendance were Mr. Paatii Ofosu-Amaah, Secretary to the Ethics Committee, and Mr. Scott White, Counsel to the Ethics Committee. The email in question was addressed to the Investigations Hotline at WorldBank.org and copied to each of the Bank's 24 Executive Directors by name. The email mentioned three issues: (1) the contracts for Robin Cleveland and Kevin Kellems; (2) the appointment of Karl Jackson, and (3) the salary increase for Shaha Riza.
2. The Committee members discussed the referenced allegations and agreed that on items (1) and (2), the explanations provided by management at the subsequent Personnel Committee meeting on February 1, 2006 and by the President at his informal meeting with the Executive Directors on February 3, 2006 satisfactorily addressed the President's handling of the matters, and on item (3), the facts as alleged in the email were consistent with the Committee's resolution of Case No. 2.
3. Consequently, the Committee decided pursuant to paragraph 8 (b) of the Ethics Committee Procedures that the referenced allegations did not appear appropriate for further consideration by the Committee. Taking into account the fact that the anonymous mail was circulated to all Executive Directors, the Committee decided to inform the other Executive Directors of its decision in an informal setting and also to inform the President in a like manner.



John Smith
<hannelore234@yahoo.
com>

Subject report of alleged misconduct 2

02/15/2006 12:53 PM

More than three weeks ago, we reported serious allegations of misconduct by the President of the World Bank to INT, with copy to Executive Directors. Since then, we have received no reply from either INT or Board members to assure us that our concerns would be looked into. We have behaved professionally and ethically in attempting to keep an open mind about the alleged events, and have not leaked our report. We believed that a trial by the media would not be fair to Paul Wolfowitz, and would be detrimental to the reputation of the World Bank.

While INT and the Board remain silent, it appears that some or all allegations have been leaked to the press and senior management. Understandably, Paul Wolfowitz and senior management have come out and made a few general and limited statements about the allegations. They have essentially dodged the issues, and taken liberties with the truth. They tried to reformulate the issues as concerns about either strategy or organizational effectiveness. They are not; they are, at heart, ethical issues. The apparent absence of any attempt by INT or the Board to establish due process to resolve these issues in a rapid and fair manner does not speak highly of the corporate governance standards of the World Bank - and whistleblower management.

In the meantime, we find ourselves in the absurd situation of having to investigate and ascertain the statements of the World Bank's leadership, and provide rebuttals to their assertions. It should be clear that it is not senior management's call to make the final determination regarding the allegations, since it may be a party to the alleged misconduct. The termination of Karl Jackson's excessively generous contract on January 17 of this year is a case in point. Neither are we in a position to investigate the allegation further. An independent inquiry is needed, and it is the Board's responsibility to ensure that it happens.

The public statement by senior management that "grade and salary levels of the advisory positions are within Bank policy and reflect their level of responsibility" is not adequate. While implicitly saying that Paul Wolfowitz takes responsibility for the appointments and the VP compensation packages, senior management fails to note that corrupt leaders have consistently paid lip service to this lopsided argument to appoint cronies to lucrative positions. It is not clear that the "responsibilities" were clearly defined in terms of references at the time of the hire, or that any effort was made to match the terms of references to the advisors' qualifications. The Bank's Articles of Agreement can also be invoked to say that the President has a duty to run the Bank efficiently.

The assertion by senior management that the two advisors' appointments are in line with past practice in the President's office is false. No one has ever been appointed from outside the World Bank to an "advisory position" in the President's Office without a transparent selection process with a vice president-level, open-ended contract worth around US\$250,000 a year, net of taxes. There simply is no precedent. And if there were a precedent, it would do no more than point to

another event of unacceptable misconduct.

Paul Wolfowitz also claims that HR procedures have been followed at all times. This claim is obviously contradicted by recent HR actions that could be construed as admissions of wrongdoing. If Karl Jackson's ridiculously generous original contract had met the basic standards of HR rules, why has it been terminated and replaced by a more appropriate contract? Furthermore, if there have been ill-gotten gains, will they be returned to the Bank? If Kevin Kellems' VP compensation package was appropriate, why appoint him to a lower "director" position? Never mind that the position did not exist before he was appointed to it. Could it be that his qualifications are just not up to VP standards? Incidentally, HR rules provide for grade and salary level downgrades for lower level appointments. Has this happened?

Senior management has also fallen back on the blanket argument that the Articles of Agreement give the President vast discretion over HR matters, and therefore allow him to make exceptions to HR rules. According to this argument, the President may do pretty much what he wants in matters of HR, because he is the President. Such exceptions, if they ever were given and documented, may provide a legal cover to the President's actions. They nonetheless remain highly inappropriate. As Suharto's Indonesia illustrates, graft is actually in many cases perfectly legal, especially when perpetrated by the men at the top of the power pyramid. When a person is given the power to bend the rules, he should not just be held to account to the letter of the law, but to the spirit and principles that give the law its meaning. "Because I could" is not an acceptable justification.

We do not contest that the President must enjoy wide latitude to hire and fire as he pleases to be effective. We also agree that he must be able to bring with him trusted advisors. As he rightly notes, there is no reason to be "terrified" by "a few Americans". He is free to bring a few more if he finds that it would help him in his professional endeavors. But he misses the point: he is not free to provide them with preposterously generous compensation packages relative to both their qualifications and responsibilities. Principles of sound HR management must be adhered to. The compensation packages for "advisors" on term contracts are sufficiently generous, and offer ample discretion to the hiring manager (level GH, earning between US\$129,000 and US\$226,000 yearly net of taxes, with benefits).

On the terms of Robin Cleveland and Kevin Kellems' contracts, on Shaha Riza's salary increase, and on the terms of Karl Jackson's original contract, we reiterate our contention that Paul Wolfowitz acted with reckless disregard for his fiduciary duties to the Bank, basic principles of HR management, and the reputation of the Bank, by providing outlandish compensation packages to the people closest to him. Unless a thorough and independent investigation establishes the contrary, we consider that this is graft. We would like to know that INT or an independent team is reviewing the allegations with an open and professional approach, and that discussions with the Board have been initiated on a process that would allow it to make a judgment on these allegations. If we are not promptly made aware of decisions to set up a process to investigate the events behind the allegations, what was a professional obligation under Staff Rule 08 to report alleged corruption to INT will become an ethical duty to disclose the allegations to the public.

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To: Investigations_Hotline@Worldbank.Org
cc: Tingolfsson@Worldbank.Org
Maljazzaf@Worldbank.Org
Yalyahya@Worldbank.Org
Galzetta@Worldbank.Org
Ocanuto@Worldbank.Org
Jkchoi@Worldbank.Org
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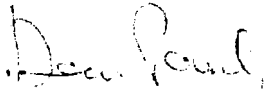
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amekert@worldbank.org

Mr. Paul Wolfowitz
President
The World Bank

Washington, D.C., February 28, 2006

Dear Mr. Wolfowitz,



This is to inform you that the Ethics Committee has reviewed two emails from "John Smith" dated January 21, 2006 and February 15, 2006, respectively, which were sent to the Bank's Investigations Hotline and copied to the Executive Directors. The emails allege ethical lapses by the President of the World Bank.

In accordance with its Procedures and in order to determine whether the allegations warranted consideration, the Committee members reviewed a number of documents that were pertinent to an understanding of the basis for the allegations. These included:

- The background documents circulated for the oral briefing of the Personnel Committee (PC2006-0001) held on Wednesday, February 1, 2006;
- The strictly confidential transcript of the Personnel Committee deliberations on February 1, 2006; and
- The Principles of Staff Employment.

On the basis of a careful review of the above-mentioned documents and the information provided by the President at the informal meeting with Executive Directors on February 3, 2006, the Ethics Committee decided that the allegations regarding appointments of Bank staff do not appear to pose ethical issues appropriate for further consideration by the Committee. The Committee also decided that the allegation relating to a matter which had been previously considered by the Committee did not contain new information warranting any further review by the Committee.



Ad Melkert
Executive Director



John Smith
<hannelore234@yahoo.com>

Subject report of alleged misconduct

01/21/2006 02:32 PM

As required by Staff Rule 08 (Disciplinary Proceedings), we report to you events that we believe to be important ethical lapses of a corrupt nature by the President of the World Bank. We have ascertained as much as possible the authenticity of the information, and believe that it is factually correct.

Since INT is set up to report directly to the President, it faces a de facto conflict of interest in investigating claims that involve him. We therefore ask that on an exceptional basis, you report to the only body to which the President must answer, namely the Board. To ensure that this happens, while keeping as much confidentiality as possible, we have copied the Executive Directors.

We have decided to come forward with these issues for two reasons:

- as a matter of principle, we believe that the alleged actions (or lack thereof) are extremely serious ethical lapses;
- the alleged events are widely known throughout the World Bank and beyond. These rumors cause great harm to staff morale, and immense damage to the World Bank's credibility both as a development institution and as a bank.

We understand that formalizing this complaint may cause extreme difficulties for the World Bank to operate in the near term, and to Paul Wolfowitz personally. We regret this, but we believe that a formal review of the allegations, and appropriate sanctions if justified, are the only way to safeguard the World Bank's reputation, and its potential for promoting development.

First Issue: the Salary Increase of Shaha Riza

When Paul Wolfowitz became President of the World Bank, he acknowledged to the Board an ongoing romantic liaison with a World Bank employee, and gave assurances that he would resolve it in accordance with World Bank policy in such a way that she would not report directly or indirectly to him. She promptly left the World Bank on an external assignment with pay to the US State Department. However, concurrently with her new assignment, Shaha Riza received a promotion and a permanent salary increase of around US\$50,000 (net of income tax), with a commensurate increase in pension entitlements. Her salary went from around US\$130,000 (net) to US\$180,000 (net). Over a 10 year period, a salary increase of US\$40,000 would cost the Bank around half a million dollars in real terms. This salary increase is of no benefit to the World Bank, is not rooted in the Bank's HR policies, and is therefore egregious. Importantly as well, Paul Wolfowitz did not submit the salary increase to the Board, which, under the circumstances, is the only body capable of passing a fully independent judgement on this extraordinary decision.

Second Issue: the Contracts of Robin Cleveland and Kevin Kellems

Shortly after becoming President, Paul Wolfowitz hired Robin Cleveland and Kevin Kellems. He represented that he had long-standing professional relationships with them, and that they would owe their effectiveness in the Bank to their close association with him. They are clearly political appointees - a characteristic that justifies their hire without following normal HR procedures. However, both were hired on terms that show wanton disregard for the World Bank's fiduciary duties, and HR policies more generally. Both received open-ended contracts from the outset, in contradiction with the political nature of their appointment. Both contracts should be co-terminous with the contract of their political master. Both were given grades GJ, a super-senior grade level that is only exceeded by the Managing Director, the EVPs of the IFC and MIGA, and the President himself. This grade level does not correspond to the duties and abilities of either Robin Cleveland or Kevin Kellems. Both were given outlandish salaries. Robin Cleveland was given a salary of around US\$250,000 (net of income tax equivalent). Kevin Kellems was given a salary of around US\$240,000 (net of income tax equivalent). These salaries are not justified by the level of their previous salaries, or the nature and responsibilities of their work. Many staff members at much more junior grade levels have comparable responsibilities. The outrageous terms of these appointments are an insult to the concept of merit-based HR management, and a breach of the World Bank's fiduciary duties.

Third Issue: the Appointment of Karl Jackson

Karl Jackson was given an Extended Term Consultant contract to provide policy advice to the President. Under ETC rules, an ETC must work full-time for the Bank. However, it appears that Karl Jackson has maintained (and plans to maintain) a fairly busy schedule as course instructor and program director at the School of Advanced International Studies. He taught two courses in the fall of 2005, and teaches 2 courses in the spring of 2006. Although it is not unusual for World Bank staff to teach (albeit with an explicit authorization from their manager), Karl Jackson can at best put three full day equivalents during the week. This would not be much of a problem as such, assuming that there is an explicit authorization. The problem is that Karl Jackson is paid US\$210,000 (gross) on a yearly basis. If one prorates this fee level for the effective amount of time he can reasonably be expected to work (3 out of 5 days), his fees are the equivalent of US\$350,000 (gross) per year. This is far beyond the upper range of the World Bank's highest ETC fee scale (US\$293,000 gross). Again, this shows a callous disregard for Bank rules and principles.

HR rules are explicit. The alleged events fall squarely under one or more definitions of misconduct, and establish a strong presumption of misconduct on the part of Paul Wolfowitz. While the existence of these allegations is in itself a lamentable shortfall for the President of the World Bank, Paul Wolfowitz may not be guilty of any or all alleged events of misconduct. We look to you to clarify the following questions, among others:

- are the facts correct?
- are there exceptional circumstances to justify these actions?
- are the responses appropriate?
- are there precedents that can be invoked?

- who actually made the decisions?
- did Paul Wolfowitz know of them?
- if not, should he have known of them before they were taken?
- should he have acted to correct these decisions?

We do not accept the argument that the President is not bound by the World Bank's rules. He is given explicit and extensive discretion under these very rules. The alleged offenses go beyond any discretion he may have. The notion that he may not technically be a staff member does not hold. He has repeatedly stated that he is an "international civil servant", and has implicitly accepted these rules when he notified the Board of his romantic involvement with a Bank employee. As the public face of the World Bank, he needs to be held to the same ethical standards as all other staff members, if not higher. The World Bank cannot afford the reputation of a dysfunctional and unaccountable multilateral organization rife with cronyism. Paul Wolfowitz has a case to answer on all three points.

Yahoo! Autos. Looking for a sweet ride? Get pricing, reviews, & more on new and used cars.

To: Investigations_Hotline@Worldbank.Org
cc: ~Tingolfsson@Worldbank.Org
~Maljazzaf@Worldbank.Org
~Yalyahya@Worldbank.Org
~Galzetta@Worldbank.Org
~Ocanuto@Worldbank.Org
~Jkchoi@Worldbank.Org
•Sdib@Worldbank.Org
•Rholland1@Worldbank.Org
•Pduquesne@Worldbank.Org
•Pgomes@Worldbank.Org
•Mherwidayatmo@Worldbank.Org
•Pveglio@Worldbank.Org
~Jquijandria@Worldbank.Org
~Dkumar3@Worldbank.Org
~Lmarti@Worldbank.Org
~Mmasse@Worldbank.Org
~Amelkert@Worldbank.Org
~Yokubo@Worldbank.Org
•Akvasov@Worldbank.Org
•Bbossone@Worldbank.Org
•Edeutscher@Worldbank.Org
•Tscholar@Worldbank.Org
•Msinamenye@Worldbank.Org
•Jzou@Worldbank.Org

PRESIDENT'S PAPERS

**DELIVERED TO AD HOC GROUP
APRIL 9, 2007**

April 9, 2007

Memo

To: Chairman of the Ad Hoc Committee
From: Shaha Riza

In the interest of expediting and facilitating the resolution of this issue, I am giving my authorization for the release of the relevant documents to the members of the committee designated to review the issues but only to this committee and only for that purpose. I also authorize access to the content of these documents to Board Members as necessary and appropriate.

Most of the information contained in the documents has already been released by someone in the Bank with access to this information, thus contravening the agreement I signed with the HRVP, Xavier Coll.

I would like the Committee to know that when I was told of the decision of the Board's Ethics Committee, months after the new President was appointed, I was surprised.

Firstly, because I did not wish to leave the Bank. Particularly as the position that I had held for three years (acting manager for MENA Ext) was finally opened to a competitive process, a request I had made to two consecutive MENA VPs.

Secondly, I believed and continue to believe that given that at my level there was no direct or indirect reporting relationship to the President, my continued service in the Bank did not break staff rule 3.04 "Supervisory Relationships". After all, in the eight years of my Bank service, I did not directly or indirectly report to Mr. Wolfensohn.

Finally, and equally important, Mr. Wolfowitz had proposed to the Board to recuse himself from any personnel decisions or actions affecting me in order to avoid any potential conflict. Indeed his proposal set a stricter standard than existing practice of the most senior officials in the institution, including arrangements pertaining to the then Managing Director which continued unquestioned until his departure.

Nevertheless, the Board's Ethics Committee in its wisdom, without any explanation I am aware of as to how they reached that conclusion, resolved to ask me without even talking with me, to go on external assignment contrary to my wishes.

I have now been victimized for agreeing to an arrangement that I have objected to and that I did not believe from the outset was in my best interest. My effort to accommodate the Board's Ethics Committee and avoid creating distractions for Staff, Board and Management from their noble mission while protecting my interest, has only resulted in the most vicious public attacks on me.

As the Committee deliberates this issue, I trust that it will take into consideration the personal pain and stress that my son and I have been subjected to and the damage that this whole episode has caused me professionally, physically and psychologically.

I hope that the Committee will find a reasonable and equitable solution that will bring to an end the unwarranted and malicious public and private attacks which would not have happened had the Bank not failed to honour the agreement signed with me. I also hope that the Committee will hold all those responsible for this breach of agreement and for violating Staff Rule 2.01 "Confidentiality of Personnel Information" accountable.

I would like to reiterate that I did not wish to leave the Bank and I did not, and do not expect any special considerations. My commitment to the mission of the Bank is unshakeable and I still believe that my career and professional future is inextricably linked to this great institution and I hope, and would very much like, to return to the pursuit of my career from within it as soon as possible.

April 9, 2007

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DOCUMENTS

- 1 Recusal proposed by Mr. Wolfowitz during contract negotiations May 2005
- 2 June 6, 2005 Memo from Ethics Chairman Melkert following up on Danino Barnett correspondence; seeking additional information on recusal
- 3 June 2, 2005 General Counsel memo on Legal Background Regarding Conflicts of Interest submitted to President Wolfowitz by Chairman Melkert
- 4 June 22, 2005 Chairman Melkert memo re recusal and current Bank standards
- 5 July 14, 2005 update from Chairman Melkert
- 6 July 20, 2005 Note from Chairman Melkert providing guidance to President Wolfowitz on how to reply to June 6 request.
- 7 July 21, 2005 President Wolfowitz reply to Committee members clarifying recusal terms
- 8 July 21, 2005 EC advice that situation represents de facto conflict of interest; and advises that staff member should be promoted, relocated outside President's supervision with consideration of her career interests
- 9 August 8, 2005 Memo from Chairman Melkert based on consultations with and Xavier Coll, to approach staff member;
- 10 August 11 President Wolfowitz guidance to Xavier Coll based on Ethics Committee advice
- 11 August 12 2005 Memo from President Wolfowitz to Chairman Melkert advising that agreement had been reached between Coll and Riza thus recusal withdrawn
- 12 Cleveland Note for Administrative/ RM Records on outside counsel review
- 13 August 31, 2005 Outside Counsel opinion
- 14 September 1, 2005 Agreement between Coll and Riza
- 15 September 16, 2005 State Department letter requesting Riza's secondment
- 16 September 21, 2005 Coll letter and memo confirming secondment
- 17 October 5, 2005 State Department acknowledgement of clarifications in secondment
- 18 October 24, 2005 Memo from Ethics Chairman to President Wolfowitz acknowledging the resolution of the conflict of interest in line with guidance provided and consistent with Committee's findings and advice
- 19 November 25, 2005 handwritten note from Chairman Melkert to President Wolfowitz for the record confirming resolution
- 20 February 28, 2006 Memo from Chairman Melkert clarifying subsequent review of anonymous emails did not represent ethical issue appropriate for further consideration
- 21 March 1, 2006 Coll note on Riza's potential SRI consistent with agreement
- 22 Attachment to Coll note

- 22 July 13, 2006 Coll note to Presidnet Wolfowitz on confidentiality of personel information
- 23 October 1, 2006 Anwar Inbrahim letter to Cleveland requesting transfer of Riza
- 24 December 14 note from Coll to Cleveland approving request as consistent with agreement
- 25 December 14 confirmation signature from Cleveland to Ibrahim

PROPOSED RECUSAL LANGUAGE

In order to avoid any conflict of interest, real or apparent, and consistent with Staff Rule 4.01, I recuse myself from any personnel decisions or actions with respect to Ms. Shaha Riza. To further ensure any personnel action or decision bearing on Ms. Riza's employment is consistent both with her rights as an employee and with my recusal and that no influence, real or apparent, has been implied or assumed, I direct Human Resources notify the Ethics Committee of any personnel action or decision concerning Ms. Riza and provide the Committee with any information requested in order to ensure all appropriate Bank standards, rules and regulations have been properly upheld and enforced.

AD MEJKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 438-2051
Fax: (202) 522-1572
E-mail: amejkert@worldbank.org

To:
Mr. Paul Wolfowitz
President

Personal and Confidential

Washington, D.C., June 6, 2005

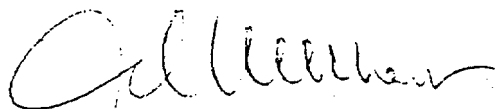
Dear Mr. Wolfowitz: *Dear Paul,*

The Ethics Committee met on June 2, 2005, to consider your request for guidance and advice on a potential conflict of interest with regard to Staff Rule 3.01, paragraph 4.02.

Having taken note of different formulations in the correspondence between Mr. Danino, on behalf of the Bank, and Mr. Barnett on your behalf, we consider it necessary to have an unambiguous understanding of your proposed recusal so as to cure the potential conflict with respect to the staff member concerned. This would include information on the name, position held by the staff member and the unit in which the staff member works and any other relevant facts and considerations that would enable the Ethics Committee to guide and advise as appropriate.

We would be grateful to receive such information from you personally as it is the role of the Ethics Committee to interact directly with the Board Official/President on a confidential basis in order to assist compliance with the Board's Code of Conduct. It is our intention subsequently to provide you expeditiously with the advice you have requested.

Very best regards,



Ad Mejkert
Chairman
Board Ethics Committee

2

June 2, 2005

Legal Background Regarding Conflicts of Interest
Senior Vice President and General Counsel

1. The President's proposed Terms Of Appointment (the Contract) provide, in paragraph 3, that the President will: (a) be required to adhere to the standards of the Code of Conduct for Board Officials; and (b) be expected to observe the ethical standards applicable to staff, where these reflect a stricter standard:

"You will adhere to the standards set forth in the Code of Conduct for Board Officials (the Code). You will also be expected to observe the standards of ethical conduct applicable to staff members of the Bank, where these reflect a stricter standard."

In addition, there are several specific provisions that apply to the President under paragraph 3, "notwithstanding any provisions to the contrary in the Code or the staff standard."

- "It is understood that you will avoid any conflict of interest, real or apparent." (paragraph 3d)
- "It is understood further that you will not, without the prior approval of the Executive Directors, accept any public or private employment or engage in any other business activity." (paragraph 3c)

2. The Code Of Conduct provides the following with respect to conflicts of interest generally:

"Board Officials shall endeavor to avoid any situation involving an actual conflict, or the appearance of a conflict, between their personal interest and the performance of their official duties...." (paragraph 4 (b))

3. As noted above, the contract also requires the President to observe the ethical standards applicable to staff, where these reflect a stricter standard. The ethical standards embodied in the Staff Rules apply to the President because of this contract provision; as a legal matter, the President is not a staff member and thus the Staff Rules themselves do not apply to him. (Note that under the Articles, the President is the chief of the operating staff of the Bank, and is responsible for the organization, appointment and dismissal of staff, subject to the general control of the Executive Directors. Article V, Section 5 (b))

4. The Principles of Staff Employment, adopted by the Board, provide: "[A]s employees of international organizations, staff members have a special responsibility to avoid situations and activities that might reflect adversely on the Organizations, compromise their operations, or lead to real or apparent conflicts of interest." (Principle 3)

5. Supervisory Relationships. Staff Rule 3.01 sets out the Standards of Professional Conduct for staff, and provides the following regarding Supervisory Relationships (paragraph 4.02):

"A sexual relationship between a staff member and his/her direct report, or direct or indirect manager or supervisor is considered a de facto conflict of interest. The manager/supervisor shall be responsible for seeking a resolution of the conflict of

interest, if need be in consultation with management, who will take measures to resolve the conflict of interest. Failure to promptly resolve the conflict of interest may result in a finding of misconduct."

The announcement introducing this provision in 1999 explained:

"Conflicts of interest are likely to arise in relationships where one person has the authority to make decisions about the other's conditions of employment (recruitment, salary, contract approval, performance evaluation, promotion, work program).* When a supervisor and subordinate engage in a sexual relationship, the unequal institutional power heightens the vulnerability of the subordinate and the potential for coercion. Other negative effects include perceptions by others of unfair advantage enjoyed by the person involved in the relationship, and the potential for one or both parties to injure the other if the relationship does not end amicably. Experience of other organizations and of the Bank Group has shown that the costs of relationships between managers and subordinates, even when initially consensual, are high in terms of staff morale, perceptions of fairness, and in extreme cases, legal fees." (Kiosk Announcement, March 26, 1999)

The Announcement further noted that Management would work with both parties in the relationship to resolve the conflict of interest, and that any actions taken will not be considered punitive in any way. Lastly, in implementing this amendment to Staff Rule 3.01, the Announcement stated that: "management shall ensure full compliance with due process and take into account all the relevant facts and circumstances of a given situation and will observe the principle of proportionality in deciding what action to take."

6. *Conclusion:* Staff Rule 3.01, Section 4.02 establishes the principle that sexual relationships between staff and those who are their indirect supervisors present a conflict of interest. It also establishes the obligation of management, rather than the staff member, to take measures to resolve the conflict.

7. Spousal Relationships. Spouse and domestic partners can be hired by the Bank under current rules. Staff Rule 4.01, Appointment, paragraph 5.02, provides:

"The spouse or domestic partner of a staff member who meets the normal selection standards may be employed by the Bank Group. A husband and wife or domestic partners may be assigned to the same vice presidency or department, if neither supervises the other, directly or indirectly, and their duties are not likely to bring them into routine professional contact. They may not be assigned to the same division or equivalent unit. A spouse or a domestic partner of a staff member may be assigned to the same country office, provided that neither supervises the other, directly or indirectly, and provided that the Vice President responsible for the country office, in consultation with the Manager, Human Resources Service Center or the IFC Manager, Recruitment, approves the assignment."

8. Reassignment. Where staff members marry someone in the same unit, the Staff Rules call for the Bank's management to reassign staff where necessary to comply with Staff Rules 4.01, paragraph 5.02. Staff Rule 5.02, Reassignment, in Section 2, "Reassignment at the Initiative of the Bank Group", paragraph 2.03, provides:

"...The Director, Human Resources, shall reassign a staff member who marries or registers as a domestic partner of a staff member assigned to the same vice presidency, department, or other unit, if one spouse or domestic partner supervises the other, directly or indirectly, or their duties are likely to bring them into routine professional contact. If two staff members assigned to the same department or unit (other than a vice-presidential unit) marry each other or register as domestic partners, one of the staff members shall be reassigned except as the Director, Human Resources, decides."

Generally, the Vice President, Human Resources has the authority under this paragraph to reassign staff members within the Bank when the interests of the Bank Group require it.

9. *Conclusion:* Staff Rule 4.01, Section 5.02 establishes the principle that spouses and domestic partners should not be in positions where one supervises the other, directly or indirectly, and where their duties are likely to bring them into routine professional contact. Staff Rule 5.02, paragraph 2.03, establishes the use of reassignment to achieve compliance with this principle, and also permits reassignment by the Vice President, Human Resources "when the interest of the Bank Group require it."

10. The Code of Conduct provides a mechanism for resolution of real or apparent conflicts of interest for Board Officials:

"If an actual conflict arises, the Board Official concerned shall promptly refer the matter to the Ethics Committee described in paragraph 10 below and shall withdraw from attendance or participation in deliberations or decision-making connected with that matter. If an appearance of conflict arises, or if there is doubt whether a conflict, actual or apparent, exists, the Board Official concerned shall promptly refer the matter to the Ethics Committee for guidance." (paragraph 4 (b))

11. The role of the Ethics Committee is reinforced under the contract, as paragraph 3(f) provides that "where clarification is required with respect to ethical standards, [the President] may seek the guidance of the Ethics Committee...."

12. The Ethics Committee Procedures specifically refer to requests for guidance from the President:

"A Board Official or the President may submit a request for guidance concerning his or her annual disclosures, conflicts of interest, or other ethical aspects of conduct in respect of his or her personal situation to any Committee Member for consideration by the Ethics Committee in accordance with the procedures set forth in this paragraph 7." (Paragraph 7)

The Procedures provide for the Ethics Committee to review the request, with the assistance of the General Counsel. The Ethics Committee can also consult with the outside Ethics Advisers, once these are selected.

13. The Ethics Committee Procedures regarding requests for guidance do not specifically provide for consideration by the Board or for decision by the Board, in contrast to the Procedures for allegations of misconduct considered by the Ethics Committee. However, the Procedures do provide that the Ethics Committee may communicate its advice to other Board Officials and the President, subject to consultation

with the individual and in a manner that ensures the privacy of the individual concerned.
(Paragraph 7 (c))

14. The 2003 COGAM paper, recommending Board approval of the Code, noted the following:

"Matters involving the President. No mechanism currently exists to handle allegations against the President. INT, which reports to the President, cannot handle such allegations. As requested by the Executive Directors, and with the agreement of the President, it is proposed that the Ethics Committee would handle allegations involving the President as well as Board Officials." (paragraph 4a of Board paper)

15. *Conclusion:* Referring an actual or perceived conflict of interest to the Ethics Committee for guidance is provided for under the President's contract and the Code of Conduct, and is specifically referred to under the Ethics Committee Rules.

MEMORANDUM

To: Paul Wolfowitz

From: Ad Melkert

6.22.05

Personal and confidential

1.

As agreed during our open conversation today I send you enclosed the rules relevant to any further steps. Let me highlight a few elements which you might want to consider in particular and let me then add some observations as to the way forward.

2.

You will note that the distinction between spousal and non-spousal relationships is primarily between permission in principle and de facto conflict of interest. However in both cases supervision, directly or indirectly and routine professional contact are the defining elements. This is important as we discussed the validity of making a difference between a (declared) partner and a spouse. That aspect however seems to me less relevant than the supervision provisions, such as under point 8 ("Reassignment"), including references to supervision "directly or indirectly".

3.

On a different note it is relevant to keep in mind that – regardless possible cases that have not been dealt with – in the recent past particularly the partnership provisions have led to reassignments, demotions or departures in different cases as confirmed by HR and the Ethics Office. This explains no doubt a part of the high attention for resolving the issue.

4.

Against this background the introduction of a recusal formula would suggest deviation of the existing standard (whilst the Code of Conduct refers to the "highest" standards) and would probably introduce legalistic dispute in a situation that essentially requires clear guidance and leadership taking into account perception and sensitivity.

5.

Let me also come back on your concern that there is a tendency to set different standards, particularly with reference to the situation of the MD and his spouse. This issue has to be and – as I understand – will be resolved. However, even if this would not have been the case, this could not guide Board members and Ethics Committee, committed as they are to the standards in their Code of Conduct. What has not been right could not be an example to follow.

4

AD MELKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amelkert@worldbank.org

Mr. Paul Wolfowitz
President

PERSONAL

July 14, 2005



First: it has really been an impressive privilege to be at your side when commemorating Srebrenica. Your speech was very much to the point of both the facts and the emotions. I would appreciate if you could give me a copy of the English part of the prayer, which indeed was remarkable and should serve as an inspiration in bringing people of different religion and background closer.

Secondly I have to come back to the issue we discussed some weeks ago. I refer to my memorandum of June 22nd. It is important that we would have an opportunity for assessment before I will have to brief and consult the Ethics Committee as will be my intention on next Thursday, June 21.



Ad Melkert

5

Paul

Reflecting on our conversation this afternoon, my suggestion would be the following.

It would be appropriate that the Ethics Committee tomorrow would have your response on the June 6 letter I sent to you on its behalf.

For the time being it might be best to refer to your initial proposal for recusal (which indeed is a matter of fact) without elaborating on that at this stage.

You could consider a text as amended in the enclosed version.

I would suggest you change the "memorandum" to me in a memorandum to me as chairman of the Committee whilst referring to the June 6 letter.

My further suggestion is that you would conclude with a sentence that could read as:
I would appreciate the Ethics Committee to advice on the best practical way that this challenge could be met.

This could be the signal to explore the path that we briefly touched upon.

I am currently working on the technical aspects of that possible option and I see some interesting perspectives. My aim would be to obtain from the EC a mandate to elaborate this further.

As before, feel free to let me know anything more on your mind.

cd 7/20

6

The World Bank

July 21, 2005

PAUL WOLFOWITZ
President

Mr. Ad Melkert
Chairman
Board Ethics Committee

Personal and Confidential

Ad,

As you know, during the negotiations of my contract, to avoid any appearance of a conflict of interest, I provided a statement to the Board recusing myself from any personnel actions or decisions with respect to a longstanding professional staff member of the Bank with whom it has been reported that I have a prior personal relationship. I asked at that time for the Ethics Committee to ensure that this approach was consistent with the regulations, policies and practices of the Bank.

In order to complete your review, I understand that the Ethics Committee needs to be officially informed of the name and professional position of the Bank employee to ensure a recusal can be properly implemented. Ms. Shaha Riza currently works in MENA as Acting Director of EXT.

It is important that my recusal uphold the highest standards of conduct which should be applied across the institution. Moreover, I appreciate the concern you reflected in your memo dated June 22 that my recusal and any related Board decisions not be punitive nor have an adverse impact on Ms. Riza's professional opportunities. The conflict, if there is one, is mine and not hers and the Board was fully informed of it before my contract was signed.

The challenge for your Committee and for me, as President, is how to:

- 1) avoid a conflict of interest, real or apparent; and
- 2) treat a loyal professional employee with the respect and fairness that all employees deserve.

I would appreciate the advice of the Ethics Committee on how this challenge can best be met.

In your consideration of these questions, I would ask the Committee to keep in mind two facts:

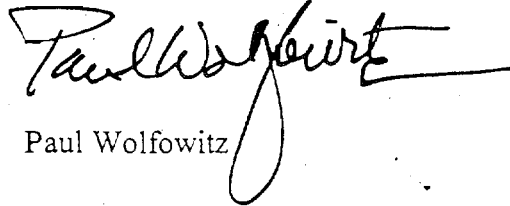
With respect to point 1 above, the recusal I propose goes beyond the current prohibition on direct or indirect supervision, by recusing myself from any influence over personnel decisions involving Ms. Riza. This sets a higher standard than I believe has been applied previously. In the future, the same standard should apply to all senior management of the Bank and to members

of the Board who have a personal relationship with an employee of the Bank, regardless of the supervisory relationship.

With respect to point 2 above, the reasonable prohibition on direct or indirect supervision necessarily precludes Ms. Riza from many professional opportunities in the Bank. She is thus necessarily disadvantaged by a circumstance that is not of her own making.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Paul Wolfowitz". The signature is written in black ink and is positioned above the printed name.

Paul Wolfowitz

Thank you for your assistance. Please circulate this letter to the members of the Ethics Committee as you deem appropriate.

7

Informal Draft
July 27, 2005

EC advice in response to the President's letter d.d. July 21, 2005

- 1) The situation as described constitutes a de facto conflict of interest.
 - 2) The EC has noted the proposed recusal. At this point in time the EC does not consider recusal sufficient and would most likely at least propose relocation/absence of professional contact which is the standard for spouses/declared partners. Before entering into any further in dept consideration the EC is of the opinion that the approach below should prevail.
 - 3) The EC subscribes to the need that the qualifications and career perspectives of the staff member should be taken fully into account.
 - 4) Having considered different options the EC advises:
 - a) That the staff member will be relocated to a position beyond (potential) supervising influence by the President and therefore will withdraw from the current selection procedure for job promotion within the MENA department;
 - b) That at the same time the potential disruption of the staff member's career prospect will be recognized by an in situ promotion on the basis of her qualifying record as confirmed by her shortlisting for the current job process and as consistent with the practice of the Bank;
 - c) That the President, with the General Counsel, communicates this advice to VPMENA and VPHR so as to implement a) and b) with immediate effect.
-

8

a. Du

AD MELKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amelkert@worldbank.org

Mr. Paul Wolfowitz
President
The World Bank

August 8, 2005

Dear Paul,

As agreed by phone last week I have, following your suggestion, approached Xavier Coll and, assisted by Roberto Danino, have shared with him the considerations and preliminary conclusion by the Ethics Committee that I have presented to you in the July 27 informal draft. This briefing has prepared Xavier to meet - upon your request - the staff member concerned in order to inform her on the EC's considerations and preliminary conclusions in preparing the advice that you had requested in June. I have underscored to Xavier that the following facts should be well understood:

- 1) The EC cannot interact directly with staff member situations, hence Xavier should act upon your instruction.
- 2) The interaction with the staff member at this stage is only for information purposes, by way of courtesy, as both you and the EC have been preoccupied from the outset to have a procedure in place and an outcome reached that would duly recognize the record and career perspectives of the staff member, taking into account the scope of the EC which is limited to Board officials.
- 3) Once the EC will have formalized its advice it will be up to you and the VPMENA and VPHR respectively to take the appropriate steps, also for that reason Xavier's meeting could not be considered part of formal decision-making.

Assuming that all of this is in the spirit of our previous conversations I would like to suggest that you take the following steps:

- A) request Xavier to meet the staff member on the basis of the above
- B) to do so as early as possible this week
- C) to ask Xavier to report back to you so as to enable you and me to conclude our deliberations on the EC's informal draft, upon which I will report back to the EC in view of its formal advice. I would highly appreciate if we could be in touch by the end of this week.

Best regards,

Ad

8

- I have been instructed by the President to meet with you
- The President has instructed me to agree to a proposal which includes the following terms and conditions:
 - Accept immediately your offer to be detailed to an outside institution of your choosing while retaining Bank salary and benefits
 - Offer you a promotion at level GH at a net salary-level of \$180'000 (over mid-point in the salary range of the grade)
 - Apply salary increases equivalent to a mid-point salary rating of 5 (which would approximate 8%)
- The President has also asked me to provide you a choice between (a) the proposal to have promotions to level I or J at the end of the 5-year or the 10-year period (respectively) as you requested contingent upon a review of your work outside the Bank by a committee of peers to be appointed by mutual agreement between Ms. Riza and HR at the time; or (b) to offer you a financial settlement that would compensate you for the lost opportunities related to promotion and the pain, suffering and damage to your professional reputation that has been involved in the forced departure
- We would want to propose to a non-disclosure agreement if there is a financial compensation settlement in order to protect your privacy and that of the institution

11 August 2005

MEMO

TO: XAVIER COLL

FROM: PAUL WOLFOWITZ

SUBJECT: SHAHA RIZA

As you know, I recused myself from any personnel action or decision related to Shaha Riza, a proposal which would have afforded her the opportunity to continue on her professional career course at the Bank while avoiding any appearance of conflict of interest. The Ethics Committee advised me that my proposal was unacceptable. In addition, they stated that it was not appropriate for them to "interact with staff member situations", therefore, I was directed to instruct you to inform her of their conclusions and develop a plan which "duly recognizes (her) record and career perspectives," and that I should complete the action by the end of this week.

In accordance with this directive from the Ethics Committee, I provided instruction for you to meet with her to discuss options. I appreciate your effort to carry out this assignment promptly and in a fair, professional manner.

After hearing your report of her desire to pursue the option you outlined as preferable, that is to be detailed outside the Bank Group, I now direct you to agree to a proposal which includes the following terms and conditions. You should accept immediately her offer to be detailed to an outside institution of her choosing while retaining Bank salary and benefits. After being shortlisted for consideration as the Director of EXT for MENA, she has qualified for and should receive a promotion to H level at a mid-point salary level of \$180,000 net income with mid-point, zone 5, annual increases which will approximate 8%. Further, because she is being compelled to leave the Bank Group and will not be able to go through regular reviews as the basis for future promotions, she is being forced into a situation with no precedent under Bank rules, practice or policy. Given the opportunity to continue on a regular career path, you have indicated that she normally would have been eligible for promotion to an I level within four to six years. Therefore, it seems reasonable to grant her request to be guaranteed the right to return at an I level should I depart at the end of a five year term. Should I stay on to serve a second term, she should return at a J level, which she notes would be one year from retirement. Since we have created a situation that precludes normal Human Resources (HR) review of her performance, you should propose the promotion to I (or J) level would be contingent upon a review of her work outside the Bank by a Committee of her peers to be appointed by mutual agreement between Ms. Riza and HR at the time.

I understand your preference would be to offer her a financial settlement that would compensate her for both the lost opportunities related to promotion and the pain, suffering, and damage to her professional reputation that has been involved in her forced departure.

Based on your advice, I direct you to provide her a choice between her proposal and your alternative of financial compensation in lieu of promotion to I or J level. The H promotion should be included in either alternative.

You reported that a non-disclosure agreement was a standard Bank procedure in financial compensation settlements. If you believe it is appropriate in this circumstance, you should propose it to Ms. Riza as a way to protect both her privacy and the institution.

Finally, I wish to reiterate my deep unhappiness with the whole way of dealing with a situation that I still believe, and have been advised by experienced labor legal counsel, should have been resolved by my recusal.

12 AUG
2005

MEMO

TO: AD MELKERT
FROM: PAUL WOLFOWITZ
SUBJECT: SHAHA RIZA

AW

On August 8, I received a memo from you stating that the Ethics Committee had rejected my proposed recusal as the appropriate means to avoid any conflict of interest bearing on the professional circumstances of Shaha Riza. Your memo noted that it would not be appropriate for the Committee to "interact with staff situations", nevertheless you provided the opinion that she could not be permitted to stay in her current position or serve in the Bank. While I believe any potential conflict is due to my position, not hers, the Committee explicitly directed me to resolve the matter by providing instruction to Xavier Coll, Vice President, Human Resources to meet with her to discuss options. Further you requested I report back this week.

Mr. Coll and Ms. Riza have reached an agreement. Since she has agreed to his recommendation to be detailed outside the Bank Group, there is no further potential conflict of interest. I hereby withdraw my request for consideration of my proposal for recusal and view this matter as closed.

11

Robin Cleveland

Subject

09/09/2005 11:08 AM

q473-2179 EXC

*** DRAFT ***

As you know prior to assuming office, the President recused himself with regard to any personnel actions or decisions regarding a specific Bank employee with whom he had a prior relationship. With the advice of the Bank's Counsel, the Ethics Committee Chairman determined that the recusal was insufficient and instructed the President to resolve the case consistent with guidance they offered. When the President accepted this responsibility, he did so with the view that Bank Counsel could not provide legal advice to both parties (ie the Committee and the President). In order to assure the Bank's interests were appropriately protected, the President believed a legal evaluation of any agreement was essential so he asked me to look at outside law firms with strong labor and personnel practices. I considered three of the most well known law firms in Washington: Williams & Connolly, Akin, Gump and Gibson, Dunn&Crutcher. The last firm was selected based on their ability to present a strong team within 24 hours which included, among others, the former U.S. Solicitor General and Eugene Scalia, a personnel policy expert. This was a matter of both time urgency and sensitivity so having a distinguished, exceptionally experienced group ready to provide a quick, but thorough review of the matter was a key consideration.

The firm's role was principally to review an agreement negotiated primarily between the Vice President of Human resources and the Bank employee. They did not engage in the negotiations. They provided a concluding opinion that that the agreement was a reasonable resolution of the perceived conflict of interest which, among other things, avoided protracted legal proceedings. A copy of the opinion was provided to the Vice President of Human Resources for the Bank's files on this matter.

12

GIBSON, DUNN & CRUTCHER LLP

LAWYERS

A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

1050 Connecticut Avenue, N.W. Washington, D.C. 20036-5306

(202) 955-8500

www.gibsondunn.com

dc Cox@gibsondunn.com

August 31, 2005

Direct Dial

(202) 887-3531

Fax No.

(202) 530-9539

Client No.

G 00000-00000

The Honorable Paul Wolfowitz
President, The World Bank Group
1818 H Street, N.W.
Washington, D.C. 20433

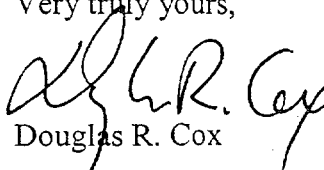
Re: *Contract Providing For Detail To State Department*

Dear Mr. Wolfowitz:

You have asked us to review a contract that provides for a detail of a Bank employee to the State Department. As you know, our review has been limited: the key elements of the contract had been accepted and agreed to by all parties to the contract before we were retained. In addition, we understand that the State Department is separately reviewing the contract and will conclusively opine that the detail described therein is consistent with all applicable laws, including any appropriation law restrictions on the State Department's ability to accept the detail. Within this limited review, we believe that the contract is a reasonable resolution of the underlying perceived conflict of interest and reflects a reasonable compromise between the interests of the Bank and the detailee that avoids, among other things, the risks of protracted legal proceedings.

Please let me know if we can be of further assistance in this matter.

Very truly yours,


Douglas R. Cox

DRC/pr

13

XAVIER COLL
Vice President
Human Resources

September 1, 2005

Ms. Shaha Riza
MNAEX
MSN H 10-1001

As you know, the Ethics Committee has determined that the President faces a conflict of interest with regard to your alleged relationship. Although he submitted a recusal from any personnel decisions bearing on your employment, the Ethics Committee decided that this was not sufficient and instructed the President to explore the possibility of assigning you somewhere outside the World Bank Group (the Bank), while respecting your longstanding professional contribution as an employee of the Bank and preserving the same opportunities for professional development and career advancement that you would otherwise have had. Accordingly, I was directed to work with you on a possible solution. While we recognize that this perceived conflict is not of your making and you are under no obligation to accept the following proposal, we very much appreciate your willingness to do so.

There is no precedent of this kind and no personnel policy that clearly applies to resolve it. Therefore, this letter defines a set of actions and guidelines to help resolve this unusual circumstance.

The Bank proposes that starting September 12, 2005 you will be detailed to the U.S. Department of State. The detail may be changed by mutual agreement to another institution consistent with Bank staff rule 5.02 for such detail. The period of the detail may exceed any otherwise applicable World Bank policies or guidelines and will be reviewed by the Bank and you after a term of five years from the commencement of the detail. At the end of the five-year term, you will have the option to extend the detail by mutual agreement for an additional five years, for a total of ten years from the commencement of the detail. However, should the conditions at the Bank resulting in your detail change, you are guaranteed re-entry at any time to the Bank to a position which makes full use of your professional qualifications either in the Middle East and North Africa Vice-Presidency or other appropriate VPU, with all your pre-existing rights and benefits.

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During the entire term of the detail, the Bank agrees that you will continue to be treated as an open-ended Bank employee and receive in full, on the same terms and conditions as other Bank employees, all of the benefits currently available to Bank employees, including but not limited to health care, life, disability and other insurance benefits, full rights under all pension and retirement plans, vacation and home leave allowance, child dependency allowances as stated in the staff rules, and emergency and travel assistance in the case of death. The World Bank also agrees to renew your G-4 visa and/or any other applicable immigration related documents upon your request or the request of the institution to which you are detailed.


In addition, since you are being detailed while under active consideration for promotion, the Bank agrees that at the commencement of the detail you will be promoted to a grade H level as defined by current Bank guidelines and will be paid a net salary of \$180,000 per annum. Notwithstanding any otherwise applicable Bank guidelines, policies, or staff rules during the period of the detail you will receive an annual salary increase at mid-point performance category 5, which, in the 2005 salary review matrix represented an increase of about 8 percent. During the period of the detail you will also receive any salary increases that result from changes in the salary structure for Bank employees.

It is further agreed that after the first five year term of the detail you will be considered for promotion to a grade level I subject to the following terms and conditions: a promotion to grade level I is contingent upon an evaluation of your performance reviews to be submitted by an appropriate supervisor at the institution to which you are detailed. The performance reviews will be evaluated by a three person panel comprised of the supervisor from the institution to which you are detailed and two Bank employees appointed by mutual agreement between you and the Vice President of Human Resources. In evaluating the promotion to I level, the panel will apply performance standards that are relevant to the duties and responsibilities of the position you are detailed to and consistent with promotion criteria of the Bank. A majority vote will be sufficient to approve the promotion. These terms and conditions will apply regardless of whether you remain on detail or return to the Bank at the end of five years. In addition, in the event that the I level promotion is approved, should you remain on detail from the Bank for an additional five years, at the end of the tenth year, you will be considered for promotion to a J level subject to the same terms, conditions and procedures governing the promotion to grade I level set forth above.

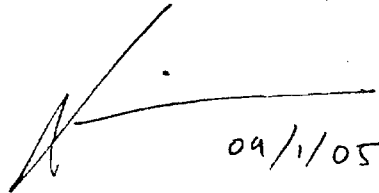
Furthermore, on retirement from the Bank, you will be entitled to all the benefits and pension entitlements of other Bank staff at the same grade level at which you retire.

It is the intention of the parties to this Letter of Agreement that all terms and conditions in this Letter of Agreement are binding on both you and the Bank for the entire term of the detail, regardless of changes in the management or staff at the Bank. It is further understood that this Letter of Agreement represents the entire agreement between the Bank and you concerning the terms and conditions of your detail and should remain confidential to assure your privacy and rights.

Agreed by:



SHAHA RIZA



XAVIER COLL
VICE PRESIDENT
HUMAN RESOURCES

cc: Mr. Paul Wolfowitz

14



United States Department of State

Washington, D.C. 20520

September 16, 2005

Mr. Xavier Coll
Vice President, Human Resources
1818 H St. NW,
Washington DC 20433

Dear Mr. Coll:

I am writing to request the secondment of Ms. Shaha Riza, British citizen, employee of the World Bank, to the Bureau of Near Eastern Affairs at the US Department of State. The secondment will commence September 19, 2005 through September 19, 2006. The secondment is renewable by mutual agreement.

While assigned to the U.S. Department of State, Ms Riza will work in the Bureau of Near Eastern Affairs, Office of Middle East Partnership Initiative (NEA/PI). Ms. Riza will be Senior Advisor in charge of establishing a Foundation that will focus on reform in the MENA region. This assignment will allow Shaha to put into use and expand her expertise and complement her World Bank work on civil society and the overall reform agenda. Her responsibilities will include, but are not limited to:

- Seek and solidify the engagement of international and regional partners.
- Assist in identifying and recruit Chairperson from the region.
- Assist in identifying and recruiting an international Board of Directors.
- Identify and recruit staff and consultants to lay the groundwork for the establishment of the Foundation.
- Supervise the development of a Charter, By-laws and Articles of Incorporation.
- Supervise the development of a business plan to include program priorities and strategies for communications, governance, government relations, and fund-raising.
- Supervise the development of policies and procedures governing programmatic, financial, administrative, and development activities.
- Identify location for field offices and build the capacities of these offices by providing support and training to local staff.

While on this assignment:

- *Employee Status:* During the detail period Ms. Shaha Riza will remain an employee of the World Bank. Ms. Riza will receive her salary and all employee benefits, including Workmen's Compensation Insurance, from the World Bank, which will also continue to maintain her time and attendance records.
- *Time & Attendance:* Ms. Riza's time and attendance will continue to be maintained by her employer, the World Bank. She will account for all time worked and leave expended. Absences will be documented by the biweekly submission of the form OPM 71, approved by Ms. Riza's supervisor at DOS, based on the regular U.S. Department of State tour of duty (a 40-hour work week, 8 hours per day, Monday-Friday). During this detail Ms. Riza will not be assigned to any office, organization, or position other than that stated, without prior written agreement of the World Bank.

15

202 736 4462 P.002

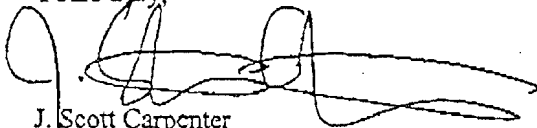
NEA

OCT-14-2005 04:44

- *Salary & Benefits:* Ms. Riza's salary and benefits will continue to be paid by the World Bank for the period September 19, 2005 through September 19, 2006. Travel and per diem expenses incident to official travel will be paid by the U.S. Department of State, administered through the Bureau of Near Eastern Affairs.
- *Communication:* In the event of a significant development regarding Ms. Riza, the U.S. Department of State is responsible for notifying Ms. Riza's parent organization of any such development or occurrence. Both the US Department of State and the World Bank will ensure both agencies are fully informed of any incident(s).
- *Security Clearances:* Ms. Riza is not eligible for a U.S. Department of State security clearance and will have no access to classified material. While detailed to the U.S. Department of State, Ms. Riza will comply strictly with the Department's security regulations and procedures.
- *Office:* Ms. Riza's office will be located at 1800 G Street.
- *Performance Evaluations:* Ms. Riza's supervisor at the World Bank will request adequate information for preparation of a full performance evaluation when needed.
- *Implementation:* This agreement shall be effective upon signature of all parties.
- *Termination:* This agreement may be terminated at any time when the World Bank and the U.S. Department of State agree that termination is in the best interest of the employee or the organizations concerned.
- *Review:* This agreement will be reviewed after signature, on an annual basis, or when either party notifies the other party of the need and reason for such action.

After reviewing this document, please sign it and return it to me via fax at (202) 736-4462. We truly look forward to working with Ms. Riza on this important initiative. Should you have any questions or concerns please contact me at (202) 647-7168.

Yours truly,



J. Scott Carpenter
Deputy Assistant Secretary
Bureau of Near Eastern Affairs
U.S. Department of State

15

XAVIER COLL
Vice President
Human Resources

September 21, 2005

Mr. J. Scott Carpenter
Deputy Assistant Secretary
Bureau of Near Eastern Affairs
Room 6242
U. S. Department of State
Washington, D. C.

Dear Mr. Carpenter:

Thank you for your letter of September 16 , 2005, regarding World Bank staff member Ms. Shaha Riza.

I would like to confirm that we have agreed to provide Ms. Riza External Service With Pay status for a period of two years, commencing September 19, 2005, through September 19, 2007, to allow her to work with the Department of State on the important initiatives identified in your letter. A copy of my September 15, 2005, memorandum to Ms. Riza regarding her External Service is attached for your file.

I would like to take this opportunity to clarify a few areas where my understanding of the arrangement departs from that described in your letter:

1) This arrangement is for two years, commencing September 19, 2005, through September 19, 2007, renewable by mutual agreement.

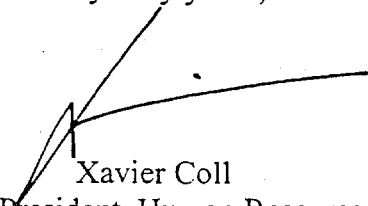
2) The World Bank will not maintain time and attendance records for Ms. Riza, although we have no objection if, as noted in your letter, Ms. Riza is asked to account for all absences through the bi weekly submission of the form OPM 71 to the Department of State.

3) The World Bank will not evaluate Ms. Riza's performance while she is on External Service either during or at the completion of this assignment; however, as provided under World Bank policy for staff on External Service, Ms. Riza may record accomplishments during External Service in a memorandum for inclusion in the evaluation section of her World Bank career file.

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I hope that these clarifications will be acceptable to your office. Please do not hesitate to contact me directly at (202) 473-1987 if you have any questions or would like to discuss this matter further. We very much appreciate the opportunity for Ms. Riza to work on the important initiatives identified in your letter.

Very truly yours,



Xavier Coll
Vice President, Human Resources

cc: Messr/Mmes. D. Rivero (LEGAD); R. Cleveland (EXC); S. Riza

OFFICE MEMORANDUM

DATE: September 15, 2005

TO: Shaha Riza (UPI#164612)

FROM: Xavier Coll, Vice President (HRSVP)

EXTENSION: 31987

SUBJECT: Your External Service With Pay to the U.S. Department of State

1. I am pleased to inform you that your proposed External Service With Pay (ESWP) to take up an assignment with the U.S. Department of State has been approved. I understand that you expect to commence your ESWP on September 19, 2005 and you will return to work on a date to be determined between the World Bank (HRVP), U.S. Department of State, and yourself. You will report to the VPA, MNA and HRVP during your ESWP period. Please advise me immediately of any change in your scheduled departure date.

2. Your grade level and salary, effective September 19, 2005, will be level GH with a salary of \$180,000. During your ESWP, you will receive a salary increase at the time of the general salary review equivalent to the midpoint between the minimum and maximum increase at the applicable salary-zone for a SRI rating of "5," or the equivalent thereof, if the system currently in place would change.

3. During the period of your ESWP, it is expected that you will not engage in any activity that conflicts with your continuing obligations as a Bank staff member (see Staff Rule 3.01). If the duration, nature or responsibilities of the activity for which this ESWP is granted are likely to change during the course of your ESWP, any such change must be cleared in advance, and in writing, with the Bank.

4. Upon completion of this assignment, you may expect to return, consistent with the agreement that you and I signed on September 1, 2005, to a suitable position in MNA, EXT, its successor, or elsewhere as business needs require.

5. Relevant background information about this assignment, as well as your terms of reference and reporting arrangement will be provided by the U.S. Department of State.

6. Your official duty station will remain Washington, DC, USA.

7. Your home country travel destination will not change while you are on this assignment. Please be advised that in the event you change status to U.S. Permanent Resident, your expatriate benefits will end accordingly.

8. In the event your employment with the Bank Group terminates during this assignment, Washington, DC, USA is considered your duty station for the purpose of resettlement and Staff Rule 7.02, "Benefits on Ending Employment," will apply.

9. All regular Bank Group benefits apply to you while you are on this assignment, except that you will observe the U.S. Department of State, not the World Bank Group holidays.

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10. Except for the items specifically agreed to between you and the World Bank Group as set up in the agreement that you and I signed on September 1, 2005, you will be subject to the Staff Rules, as amended from time to time.

11. If you agree with the above terms and conditions, please sign and return a printed copy of this memorandum to me as soon as possible. I shall thereafter issue the necessary authorization for you to proceed on this assignment and advise the units concerned. I wish you every success in your new assignment.

Signature

September 16, 2005

Date

References: Staff Rule 3.01 (Outside Activities and Interests)

cc: Alphonsus Marcellis (HRSCM) (without copy of the September 1, 2005 document)

* The attached letter from the Deputy Asst. Secretary of US Dept. of State details the conditions of the secondment to the St. Dept. as well as the terms of reference

I agree with the terms

Joshua Alvin

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United States Department of State

Washington, D.C. 20520

October 05, 2005

By Telefacsimile: 202-522-1552
No Hard Copy Follows

Mr. Xavier Coll
Vice President
Human Resources
The World Bank
Washington, D.C. 20433

Dear Mr. Coll:

Thank you for your letter of September 21, 2005, and your confirmation that Ms. Shaha Riza will be assigned by the World Bank to work jointly with the Department of State on the important initiatives identified in my letter of September 16, 2005. We have no objection to the clarifications you list in your letter at numbers 1) through 3). For our part, I would like to take this opportunity to note that we do not view Ms. Riza as detailed or seconded to the U.S. Government. Should there be a need to further refine this arrangement in the coming months, I am confident we can resolve the matter to our mutual satisfaction.

Again, thank you for assigning Ms. Riza to these initiatives.

Sincerely,

J. Scott Carpenter

17

AD MELKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amelkert@worldbank.org

Personal and Confidential

From: Chairman Ethics Committee

To: Mr. Paul Wolfowitz
President

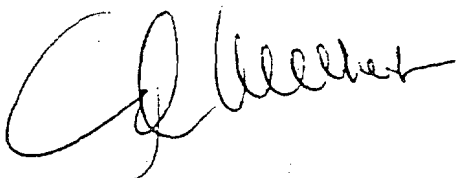
Washington, D.C., October 24, 2005

Dear Mr. Wolfowitz,

Dear Paul

Thank you for your memo dated 12 August 2005, received by hand on August 22, 2005, regarding your request to the Ethics Committee for guidance. I am writing on behalf of the Ethics Committee to acknowledge the resolution of the conflict of interest in line with the guidance provided by the Committee, as conveyed through my informal draft of July 27, 2005. Your memo confirms that the staff member has agreed to be detailed outside the Bank Group, and that you withdraw your proposal for recusal. Because the outcome is consistent with the Committee's findings and advice above, the Committee concurs with your view that this matter can be treated as closed.

With best personal regards,



Ad Melkert
Executive Director

18
P. Wolfowitz

Nov 25, 01

Dear Paul,

this is (formally needed for the records)
just to confirm the outcome
regarding this extraordinarily
difficult issue.

I would like to thank you for the
very open and constructive spirit of
our discussions, knowing in
particular the sensitivity to Shaha,
who I hope will be happy in
her new assignment

Jed.

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AD MELKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amelkert@worldbank.org

PS: please let me know whether
you could accept an invitation
to you and Sheila at our
place, possibly joined by
Bob and Beth. (Don't be
concerned that I would
also take a "no" for an
answer).

Jed

CONFIDENTIAL

AD MELKERT
Executive Director
for Armenia, Bosnia & Herzegovina, Bulgaria,
Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova,
The Netherlands, Romania and Ukraine

Tel: (202) 458-2052
Fax: (202) 522-1572
E-mail: amelkert@worldbank.org

Mr. Paul Wolfowitz
President
The World Bank

Washington, D.C., February 28, 2006

Dear Mr. Wolfowitz,

Dear Paul,

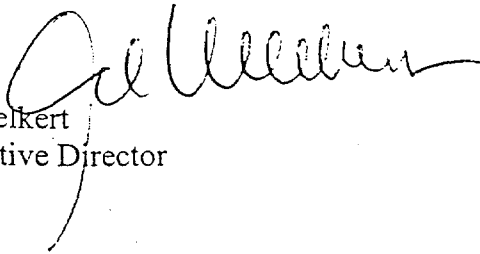
This is to inform you that the Ethics Committee has reviewed two emails from "John Smith" dated January 21, 2006 and February 15, 2006, respectively, which were sent to the Bank's Investigations Hotline and copied to the Executive Directors. The emails allege ethical lapses by the President of the World Bank.

In accordance with its Procedures and in order to determine whether the allegations warranted consideration, the Committee members reviewed a number of documents that were pertinent to an understanding of the basis for the allegations. These included:

- The background documents circulated for the oral briefing of the Personnel Committee (PC2006-0001) held on Wednesday, February 1, 2006;
- The strictly confidential transcript of the Personnel Committee deliberations on February 1, 2006; and
- The Principles of Staff Employment.

On the basis of a careful review of the above-mentioned documents and the information provided by the President at the informal meeting with Executive Directors on February 3, 2006, the Ethics Committee decided that the allegations regarding appointments of Bank staff do not appear to pose ethical issues appropriate for further consideration by the Committee. The Committee also decided that the allegation relating to a matter which had been previously considered by the Committee did not contain new information warranting any further review by the Committee.

Ad Melkert
Executive Director



20

CONFIDENTIAL

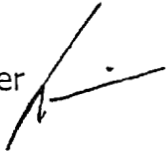
March 1, 2006

Robin,

Per your request, please find attached the SRI information.

Best regards,

- xavier



21



Level GH: Current Salary \$180,000					
Estimated SRI for next five years					
Rating 3.2			Rating 5		
(Zone 2: 3.5% SRI increase)			(Zone 2: 8.2% SRI increase)		
(Zone 3: 2.8% SRI increase)			(Zone 3: 5.9% SRI increase)		
Year	Increase	New Salary	Year	Increase	New Salary
2005		\$180,000	2005		\$180,000
2006	\$6,300	\$186,300	2006	\$14,760	\$194,760
2007	\$6,520	\$192,820	2007	\$11,490	\$206,250
2008	\$5,400	\$198,220	2008	\$12,170	\$218,420
2009	\$5,550	\$203,770	2009	\$12,890	\$231,310
2010	\$5,710	\$209,480	2010	\$13,650	\$244,960
Note: Current salary scale (2005) for level GH: Mid-Point: \$167,890; max, \$226,650					

So she is below ?

170 180 225

Robin,

Per our conversation. The difference at the end of the five years is not unsubstantial. (around \$35,000)

Thanks



22

OFFICE MEMORANDUM

DATE: July 13, 2006

TO: Mr. Paul Wolfowitz, President

FROM: Xavier Coll, Vice President, HRS

EXTENSION: 31987

SUBJECT: **Follow up on our conversation**

You asked me to follow up on our brief conversation last week.

The current framework of access to information in PeopleSoft and the widespread availability of specific or approximate salary data in SAP make it virtually impossible to completely limit access to individual salary information, including that of senior managers or specific units. The reasons for this are briefly explained below:

Access through PeopleSoft. Late last year, HRS began taking over responsibility from ISG for controlling access to HR data in PeopleSoft, the Bank's principal HR database. We have since reduced by over 100 the number of staff with access to salary data. We continue to clean up a complex database, review the business needs of each staff member with current access and revoke access when warranted.

- Currently, 286 staff Bank-wide have access to salary data through PeopleSoft, including staff in HRS, HR in IFC, Accounting/Payroll and ISG. An additional 92 staff, primarily in the Resource Management function, have access to salary data within their own VPUs.
- I have asked that HR staff access to salary for EXC and the MDs office be restricted to those who provide direct HR support and/or process HR transactions for these units. This, however, still leaves a significant number of staff outside HRS with access to salary data.
 - N.B.: IFC, Accounting and Treasury have traditionally made their own determinations on salary access for their staff through PeopleSoft, as have autonomous corporate Bank units, including Ethics, Ombudsman, Internal Audit and SFR. These units have historically had access to PeopleSoft salary data. Designated ISG system developers also need access to all data. While we have revoked access to some staff in units within and outside HRS, we have not yet addressed the issue of long-standing historical access by these units.

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Access through SAP. Access to salary data in SAP (which is not controlled by HRS) is much more widespread. When SAP was implemented in 1999, a data security committee (including VPs from the sponsoring units - CTR, SFR, ISG, OPCS) agreed on the general principle that staff from across the Bank should have access to other units' data as a means of supporting detailed project planning and costing. As a result, SAP is not currently designed to restrict access to specific units or staff members, including senior management.

- Control of access to the SAP salary report is decentralized to designated access controllers in each VPU, with monitoring by SFRRM. About 327 staff currently have a specific SAP role ("VPU Specialist") which enables them to generate staff rosters with individual salary information for any staff member by entering his/her UPI number.
- In addition, each Bank staff member has a "billing rate" which is available to any SAP user through the "Task Planning" screen. This information, which is the basis for costing projects/activities/cross support, can be used by Resource Management staff and other knowledgeable SAP users to estimate actual salaries within a narrow range.

FYI. As I informed you during our last meeting before you left DC, the deadline for inputting salary increases into the system is July 21.

Washington, D.C.
October 1, 2006

Ms. Robin Cleveland
1818 H St. NW,
Washington DC 20433

Dear Ms. Cleveland:

I am writing to request the transfer of the secondment of Ms. Shaha Riza, British citizen, employee of the Bank, from the Bureau of Near Eastern Affairs at the US Department of State to the Foundation for the Future which she was in charge of establishing.

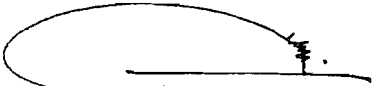
While assigned to the Foundation for the Future, Ms. Riza will work in the Washington DC office of the Foundation. Ms. Riza will be Senior Advisor to the Executive Committee and the Board of Directors of the Foundation for the Future. Her responsibilities will include, but are not limited to:

- Continue to seek and solidify the engagement of international and regional partners.
- Recruit staff for the DC office.
- Supervise the registration of the Foundation and the opening of offices in the region.
- Supervise the recruitment of the Foundation's senior management from the region.
- Supervise the recruitment of the Foundation's staff and consultants in the region including their training.
- Supervise and assist in identifying programs and groups that will receive grants from the Foundation.
- Supervise the implementation of the policies and procedures governing programmatic, financial, administrative and development activities as approved by the Foundation's Board.

Ms. Riza's secondment to the Foundation will be subject to the same arrangements agreed to with the State Department.

After reviewing it this document, please sign it and return it to me via fax at (703) 464 5163. We look forward to continue our work with Ms. Riza on this important initiative. Should you have any questions or concerns please contact me at (703) 464 5161.

Yours sincerely,


Anwar Ibrahim
Chairman
Foundation for the Future

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November 6, 2006

MEMO

TO: Xavier Coll
Vice President Human Resources

FROM: Robin Cleveland
Counsellor

SUBJECT: Shaha Riza

I have recently received a document dated October 1, 2006 from the Chairman of the Foundation for the Future. The letter requests the transfer of Ms. Shaha Riza from her detail at the Department of State to the Foundation for the Future. Her responsibilities will be consistent with the terms and conditions of the letter of September 1, 2005 which you and Ms. Riza counter-signed to establish guidelines for her work outside the Bank Group.

I would appreciate your replying by return memo that you view the reassignment as appropriate and consistent with the guidelines agreed. I will then provide a copy of your reply along with my signature on the letter requested by the Foundation's Chairman.

Thank you.

Attachment: Letter from the Chairman, Foundation for the Future

Xavier -
Between your
travel and mine, this
has been delayed so would
appreciate your urgent
attention. Thanks,
RC

12.13.06

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December 14, 2006

Robin:

Enclosed is an amendment to Ms. Riza's External Service with Pay memo. Could you please forward it to her.

Thank you very much.

- xavier

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OFFICE MEMORANDUM

DATE: December 14, 2006

TO: Ms. Robin Cleveland, Counsellor, EXC

FROM: Xavier Coll, Vice President, Human Resources

EXTENSION: 31987

SUBJECT: **Shaha Riza**

I have reviewed the letter from Mr. Anwar Ibrahim from the Foundation for the Future regarding Ms. Shaha Riza's transfer from the US Department of State to the Foundation. I agree with you that the responsibilities Ms. Riza will carry out in this assignment are in line with the terms and conditions stipulated in my memo to Ms. Riza dated September 15, 2005 regarding her External Service with Pay.

Ms. Riza's External Service with Pay memo will be amended to record her transfer to the Foundation for the Future and we will communicate with her separately on this issue.

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OFFICE MEMORANDUM

DATE: December 14, 2006

TO: Ms. Shaha Riza

FROM: Xavier Coll, Vice President, Human Resources

EXTENSION: 31987

SUBJECT: **Your External Service with Pay**

It has come to my attention that you are transferring from the US Department of State to the Foundation for the Future. This amends your External Service with Pay memo dated September 15, 2005, as follows:

Para. 1. You will now be assigned to the Foundation for the Future and you will return to work on a date to be determined between the World Bank (HRSVP), the Foundation for the Future, and yourself.

Para. 5. Relevant background information about this assignment, as well as your terms of reference and reporting arrangement will be provided by the Foundation for the Future.

Para. 9. All regular Bank Group benefits apply to you while you are on this assignment, except that you will observe the Foundation for the Future, not the World Bank Group holidays.

All other terms and conditions stipulated in my memo dated September 15, 2005 remain the same.

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Washington, D.C.
October 1, 2006

Ms. Robin Cleveland
1818 H St. NW,
Washington DC 20433

Dear Ms. Cleveland:

I am writing to request the transfer of the secondment of Ms. Shaha Riza, British citizen, employee of the Bank, from the Bureau of Near Eastern Affairs at the US Department of State to the Foundation for the Future which she was in charge of establishing.

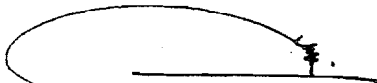
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- Continue to seek and solidify the engagement of international and regional partners.
- Recruit staff for the DC office.
- Supervise the registration of the Foundation and the opening of offices in the region.
- Supervise the recruitment of the Foundation's senior management from the region.
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- Supervise and assist in identifying programs and groups that will receive grants from the Foundation.
- Supervise the implementation of the policies and procedures governing programmatic, financial, administrative and development activities as approved by the Foundation's Board.

Ms. Riza's secondment to the Foundation will be subject to the same arrangements agreed to with the State Department.

After reviewing it this document, please sign it and return it to me via fax at (703) 464 5163. We look forward to continue our work with Ms. Riza on this important initiative. Should you have any questions or concerns please contact me at (703) 464 5161.

Yours sincerely,


Anwar Ibrahim
Chairman
Foundation for the Future

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*The Bank concurs
with this proposal
Robin Cleveland
Counselor*

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