February 14, 2011

To the Board of Governors of the International Bank for Reconstruction and Development

Your Excellencies:

In 2002 the United States General Accounting Office recommended a comprehensive assessment of internal control over operations and compliance matters to provide greater assurance that the World Bank Group’s funds are spent as intended. On April 8, 2005 the Joint Economic Committee of the US Congress asked whether the World Bank’s Board "always is in possession of accurate and timely data." Congress enacted the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 2005, 119 Stat. 2172, including the Lugar Leahy Amendment, 22 U.S.C. 262o-4, requiring the World Bank to give lawyers and accountants access to independent arbitration. The World Bank did not implement the Lugar Leahy Amendment. Instead the World Bank's management retaliated against me for reporting internal control lapses and compliance issues to the US Congress. Is the Lugar Leahy Amendment entirely precatory?

The World Bank rebuffed a subsequent inquiry of the GAO requested by Senators Lugar, Leahy and Bayh into transparency at the World Bank. The Audit Committee of the World Bank’s Board then requested an external audit of the World Bank's internal controls. The newly appointed inspector general of a $22.7 billion global

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GAO's name was changed to the U.S. Government Accountability Office in 2004. GAO investigates how the US federal government spends taxpayer dollars.

2 See Defendant International Bank for Reconstruction and Development's Reply to Plaintiff's Opposition to Its Motion to Dismiss Hudes v. IBRD, United States District Court for the District of Columbia, Case No. 1:10-cv-01444-RMC (Docket # 66-3)

3 http://thecable.foreignpolicy.com/posts/2010/03/10/lugar_no_more_money_for_development_banks_until_ref orm
health fund whose financial management was entrusted to the World Bank is reporting the same internal control deficiencies as I did.⁴


All the powers of the IBRD are vested in the Board of Governors, whose decisions are to be guided by the common purposes of the IBRD. IBRD's compliance issues cannot be resolved by the Board of Governors without a further revision to the Administrative Tribunal's Statutes to correct the misleading June 13, 2009 amendment that prevented the Administrative Tribunal from functioning independently of the management of the IBRD. The proposed revision would ensure that the conflict rule applicable to the Members of the Tribunal in Article IV, paragraph 1 also applies to the Tribunal's Executive Secretary and other staff.

"Article VI paragraph 2. The Members of the Tribunal shall make the administrative arrangements necessary for the functioning of the Tribunal, including designating an Executive Secretary and other staff who, in the discharge of their duties, shall be responsible only to the Tribunal. Current and former staff of the Bank Group shall not be eligible to serve as Executive Secretary or in other functions on the Tribunal, and following service to the Tribunal the Executive Secretary and such other staff may not be employed by the Bank Group."

Sincerely,

Karen Hudes

Karen Hudes

⁵ Docket #66-6
⁶ Defendant KPMG LLP's Reply Memorandum of Points and Authorities in Support of Motion to Sever and Dismiss, Dckt 64-2 See also, Dckt 66-9
⁷ Dckt 64-18
The foregoing document was sent to the following this 14th day of February, 2011

The Honorable Timothy F. Geithner
Chairman of the NAC
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Hillary R. Clinton
Secretary of State
2201 C Street, NW
Washington, DC 20520

The Honorable Ben S. Bernanke
Chairman of the Board of Governors
of the Federal Reserve System
20th Street & Constitution Avenue
Washington, DC 20551

The Honorable Gary Locke
Secretary of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

The Honorable Fred P. Hochberg
Chairman and President
US Export Import Bank
811 Vermont Avenue, NW
Washington, DC 20511

The Honorable Rajiv Shah
Administrator, Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523

The Honorable Ron Kirk
US Trade Representative
600 17th Street, NW
Washington, DC 20508

The Honorable Mary Schapiro
Chairman, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Washington, October 10, 2008

Dear Madam,

I have received a copy of your remarks on World Bank Gouvernance and I thank you for this transmission.

But as I am not competent on such issues, I can only forward your memorandum to Ambroise Fayolle and his staff.

Yours sincerely,

Pierre Vimont

Mrs Karen Hudes
5203 Falmouth Rd
Bethesda MD 20816
Best,
Karen Hudes

From: "Pieter Stek Yahoo"
<pieter_stek@yahoo.com>
To: <ascoffler@cityfirstbank.com>
Subject: visit-an issue
Date: Wed, 23 Feb 2005 13:30:14 +0000

Dear Ann,

The issue: Karen Hudes of the Legal Department has a problem and I think it would be very useful for her to hear a passionate dispassionate view from an intelligent person who knows the Bank. The passion would be for the Bank, truth, and fairness; the dispassionateness would come from intelligence and a bit of distance. Karen has bitten into a case of failure of the Bank, harm to a country, cover-up, failure of evaluation, failure of controls, and threatening failure of the Board (Audit Committee) to take up the issue. The corollary is not hard to envisage: the Bank runs the risk of being caught with its pants down (in an area where it is lecturing the developing world on how to dress) and the whistleblower (who has not whistled in public) is at imminent risk of being dismissed, due to failure of the checks and balances in the Bank meant to protect individuals (the Integrity Directorate, the Ombudsman, the Tribunal, the President himself). I hope you will be willing to talk with her and give her the benefit of your thoughts.

In my opinion, somebody in the Bank needs to be interested and brave (staff) or a bit brave (Board). By far the most elegant way forward would be for the Audit Committee to discuss the material case from the point of view of whether the accusations against the handling of the case are correct and, if so, whether there could be a systemic aspect to this kind of failure.

One thing in my view is certain: if the truth is withheld from the Board and the Board does not even react when it has indications that this may be the case, the Board is negligent in exercising its responsibility and, therefore, also at risk. An underlying issue is whether a staff member has the duty to inform the Board if he or she hits upon a cover-up. Is one's duty towards the Bank or towards one's bosses? The parallels with other corporate, US Administration, and European Commission cases is obvious, not to speak of broader and more emotional analogies from recent history.

Karen lives at 5203 Falmouth Road in Bethesda and her private e-mail is kandbspergel@att.net

With love from us both,

https://webmail.worldbank.org/mail11/h/khudes.nsf($Sent)/967AAA3C5D65C2CE85257773/7/29/2007
December 14, 2009

Ms. Susanna Moorehead
Executive Director
The World Bank
1818 H Street, NW
Washington, DC 20433

Dear Ms. Moorehead,

Thank you for your letter of December 10, 2009 concerning a violation of the World Bank's ethics by the World Bank's Administrative Tribunal ("WBAT"). On December 8, 2009 the President of the WBAT, Mr. Jan Paulssen, exceeded his authority by refusing to submit to the other members of the WBAT the malfeasance of the Office of Ethics and Business Conduct ("EBC") and conflict of interest of WBAT's previous Executive Secretary, Mr. Nassib Ziade.

EBC refused to address the misconduct of the Legal Department's Chief of Administration and conflict of interest of Mr. Ziade. EBC's malfeasance has been properly before the WBAT since August 10, 2009. Mr. Ziade permitted the Legal Department to file tampered evidence with the WBAT. The language that was deleted from the documentation entitled me to reinstatement. The General Counsel hired Mr. Ziade on July 1, 2007 to work at the International Center for the Settlement of Investment Disputes ("ICSID") two weeks after admitting the tampered documentation in the WBAT.

When the WBAT is not in session, the President of the WBAT is required to consult where appropriate with the other members. In Mr. Paulssen's unilateral decision to suspend the WBAT proceedings on my case, he has allowed EBC to complete an ultra vires investigation designed to discredit me in violation of the World Bank's whistleblower policy. This undermines
the World Bank's ethics, the mandate of the Board of Executive Directors, and the right of World Bank staff to report securities law violations and corruption without fear of retaliation.

Mr. Paulssen, (who has arbitrated at least 23 cases before ICSID), is attempting to shield from scrutiny his role in the compliance issues I have raised. Mr. Paulssen chairs all of the Panels of the WBAT; his predecessors had shared this responsibility with the two Vice-Presidents of the WBAT. When term limits were introduced in the WBAT, Mr. Paulssen was grandfathered as an exception.

The WBAT cannot be considered as independent if its Executive Secretaries are promoted to lucrative positions in the World Bank after violating the World Bank's staff rules and ethics. Article IV, Section 1 of the WBAT Statute provides, "Current and former staff of the Bank Group shall not be eligible to serve as members of the Tribunal and members may not be employed by the Bank Group following their service on the Tribunal."

The June 13, 2009 amendment of the WBAT Statute, ostensibly to increase the independence of the WBAT, actually perpetuated WBAT's shortcomings. The Legal Department failed to fulfill its institutional responsibility by submitting to the Board of Governors of the World Bank a misleading amendment that failed to achieve its stated purpose. Instead, the amendment conferred immunity on the members of the WBAT.

Under the Articles of Agreement of the World Bank, I am requesting the Board of Executive Directors to restore fundamental principles of ethics to the World Bank by reversing my illegal separation.

Sincerely,

Karen Hudes

Enclosures
cc: Mr. Kyoshi Kodera
December 10, 2009

Karen Hudes
5203 Falmouth Road
Bethesda
MD 20816

Dear Ms. Hudes,

Thank you for your letter of 30 November, which Ambassador Sheinwald has passed to me. I have noted the contents of your letter and attachments.

Yours sincerely,

cc: PS/HM Ambassador
November 30, 2009

H.E. Sir Nigel Sheinwald
Ambassador
British Embassy
3100 Massachusetts Avenue, NW
Washington, DC 20008

Your Excellency,

The Board of Executive Directors is required to oversee the World Bank in order to retain its multilateral character. On August 20, 2009 Mr. Svein Aass, Chair of the World Bank’s Committee on Governance and Administrative Matters, requested me to preserve the authority of the Board by informing the Zedillo Commission of outstanding compliance matters.

Ten years ago, Board interventions under the Strategic Compact designed to build accountability into the Human Resources function at the World Bank were dismantled. Three US Senators took my advice by requesting assistance from the Government Accountability Office in arresting the governance crisis at the World Bank.

I would appreciate your assistance in bringing these issues before Ms. Susanna Moorehead, Executive Director at the World Bank, for proper resolution.

Sincerely,

Karen Hudes

Enclosures
3 November 2008

Ms Karen Hudes
5203 Falmouth Road
BETHESDA, MD 20816

Dear Ms Hudes

Thank you for your correspondence, received in this office on 13 October 2008. I am informed that the Australian Executive Director to the World Bank, Dr Jim Hagan, is aware of your concerns and is considering the best way to proceed with the issues raised in your correspondence.

Yours sincerely

Dennis Richardson

Dennis Richardson
October 21, 2008

Karen Hudes  
5203 Falmouth Road  
Bethesda, MD  20816

Dear Ms. Hudes,

Thank you for your letters of August 26, 2008 and October 8, 2008 regarding governance at the World Bank. I note that you have kept the Canadian Executive Director’s office informed of developments. The Executive Director’s office is the appropriate responsibility center for keeping Canada informed of this matter.

Yours Sincerely,

Michael Wilson  
Ambassador

Canada
Dear Ms. Hudes,

Following-up on our telephone conversation of this morning, I can inform you that Mr. Stek has had contact with my colleague, Ms. van Berten. Mr. Stek confirmed that he had had a meeting with Mr. Wolfensohn and yourself, at which occasion Mr. Wolfensohn promised an independent legal investigation into your allegations of misconduct of Bank matters.

At this juncture, it is difficult for us to assess the veracity of your allegations and, under these circumstances, it will also be difficult for us to assess whether dismissal from the Bank is a retaliation for whistle blowing or a result of regular staff management procedures. It should be clear that we would consider your dismissal unjust and counterproductive should it merely be a retaliation for whistle blowing.

We feel that your allegations should be put on the agenda of the Bank's Audit Committee and be discussed there. We requested our constituency office to be represented at such a meeting.

Yours sincerely,

Robert-Jan Sieben

Ministry of Foreign Affairs
International Financial Institutions Division
Tel: +31-70-348 5044
Fax: +31-70-348 4803

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To: "Khudes@Worldbank.org" <Khudes@Worldbank.org>
cc: "Jwaslander@Worldbank.org" <Jwaslander@Worldbank.org>
"Pieter_Stek@yahoo.com" <Pieter_Stek@yahoo.com>
"Blokker_Mies@Mibuzna.nl"
"Bus_Riny@Minbuza.Nl"
January 25, 2011

Karen Hudes
5203 Falmouth Road
Bethesda, MD, 20816

Dear Ms. Hudes:

Thank you for your letters of December 2 and January 24 to Ambassador Dezcallar, expressing concerns about the rule of law at the World Bank.

We acknowledge receipt of their content and, on behalf of the Ambassador, will forward the information to our Spanish representatives at the World Bank.

Kind regards,

Miguel Sandomingo
Financial Counselor
Embassy of Spain
January 24, 2011

H.E. Jorge Dezcallar de Mazarredo
Embassy of Spain
2375 Pennsylvania Avenue
Washington, DC 20037

Re: Rule of law at the World Bank

Your Excellency,

I refer to ongoing work in the Development Committee on governance reforms for a stronger accountability culture and to my letter of December 2, 2010 requesting strategic guidance and shareholder oversight on concealment from the Board of Executive Directors of information relevant to the exercise of its duty of supervising management.

On June 13, 2009, the Board of Governors amended the Statute of the World Bank Administrative Tribunal, ostensibly to increase the independence of the Tribunal. Unfortunately, however, the Legal Department failed to fulfill its institutional responsibility by submitting to the Board of Governors of the World Bank a misleading amendment that failed to achieve its stated purpose. The World Bank’s Administrative Tribunal cannot be considered as independent if its Executive Secretaries are rewarded by lucrative positions from the World Bank’s litigants in the Tribunal. Mr. Nassib Ziade was promoted two weeks after he admitted tampered documentation in the Tribunal in a case involving internal control over financial reporting.

The World Bank Administrative Tribunal has conclusively demonstrated that it does not possess requisite judicial independence to consider a case concerning the mandate of the Board of Executive Directors. I enclose documentation before the US District Court to bring the International Bank for Reconstruction and Development into compliance on the capital markets.

Sincerely,

Karen Hudes

Enclosures
December 2, 2010

H.E. Jorge Dezcallar de Mazarredo
Embassy of Spain
2375 Pennsylvania Avenue
Washington, DC 20037

Re: Rule of law at the World Bank

Your Excellency,

I have informed the Executive Secretary of the Development Committee\(^1\) that it is necessary for the Board of Governors of the World Bank to provide strategic guidance and shareholder oversight when information is concealed from the Board of Executive Directors. The President, officers and staff of the International Bank for Reconstruction and Development, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority.

Pieter Stek, the former Chair of the World Bank's Audit Committee, stated: "In a multilateral institution which should be governed by the rule of law and high standards of probity the charge of concealment from the Board of Executive Directors of information relevant to the exercise of its duty of supervising management and the persecution of the person who brings this to light is extremely serious. If correct, which I believe, this poisonous cocktail undermines good governance and ultimately the effectiveness of the Bank in fulfilling its mandate."

I thank you in advance for your support in bringing the IBRD into compliance on the capital market and restoring the rule of law.

Sincerely,

Karen Hudes

Enclosures

\(^1\) Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund On the Transfer of Real Resources to Developing Countries
February 26, 2007

Mr. Russell Munk
Assistant General Counsel for
International Affairs
US Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Russell,

I have been in touch with you for the past several years concerning governance issues at the World Bank. On Friday I met with Mr. Gregory James Berger, who has just replaced Jennifer Dorn in the US ED’s office at the Bank. Prior to Ms. Dorn’s departure, I had been working with her on a global partnership on governance and rule of law, to involve the American Bar Association, as well as the International Legal Assistance Consortium of Sweden, and the Center for International Legal Cooperation of the Netherlands. I enclose minutes of a meeting with the President and Executive Director of the ABA on this initiative.

I mentioned to Mr. Berger an analysis that was carried out on the rule of law at the World Bank in 2004 by The Sentia Group using a previously classified analytic tool of the Central Intelligence Agency that forecasts policy outcomes using information on how stakeholders are positioned on an issue, how important the issue is to them, and how much power each stakeholder has. I am enclosing a copy of the outcome of this analysis, which predicted that the Bank’s Board of Directors would take back the authority delegated by them to the presidency under the Articles if the rule of law at the Bank was not respected. I also enclose an article describing the predictive power of this analysis, which is about 90%.

I have been trying to get through to Mr. Wolfowitz, in order to assure him of my loyalty to his presidency, and my desire to end the current controversy with the Board on matters of governance at the Bank. I had mentioned to Mr. Berger during our conversation that I had been in touch with you previously on these issues, and that I would again contact you in order to provide him with institutional memory.

I would also like to enlist Treasury’s support for the proposed initiative for the global partnership on governance and rule of law.

Best,

Karen Hudes

Karen Hudes

Enclosures
Karen,

Attached are very early results.

The data seems well designed. As a check, you could add up the power of the Board of Directors and Board of Governors to see if it is too much or too little compared to that of the President and Management. But for now, here are the results:
In this bargaining the outcome will fall between 50 and 70. Either one of these two outcomes *could* be secured if one has access to selected competing parties and can convince them to act decisively one way or the other.

If direct intervention is not possible the outcome will be as follows:

1. The President will adopt the winning median position. He will respond to pressure to move from 5 of 70, then follow the majority and accept 50, and again move to 70 if the debate persists. He is taking a very political flexible attitude towards this issue.

2. Members of the Board of Governors and Board or Directors from Switzerland, and France who support 100 and compromise to 90 will
drive this outcome. Likewise, the Dutch Board of Governors (who differs from his counterpart in the Board of Directors) will also press for an outcome at 70.

3. Members of the Board of Governors and Board of Directors from Japan, Germany, the UK and Canada who initially support 90 but compromise will be instrumental in stabilizing the outcome at 70 but can be persuaded to agree to 50 as well.

4. Note that there is a country “position” in these Boards. The Netherlands is the important exception as the Member of Board of Governors and Directors differ on desired policy.

In sum, there will be upward movement on this scale. The President will cave to political forces and the overall Bank will compromise either at 70 or 50 depending on who can be contacted to press for the desired outcome.

Let me know if any of these parties can be persuaded to change positions, increase their involvement or persuaded to act strategically.

Hope this is helpful.
significant international dispute, but, alas, such is not yet the case. However, it has been used successfully in a context that some may see as dispassionate as an international conflict: divorce settlements (Brams 1999). While applications to international politics may as yet be absent, there are reasons to believe that AW can be useful. Brams and his colleagues have reported as yet be absent, there are reasons to believe that AW was, in the end, settled largely in accord with what an particularly interesting as both an exposition of the AW method and as an analysis of a difficult situation that was, in the end, settled largely in accord with what an AW procedure would have produced. More recently, Denoon and Brams (1997) have analyzed the application of AW to the Spratly Islands dispute, and the results have not only been published but have been the subject of presentations to "senior policymakers in Washington, Beijing, and the Southeast Asian capitals---as well as the Secretary General of the Law of the Sea Authority" (Denoon 1999). While the AW method holds considerable promise for the future, another technique has already found surprisingly wide, if largely unnoticed, use.

**FACTIONS/Policon**

In the spring of 1995, readers of *Izvestia* were treated to an unusual account of the likely future of the Russian state, including a forecast that the path Russia was following would lead to a mixed economy similar to that of Sweden. What was novel about the article was not just the projection of a mixed economy but the fact that the analysis that led to this forecast emerged from a previously classified analytic tool of the Central Intelligence Agency that for the first time was being displayed for the citizens of the country under analysis. The tool, called FACTIONS by the CIA, had been in use for a number of years and, according to *Izvestia*, the results it produces on a wide range of topics are "on the desks of top U.S. leaders." The article, written by Sergey Chugayev, furnishes a brief explanation of the methodology of FACTIONS and considerable claims for its accuracy, but does not go into detail on either.

Fortunately, another analysis did. In 1995, a different account of FACTIONS appeared reported the specifics of the tool at much greater length. The exposition had been written in 1987 by Stanley Feder (1995), then an employee of the CIA, and published in an internal CIA journal, *Studies in Intelligence*. It became public when the CIA declassified the journal and H. Bradley Westerfield, after reviewing most of the journal's contents, sought and gained Agency permission to publish a selection of articles in *Inside CIA's Private World* (1995). Feder's account of FACTIONS is noteworthy in several respects. First, it presents detailed description of the social science modeling underlying FACTIONS, particularly the spatial theory of voting. Second, it presents an analysis of the accuracy of the forecasts generated by FACTIONS and, of particular interest, compares these to the forecasts made by Directorate of Intelligence analysts using their standard methods. Without going into detail, the forecasts produced by FACTIONS were shown to be both more specific and more accurate than the results generated by the Directorate of Intelligence. Third, Feder presented a discussion of the traps often encountered by analysts and how FACTIONS helps overcome them. For example, analysts, says Feder, have a tendency to look to the future as a projection of the past, while FACTIONS, to the contrary, begins with the assumption that policies are the product of changing political forces that are estimable.

Another noteworthy aspect of Feder's article is that it is vague on who created the model on which FACTIONS is based. He states that it was developed by Policon Corporation. This is true, but he does not state that the model was, in fact, the development of a single scholar: Bruce Bueno de Mesquita, who has used it successfully in a variety of other contexts beyond forecasts for the CIA. The model's content and method of operation are described at length in a number of his publications (e.g., Bueno de Mesquita 1994, 1997). How was FACTIONS developed by the CIA? As Feder admits in the first footnote of his article, the CIA reverse engineered its own version of the model "and it is very similar to Policon" (1995, 274). If imitation is indeed the sincerest form of flattery, this is high praise for the model's value.

Without going into detail about the actual construction of the model or how it functions (see the sources cited in the previous paragraph), it may be noted that it generates forecasts about policy outcomes using information on how stakeholders (i.e., those with both an interest in an issue and an ability to affect its outcome) are positioned on an issue, how important the issue is to them, and how much power each stakeholder has. The information on these three variables is generated through the use of experts, often area experts who have particularly well-informed knowledge on a state and its policies. Thus, FACTIONS functions as a bridge between rigorous formal theory that emphasizes a generic model of decision and policy outcomes and the more ideographic, but deep knowledge of area experts.

How does the model fair? Quite well, in fact. To return to Feder's account, he noted that the model was used "to analyze scores of policy issues in over 30 countries" (275). He reports the model's rate of accuracy was about 90%, and when the forecasts of the model and CIA analysts differed, the model's forecast was correct in every case. The forecasts generated through the model have been the subject of other assessments. Twelve specific forecasts about the future of Hong Kong reported in Bueno de Mesquita, Rubuska, and Newman's *Forecasting Political Events* (1985) were evaluated in an article in the *Far Eastern Economic Review* (McGurn 1996) and found to be overwhelmingly accurate. A number of other specific
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Sorry for the delayed response: Here is an electronic version of the stakeholder analysis on rule of law at the Bank which I ran three years ago. This model was used by the CIA to forecast policy issues in over thirty countries, with an accuracy rate of about 90%. R. Silverson, "A Glass Half-Full? No, but Perhaps a Glass Filling: The Contributions of International Politics Research to Policy", PS Political Science and Politics, 33(1), 2000. ContributionsInternationalPolitics-Siverson.pdf

--- Forwarded by Karen Alexandra Hudes/Person/World Bank on 04/23/2007 09:59 AM ---
From: "Jacek Kugler" <jacek.kugler@cgu.edu> on 04/29/2004 05:45 PM MST

To: Khudes@worldbank.org
cc: bcc:
Subject: Results on My Issue

Karen,
Attached are preliminary results. Hope they are useful.

Regards,
Jacek

Karen results.doc
--- Forwarded by Karen Alexandra Hudes/Person/World Bank on 04/23/2007 10:01 AM ---
From: Karen Alexandra Hudes on 04/29/2004 03:59 PM

To: "Jacek Kugler" <jacek.kugler@cgu.edu>
c:
bcc: "Jacek Kugler" <jacek.kugler@cgu.edu>
Subject: Re: My Issue

Dear Jacek,

Here is the data on my issue: data controls.doc

The question: compliance with Basle Committee principles for internal controls.
Development Committee Communiqué
Joint Ministerial Committee of the Boards of Governors of the
Bank and the Fund on the Transfer of Real Resources to
Developing Countries
Washington, DC, April 25, 2010

1. The Development Committee met today, April 25, 2010, in Washington DC.

2. As it emerges from the worst crisis in decades, the world economy faces an uncertain and uneven recovery. The crisis interrupted progress in reducing poverty and the impact will be long-lasting. With only five years to meet the Millennium Development Goals, we must intensify efforts to reach the poor wherever they are – in Middle Income Countries, Low Income Countries, and especially in Sub-Saharan Africa. We welcomed the World Bank Group (WBG)’s response to the crisis through new and creative approaches to help its clients, including IFC’s innovative response, as well as the increase since the start of the crisis in the WBG’s support to over $100 billion and the IMF’s support to almost $175 billion.

3. The crisis response underscored the importance of international cooperation and effective multilateral institutions. With global mandates and memberships, the WBG and the IMF must play key roles in a modernized multilateralism.

4. We noted the ongoing discussion at the IMF on its current mandate and the review of its role in surveillance, lending, and the stability of the international monetary system.

5. We recognize the historic nature of the crisis and support the World Bank Group embarking on fundamental reforms and developing a post-crisis directions strategy. The WBG will be better equipped to address the development challenges of the 21st century and its overarching objective of overcoming poverty. These ongoing reforms will strengthen the efficiency, effectiveness and accountability of the World Bank Group. We are increasing its legitimacy through voice reform. We are rebuilding its financial capacity. This transformative agenda is set out in the Synthesis Paper-New World, New World Bank Group. Effective implementation will be critical and we look forward to reviewing progress at our future meetings.

6. In line with our Istanbul commitments, we endorsed...
9. In line with our Istanbul commitments, we endorsed voice reform to increase the voting power of developing and transition countries (DTC) in IBRD by 3.13%, bringing it to 47.19%. This represents a total shift of 4.59% to DTCs since 2008 (http://www.worldbank.org/voiceibrd). This 2010 realignment includes a selective capital increase of $27.8 billion with paid-in capital of $1.6 billion. The approach used for the 2010 shareholding realignment and its elements are the basis for the current selective capital increase only. For the next shareholding review in 2015, we committed to establish a work program and a roadmap to arrive at a benchmark for a dynamic formula reflecting the principles we agreed in Istanbul, moving over time towards equitable voting power and protecting the voting power of the smallest poor countries. We reiterate the importance of an open, merit-based and transparent process for the selection of the President of the World Bank Group. We will also promote staff diversity to reflect better the global nature of the WBG.

7. As a first step in IFC voice reform, we endorsed an increase in basic votes and a selective capital increase of $200 million, representing a total shift of 6.07%, to bring DTC voting power to 39.48% and move towards a broad and flexible alignment with IBRD shareholding (http://www.worldbank.org/voiceIFC).

8. The WB must remain financially strong. We endorsed a general capital increase for IBRD of $58.4 billion of which 6%, or $3.5 billion, would be paid in capital, as set out in the paper Review of IBRD and IFC Financial Capacities. We further endorsed related matters contained in that paper as well as in Synthesis Paper-New World, New World Bank Group, including a reform of loan maturity terms to be discussed at the integrated financial review in June 2010. We recognized the importance of the inclusive nature of the GCI and our ongoing commitment to IDA by enhancing the value of IDA transfers, in line with IBRD’s financial capacity. We reiterated our support for a successful IDA-16 replenishment through fairer and wider burden-sharing. We also reconfirmed our commitment to ensuring that IFC has the resources necessary for its continued growth. We endorsed the package to enhance IFC’s financial capacity, including consideration of a long-term hybrid instrument to shareholders, subject to the Board review of terms and conditions, and earnings retention.

9. We urged the Boards and WB management to expedite the necessary procedures so the appropriate resolutions to implement the voice reform and capital packages are submitted to the IBRD and IFC Boards of Governors by end-June 2010.

10. We thank Kiyoshi Kodera for his services over the past four years as Secretary to the Development Committee. The Committee’s next meeting is scheduled for October 10, 2010 in Washington, DC.