

Statement of Managing Director Kristalina Georgieva to the Executive Board of the International Monetary Fund

Washington, D.C.

October 6, 2020

I. Introduction

Members of the Board:

I want to thank you for the opportunity to appear before you today. I want to be clear from the very start of my remarks: the WilmerHale Report does not accurately characterize my actions with respect to Doing Business 2018, nor does it accurately portray my character or the way that I have conducted myself over a long professional career.

I have dedicated my life to serving the public good. Whether at the World Bank, the European Union, or the International Monetary Fund, I have always worked hard to protect and promote the institutions that I have had the privilege to serve and help lead. I believe in their goals and I have worked tirelessly to achieve them. Those who have worked with me over my career know me as someone who respects and follows the rules, encourages open dialogue, and seeks to reach the best decisions in the right way—collaboratively and in good faith. I have always asked my colleagues to do the same.

I care deeply about due process being followed in all public institutions and in the importance of transparency by those who lead them. That is why I willingly agreed to be interviewed by the lawyers conducting the investigation into the Doing Business reports. I spoke candidly in my interview, which extended over two days, and I provided my best recollections at that time about events that had occurred nearly four years ago concerning my involvement in the Doing Business 2018 report and the workings of the World Bank at the most senior levels. I did not review any documents or refresh my memory before the interview as I was not asked to.

The email from WilmerHale requesting my participation said clearly that I was not a subject of the investigation and assured me that my testimony was confidential and protected by World Bank Staff Rules, which guarantee due process. None of this proved to be true. I was never afforded an opportunity to review the notes taken during my interview for accuracy and to offer clarifications, which is particularly concerning as I was pressured to meet the lawyers at the end of very heavy workdays. I was not allowed to read and respond to references that directly relate to my actions in the Report before it was made final and publicly released. I was also not given an opportunity to present information regarding its conclusions or challenge the fact that some of my statements were ignored or taken out of context.

These are the reasons why my submission to you today will be somewhat detailed, as I wish to refute many of the inaccuracies and incorrect assumptions made by the Report's authors.

II. Context for the Doing Business Report and Country Rankings

As you well understand, rankings of countries by multilateral organizations—whether related to business issues, health outcomes, development status, human rights, or any other issue—often disappoint, annoy, or even anger a particular nation. As a multilateral leader, I understand this phenomenon well. Central to my job at the World Bank, and today at the IMF, was and is protecting the integrity of such reports, which are based on data, facts, and analysis. I fully recognize the importance of making sure that they are products of robust research, that we can explain the outcomes of these reports to the representatives of concerned countries, and that we manage countries' expectations appropriately in order to navigate these sometimes difficult situations. I cannot stress more strongly that I would never urge the alteration of data and analysis to please a particular government, and I have never pressured anybody to manipulate data to achieve such a result.

Prior to 2017, the Doing Business report was no stranger to controversy, and was often the subject of complaints by many countries. The publication had gone through multiple changes and external reviews, the most prominent one carried out by an independent high-level panel in 2013 at the request of World Bank President Kim. The panel recommended dropping the rankings because of the significant room for data interpretation, making them a fertile ground for complaints. Many of the controversies about Doing Business related to its frequently changing methodologies and value judgments, which would impact country rankings, sometimes unexpectedly. It was not unusual for a country to be raising concerns about the rankings.

III. My Involvement in Doing Business 2018

Moving to the Doing Business 2018 report, I want to be clear: I had a very limited role, consistent with my level of responsibility. It is also important that my involvement is seen in the context of my other responsibilities as CEO of the World Bank at that time. You all already have a good sense of the role of a CEO. Let me still describe in a few words what I was doing in the fall of 2017, nine months into my newly created position. As the CEO of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA), I had 10 Vice Presidents reporting directly to me—6 Regional, 3 Global Practices, 1 Central Policy Unit (OPCS)—and the Sr. Director for Development Economics (DEC). In total, I was overseeing some 8,000 staff. I managed the overall functioning of the organization: its lending, policy compliance, and operational performance. My particular focus was on implementation of the first year of the largest IDA replenishment in its history. This was challenging as it was becoming clear that the structure of the Bank, dominated by very large “global practices”, was becoming less responsive to the client needs, and we needed to rebalance staff incentives towards the demand from the “regions”. Managing the Bank was an intense and time-consuming process, requiring multiple streams of work on strategy, organizational effectiveness, lending allocations, portfolio

performance, risk management, and financial sustainability. With that as background, let me summarize the story of the Doing Business 2018 report as best I can, reconstructing events from four years ago.

Concerns about China's ranking in the Doing Business 2018 report originated in the President's Office, and the work to respond to these concerns was carried out by the Doing Business team, a relatively autonomous entity within DEC. I am not aware of the exact time, but in the fall of 2017 the President of the World Bank realized that Chinese officials had high expectations for China's ranking in the upcoming Doing Business report. These expectations were based on the reforms the country had been implementing and had apparently been reinforced by relevant Bank staff.

Once the President's Office found out that there was a significant discrepancy between China's expectations and where the country was falling in the ranking, it requested the report to be paused and reached out to the Doing Business team to ascertain why there was such a discrepancy and to address it. I was not included in these initial discussions. However, I learned about them from my staff when the Doing Business team was working with some of the President's aides to change the report's methodology by integrating Hong Kong's data into China's score.

Doing so would have significantly improved China's Doing Business ranking. After being briefed on the proposal, I concluded it was inappropriate and hastened to stop it. It was illustrative of my commitment to data integrity, an important point that the investigators failed to recognize. It also shows that I had absolutely no interest in boosting China's ranking, which would have happened if the team had been allowed to proceed with the version of the publication that incorporated Hong Kong's data into China's.

On October 18, the relevant senior staff came to my office to discuss how to address China's high expectations, an issue normally handled by the Country Director and his staff. The

decision we reached, entirely in line with Bank practice, was for the Country Director to open paths of communication through China's Executive Director's office to the Chinese authorities, in order to manage China's expectations down.

We also agreed that it was important to understand the reasons for the large discrepancy between China's expectations and reality. As recently stated by the Sr. Director for DEC, Shanta Devarajan, I was clear that I expected the integrity of the publication to be protected. The Doing Business team offered to carry out simulations to examine the reasons for China's unexpectedly low score, given the positive trajectory of China's ranking over the past years. It was a legitimate effort by the team to better understand how the rankings were calculated and to confirm whether they were correct.

Over the next two days, the team scrutinized the data, considered and dismissed removing one of the two Chinese cities where data was collected, and made minor adjustments based on their review. I had no engagement in these deliberations. The Doing Business team recommended finalizing the report based on its work. Apparently during this process, the team applied judgements that led to a less than one point change to China's score and resulted in China having the same ranking as the previous year. Again, I did not participate in any of the technical discussions related to China's ranking. I only received the final conclusion of the team. It should be stressed that decisions for Doing Business were the responsibility of DEC management. My role was limited to making sure that the report was published on time, given that it had been paused by the President's Office, and approving and signing the Report's foreword. In addition, it should be emphasized that staying flat compared to the previous year was a disappointment for China, which expected an improvement in its ranking from Doing Business 2017. Notably, China's ranking did improve significantly in subsequent years, perhaps confirming the validity of their expectations and those of Bank staff at the time of Doing Business 2018. In Doing Business 2019,

China's ranking went up to 46 from 78, and in Doing Business 2020, China's ranking went up again to 31.

Once I was alerted that the team had concluded its work, I asked that the publication, which had already been delayed, be finalized promptly.

This is the basic framework of events as they occurred from my perspective and to the best of my recollection. It's unfortunate that the investigating lawyers have taken my engagement out of context and accused me of inappropriate actions in relationship to these events.

IV. Five Critical Errors in the WilmerHale Report

I would like to clearly spell out why I disagree with the accusations against me in the investigation Report.

1. The Report Conflates China's Doing Business Ranking with Its Support for the Bank's Capital Increase.

The central error of the Report is its conclusion that my interest in dealing with China's ranking in the Doing Business report was primarily for the purpose of ensuring China's support for the World Bank's capital increase campaign. This is stated directly in paragraphs 3 and 4 of the Report, and the entire narrative about my role in Doing Business 2018 rests on this assumption. But this assumption is wrong. There is considerable evidence in the public domain, including in World Bank documents—from Board meetings and from China's statements at Spring and Annual meetings—that China unequivocally supported a capital increase for the Bank for many years. It is amazing to me that the WilmerHale team failed to acknowledge this extensive public record and then rushed to make an incorrect link between the activities related to Doing Business 2018 and the capital increase campaign. China has consistently sought the maximum possible capital increase at the World Bank. It did not need nor ask for any "favors" in order to participate in the capital increase—and the issues of its Doing Business ranking and China's contribution to the Bank's capital have never been linked.

I told this to WilmerHale during my interview. Nevertheless, the WilmerHale team mistakenly linked these two activities. To be sure, they were occurring during the same time period. But in fact, they were not related. For evidence of a connection, they use the perception of the Sr. Director of DEC, who, like many other Bank staff, was aware of the significance of the capital increase campaign, but not professionally involved with the initiative. This is not the only time that the lawyers drew the wrong conclusion on the basis of impressions and opinions of those without direct knowledge of or participation in key events.

I completely reject the false insinuation in the Report that my colleagues and I at the World Bank would inflate a country's Doing Business ranking in exchange for capital commitments. No such thing ever happened. I would never permit it to happen under my leadership.

2. The Report Draws Incorrect Conclusions about my Relationship to the Doing Business Staff.

The grave error of linking Doing Business 2018 and the capital increase is the result of a process of substituting hearsay and innuendo for facts. And this is done throughout the Report. This is clearly the case with the false accusation in the Report that I pressured staff to improve China's Doing Business ranking by manipulating data. Not only is there no credible evidence for this charge, but subsequent to the issuance of the investigation Report, the Sr. Director of DEC, one of the individuals primarily in charge of Doing Business 2018, came forward on September 23, 2021 to strongly repudiate this accusation. I would urge all of you to closely examine the recent statement by Shanta Devarajan, in which he said "At no point did I feel I was being pressured. The notion that @KGeorgieva put her thumb on the scale to benefit one nation is beyond credulity. It was her job to ensure the final report was accurate and credible—and that's what she did."

On September 30, 2021, Mr. Devarajan again came forward in a letter to the editor of the Economist, stating:

I was the senior director overseeing the report in 2017. Her direction to me was clear: verify the numbers without compromising the integrity of Doing Business. I was comfortable that the score for China was comparable to previous years' scores. Contrary to your headline, at no point did I feel any pressure from her. The *Economist* got it wrong.

It is clear from Mr. Devarajan's statements that I did not pressure the Doing Business team to take any actions related to the Doing Business 2018 report.

Nevertheless, in support of the Report's conclusion that I pressured staff to improve China's ranking, it highlights an email that was sent to me by Mr. Devarajan, which informed me of the team discovering a "technical solution" to the Doing Business report. I don't recall when I saw the email, nor its exact wording, as it came during one of the busiest times of the year. However, it is fair to say that at the time, I would have understood this phrase to refer to the work Mr. Devarajan and his team were doing to verify the report's information and to understand the discrepancy between China's expectations and its ranking. It is also necessary for me to point out that the Doing Business team routinely makes changes to the data underlying the Doing Business report without discussing it with or getting approval from senior management as part of the established Bank-wide review process. I certainly did not understand this email to mean that the Doing Business team had inappropriately changed data. To do so would have been inconceivable to me. If I had been aware of any staff concerns relating to data integrity, I would have asked them to make clear their concerns so they could be discussed and addressed.

3. The Report Incorrectly Concludes that Simeon Djankov Acted at My Direction.

The Report also incorrectly concludes that, at my direction, Simeon Djankov became involved in Doing Business 2018's final publication in order to "identify changes to China's data that would raise" its ranking. Mr. Djankov worked as a consultant in my office on a part-time basis

at the time, and had no responsibilities related to Doing Business. He was among the original authors of the Doing Business report while he worked at the IFC and remained in contact with members of the team—but with no direction from me or anyone else from my office. The Report cites no evidence that I asked for Mr. Djankov’s assistance, nor does it identify testimony from those who participated in conversations with me and Mr. Djankov. As is acknowledged only in a footnote to the Report, I explained to the investigating lawyers that I did not ask for Mr. Djankov’s involvement in Doing Business 2018. I want to stress that I had full trust in DEC’s Sr. Director, Shanta Devarajan, and fully relied on him and his staff to do the work expected of them.

4. The Report Is Incorrect About the Timing of My Involvement in Doing Business 2018.

The Report suggests that I only took over responsibility for the Doing Business 2018 report after China’s concerns came to light. I was the direct supervisor of DEC, the department producing the Doing Business report, overseeing its publication. Thus, I was not involved in Doing Business 2018 because I had an interest in any country’s ranking. My involvement was the result of my overall management responsibilities. To be absolutely clear, it did not matter to me where China or any other country was ranked in the Doing Business report. I cared only about the integrity of the report and ensuring that it was delivered in a timely manner.

5. The Report Incorrectly Transforms Normal Social Interactions into Evidence of Inappropriate Behavior.

Finally, the Report concludes that “actions following the changes to China’s data confirm [my] involvement.” I was shocked to read that in support of this conclusion the Report notes only that I thanked Mr. Devarajan for his work on Doing Business, and that I stopped by an employee’s house the weekend before I had to approve the forward to Doing Business 2018 to pick up a print copy of the final publication.

The members of this Board have first-hand knowledge of the value I attach to recognizing the contributions of staff. Saying “thank you” comes naturally to me. In this particular case, I apparently added “for doing your bit for multilateralism”—I don’t recall it, but it should not come as a surprise when used to praise the work of staff in a multilateral organization and in the context of finalizing a global report, anticipated to come out on a particular date, but falling behind schedule.

The Report also suggests that picking up a print copy of the Doing Business report from one of the authors’ driveway was inappropriate and somehow evidence of my participation in manipulating data. That the Report makes so much of this innocent event is disturbing.

In my interview with the lawyers, I volunteered that I had picked up the report from a colleague’s house, but at that time I could not remember the circumstances as to why it happened. Checking my calendar, it is now clear I needed to see a hard copy of the report over the weekend to release it for publication due at the start of the new week. The easiest and least intrusive way to collect it was to stop by the house of my colleague who already had a copy. As CEO of the World Bank, I worked hard to nurture teamwork and an inclusive environment and set an example for a non-hierarchical management style. I can provide numerous examples of driving assistants home after a long day in the office or doing office tasks myself to allow support staff to go home. In support of a better work-life balance, I made it a point to discourage staff going to work over the weekend. Though I routinely work weekends, I try hard to minimize the inconvenience it causes staff. The Report totally misconstrues the situation. It is disappointing that a considerate leadership style was so distorted and made out to be an act indicating inappropriate behavior.

V. Final Thoughts on the WilmerHale Investigation and My Role

Altogether, I believe that the WilmerHale Report mischaracterizes my actions and reaches the wrong conclusions. It takes responsible actions and contorts them, making the worst and most

tenuous inferences possible about each event based on little direct evidence, and without taking into account my statements, professional history, or personal style. It also ignores the operations and realities of a complex, multilateral institution. My involvement in Doing Business 2018 was in good faith and consistent with my responsibilities at the World Bank.

Beyond this particular case, I want to remind the Board of my decades-long reputation for managerial integrity, for treating staff at all levels with respect, and for nurturing an environment where staff feel encouraged to speak their mind. My track record spans the World Bank, the European Union, and now the IMF. A fair process would have required ascertaining whether there was a pattern in my behavior in pressuring staff. There isn't, and as far as I can tell, my history was not considered in drawing the Report's conclusions. The idea that after nearly 20 years at the World Bank, I would suddenly start pressuring Bank staff inappropriately to change information in a Report is outrageous and untrue. The Bank and the Fund live by our data and our analysis. To corrupt these is simply unacceptable.

To conclude, for all the reasons above, I take issue with the Report's findings about my role in Doing Business 2018. I am also deeply concerned by the way in which it was released to the public and the precedent it sets for unfair treatment of World Bank staff.

I want to finish by acknowledging the respect and appreciation I have for my former colleagues. It is always my goal to make sure that everyone is empowered to speak up and out in difficult situations, and this is why I take the sentiments of employees as expressed in the Report extremely seriously. Looking back, I wish I had had more insight into the work of the Doing Business team, and that I had been more aware of the concerns some of them apparently had. Looking forward, this experience only strengthens my commitment to nurture healthy, open, and inclusive work environments, and to stress the sanctity of data, rigorous research, and the ability to express views freely.

As you will all appreciate, given the enormity of the global crises we face today, and the Fund's important role in addressing these crises, it is imperative that we redouble our efforts to pursue the crucial work we do and the leadership role that we have, as soon as possible. I am committed to my core to fulfilling the vital mission of the IMF. Thank you very much.
