

RECOMMENDATIONS FOR STRENGTHENING THE TERMS OF REFERENCE FOR THE WORLD BANK GOVERNANCE & ANTICORRUPTION EXTERNAL ADVISORY GROUP

July 14, 2008

Transparency International (TI) welcomes the World Bank's decision to create an External Advisory Group (EAG) to review and promote progress on the Governance and Anticorruption (GAC) Strategy. As TI Chair Huguette Labelle stated in her letter to President Zoellick on February 11, 2008, TI has "consistently recommended such an external expert advisory group to oversee and promote the Bank's broad-based anticorruption efforts, and its creation is particularly timely at this critical juncture when so much depends on effective implementation." We are pleased to provide input to the draft Terms of Reference (ToR), which are critical to ensuring this body's effectiveness and credibility.

TI agrees with the EAG objective of reviewing the progress of and providing feedback on GAC Strategy implementation, and we recommend strengthening the ToR to secure the EAG's credibility and empower its members to fulfill its objective.

The EAG ToR must secure the independence and objectivity of the EAG to ensure, and create the perception of ensuring, the EAG's credibility as an external accountability and advisory mechanism. If constituted correctly, the EAG will play a powerful role in building the credibility of the World Bank's GAC efforts.

The EAG ToR also must provide for sufficiently robust external scrutiny to fulfill President Zoellick's intention "to ensure that the [Bank] was making tangible progress in its fight against corruption." President Zoellick first called for an external body in response to the India DIR, a Bank report that he summarized as finding "unacceptable indicators" of corruption in Bank-funded Indian health care projects and "flawed" Bank design, supervision, and evaluation systems. The ToR should therefore outline a framework for the kind of robust accountability mechanism which the President seeks.

Finally, the ToR should provide the EAG with a means to support the Bank with the expert, constructive advice that the Bank seeks. The endeavor of integrating governance and anticorruption throughout the entirety of World Bank operations ("GAC is everyone's business.") is a complex task with little precedent. The ToR must therefore provide the EAG members with adequate time, information, and expertise to fulfill this advisory function.

In light of the above, TI contributes the following recommendations, which are based on best practices and expert opinions from prior external reviews such as those conducted by Paul Volcker and Richard Thornburgh.

TI RECOMMENDATIONS TO STRENGTHEN EAG TOR

1. Bank Support & Robust Governance Structure

- **Bank Board Support:** To establish a strong mandate, the EAG would benefit from a strong public expression of support from Senior Bank Management and the Bank's Board of Directors.
- **Advise the President and Board:** The EAG should submit its views to the Board and report to the World Bank President.
- **Permanent Chairman:** A permanent Chairman should lead within the EAG to assure continuity and coherence of the EAG's operations.
- **World Bank Contact Point:** The EAG should have a regular contact point within the World Bank's senior management, preferably at the Managing Director level.

2. Independence, Transparency & Accountability

- **Panel-Member Selection:** EAG members should be selected through a transparent process that leads to an independent and representative body.
- **Public Input:** The EAG should publish on a timely and accessible basis its activities and submissions to the World Bank.
- **Dedicated Website:** The EAG should have a dedicated website to post its activities and submissions, and provide an opportunity for external stakeholder input.
- **Consolidated Progress Report:** Prior to submitting the Consolidated Progress Report (CPR) to the board, the EAG should publish its findings for external comment, which should be taken into account in the CPR.

3. Time

- **Sufficient Time:** The EAG should be afforded sufficient time to effectively perform its function. An annual two day meeting is insufficient given the scale of the task.
- **Flexible Frequency of Meetings:** The EAG should meet throughout the year, as necessary to fulfill its objectives.
- **Clear Timeline:** The EAG should be constituted for a three year period, with a multi-stakeholder (Bank, Board, EAG, external stakeholders) review of the EAG effectiveness at that time, with a renewal option.

4. Access to Information

- **Access to World Bank Information:** The EAG should have immediate and unrestricted access upon request to all documents under the Bank's control, with appropriate controls to protect confidentiality where appropriate.
 - **WB Staff Cooperation:** Bank management and staff should cooperate with and provide the EAG with access to all information in a timely fashion.
 - **Whistleblower Protection:** Whistleblower protection should be extended to Bank staff and management who provide information to the EAG.
 - **Governance Council Documents:** The EAG should receive all documents submitted to and emerging from the monthly Governance Council meetings.
 - **Input from Control Units:** The EAG should establish a close liaison with control units, particularly with Institutional Integrity (INT).

- **Stakeholder and Country Level Input:** The Bank should support the EAG in obtaining external input, including country-level stakeholders, governments (executive and non-executive), other multilateral institutions, civil society organizations, academia, and the private sector. The EAG should have the ability to travel to relevant countries to obtain country-level feedback.

5. Technical Expertise:

- **Technical Expertise:** The EAG members should be selected based on their expertise in governance and corruption matters, including an understanding of the social, cultural, economic and political dimensions of corruption.
- **Technical Expert Support:** Given the highly technical and complex nature of the issues under review (*i.e.* the Volcker Report, country procurement systems, and corporate controls), the EAG should be able to call on outside experts to assist in its assessments.
- **Staff Support:** The EAG should have dedicated staff support to assist it in collecting and analyzing information. Such staff should be located within a World Bank control unit (such as the Independent Evaluation Group (IEG) or the Quality Assurance Group (QAG)) independent from the parts of the Bank under review.

CONCLUSION: EAG AS A COMPLEMENT TO OTHER EXTERNAL INPUT

We close by referring to the GAC Strategy Implementation Plan (IP), which states that the EAG should be institutionalized in the context of a broader framework of external input, particularly at the country level:

[The] key and related messages that came through very strongly in the [GAC IP] feedback...:

- *The need for the World Bank Group to be working closely at the country level with a wide range of stakeholders, including grassroots organizations, and not to be working out CGACs only with governments, ensuring that processes at the country level were truly participatory;*
- *The need for some form of independent oversight of progress, both at the country level as well as at the level of the overall program, for example through a possible external advisory council. (See GAC Implementation Plan, September 28, 2007, p. 11, para. 26)*

The Bank should consider constituting external advisory bodies at the country level, where proximity to the “field” will provide informed, timely, and representative insights on the effectiveness of GAC implementation, and help promote political or public ownership. The EAG should draw from these national bodies as it advises the Bank.

The EAG should serve as a complement to external stakeholders, including civil society, the private sector, and other donors, who will continue to scrutinize and provide valuable input to the Bank’s work. The EAG’s work should be conducted in conjunction with the Bank’s move to maximize operational transparency, institutionalize regular external consultations, and promote the demand-side for accountability at the country level.

TI appreciates the opportunity to submit these recommendations and looks forward to continued cooperation in driving the anti-corruption agenda forward.