

Good  
Practice  
Note

Environment & Social  
Framework for IPF  
Operations

**Third-Party  
Monitoring**

First Edition  
Published June 2018

Afshan Khawaja (OPSES) and Anne-Katrin Arnold (OPSES) led the overall preparation of this Good Practice Note with a team consisting of Leila Chennoufi (Sustainability and Environment Consultant), Elizabeth Smith (OPSES), and Colin Scott (OPSES).

# Abbreviations

<b>CSO</b>	Civil Society Organization
<b>EHSGs</b>	World Bank Group Environmental, Health and Safety Guidelines
<b>E&amp;S</b>	Environmental and social
<b>ESCP</b>	Environmental and Social Commitment Plan
<b>ESF</b>	Environmental and Social Framework
<b>ESMP</b>	Environmental and Social Management Plan
<b>ESP</b>	Environmental and Social Policy
<b>ESS</b>	Environmental and Social Standard
<b>FCV</b>	Fragility, Conflict, and Violence
<b>GIIP</b>	Good International Industry Practice
<b>GPN</b>	Good Practice Notes
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IPF</b>	Investment Project Financing
<b>IDA</b>	International Development Association
<b>NGO</b>	Non-Governmental Organization
<b>OHS</b>	Occupational Health and Safety
<b>PIU</b>	Project Implementation Unit
<b>RAP</b>	Resettlement Action Plan
<b>SEP</b>	Stakeholder Engagement Plan
<b>PDO</b>	Project Development Objective
<b>TORs</b>	Terms of Reference
<b>TPM</b>	Third-Party Monitoring

# Glossary

- Expert/Specialist:** A person or firm with the necessary combination of skills, education and experience to investigate, assess, summarize and make recommendations on a particular topic or scope of work. An expert or specialist team should include individuals familiar with the local context, as well as individuals knowledgeable about World Bank requirements.
- Independent Expert/Specialist:** An expert or specialist individual or firm that is able to provide professional, objective, and impartial advice, without consideration of future work, and avoiding conflicts with other assignments or their own business or personal interests. Such independence supports the objectivity of the environmental and social assessment, without regard to vested interests and without reason to influence the outcome of the assessment. In certain circumstances where the specialist has been involved in the preparation, design, and implementation of the project (for example, early feasibility studies), they may still be engaged in conducting the assessment if the Borrower can demonstrate to the satisfaction of the Bank that there is no conflict of interest, and that to engage such a specialist would be of benefit for the assessment.
- Internationally recognized independent expert:** An individual or firm that demonstrates education and experience expected of a senior-level specialist in the particular field, depending on the characteristics needed for the works. The person may have certifications and may be an active member of a relevant professional organization and have documented knowledge in the field.
- Third-party Monitoring (TPM):** TPM refers to (i) an approach to smart supervision whereby the Bank contracts an independent agent to verify that project implementation by the Borrower complies with the provision of the financing agreement and that the environmental and social performance of the project meets the agreed standards; and (ii) an approach to project implementation whereby the Borrower contracts third parties to strengthen monitoring and evaluation systems and obtain additional data on the achievement of progress development. When TPM is used for Bank supervision, the Bank maintains its own supervision obligations, but may transfer the implementation of the monitoring to an agent.
- Third party:** A third party is a party external to the project, who is neither a direct beneficiary of the project nor part of the project's management structure. Typically, third parties come from non-governmental organizations (NGOs), academia, aid organizations, United Nations agencies or private firms. For the purpose of this GPN, third parties are either experts/specialists with specific, project-relevant expertise, or other stakeholders that monitor specific aspects of a project's performance.

# Contents

<b>1. Introduction</b> .....	<b>2</b>
Environmental and Social Framework .....	2
Third-party Monitoring (TPM) .....	2
<b>2. The TPM process for project implementation by the Borrower</b> .....	<b>4</b>
Step 1: Determine if TPM is advisable .....	4
Initial decision .....	4
Project characteristics .....	5
Key benefits and challenges .....	6
The Bank's role .....	7
Step 2: Determine scope and develop TOR .....	8
Scope .....	8
Terms of Reference.....	9
Step 3: Select and contract third-party monitors.....	10
External experts .....	10
Individuals vs. firms .....	10
Independence from project preparation .....	12
Independence of third parties.....	13
Procurement.....	14
Confidentiality.....	14
Step 4: Manage the TPM program.....	15
Effective management.....	15
Changing commitments.....	15
Frequency of monitoring.....	15
Step 5: Reporting and transparency .....	16
Documenting findings and results .....	16
Transparency and confidentiality .....	16
<b>3. When the Bank contracts TPM Directly for Smart Supervision</b> .....	<b>17</b>
Bank's TPM activities .....	17
Capacity or specific skills required .....	18
Coordination .....	18
Funding when TPM is on behalf of the Bank .....	19
<b>ANNEX 1: Resources</b> .....	<b>20</b>
<b>ANNEX 2: Template TORs for third-party monitoring</b> .....	<b>20</b>

# 1. Introduction

## Environmental and Social Framework

Under the Environmental and Social Framework (ESF), the World Bank provides multiple entry points for engaging third-party to (i) support Borrowers in carrying out project implementation through better monitoring and (ii) support the Bank in fulfilling implementation support duties. On the Borrower side, involving stakeholders and third parties in project implementation is intended to improve monitoring and progress towards the project development objective (PDO), including in situations where the Borrower has limited capacity to assess and manage environmental and social risk or in situations of fragility, conflict, and violence (FCV) where access to project sites is limited due to security concerns.

This good practice note offers a step-by-step approach for Bank staff to assist Borrowers in establishing third-party monitoring (TPM) for project implementation. The information may also be useful for Borrowers who wish to benefit proactively from TPM to improve project performance, in cases where the use of TPM has not been required. The scope of the note is therefore focused on cases where TPM is primarily used to assist the Borrower.

### Box 1: World Bank's Good Practice Notes

The World Bank is providing a series of Good Practice Notes (GPN) to accompany the ESF to support its implementation. This note focuses on third-party monitoring to improve Borrower capacity in IPF. The GPN have been developed in partnership with specialist advisers from inside and outside the Bank and are designed to be reviewed and updated periodically, when appropriate. The note should be read in conjunction with the ESF, including the Policy, the Environmental and Social Standards (ESS1-10) and the accompanying Guidance Notes.

## Third-party Monitoring (TPM)

***The goal of using third parties to assess the status and performance of a project, its compliance status, or emerging issues through a specialized party is to provide an unbiased perspective on the issue and status, and to make recommendations for improvement, where relevant.*** TPM is used widely in technical and engineering projects, physical infrastructure, financial or procurement compliance, governance and accountability, and environmental and social monitoring of project implementation. Reviews<sup>1</sup> of the effectiveness of TPM of development projects during their implementation have highlighted the positive impact on project performance and, ultimately, its development impact.

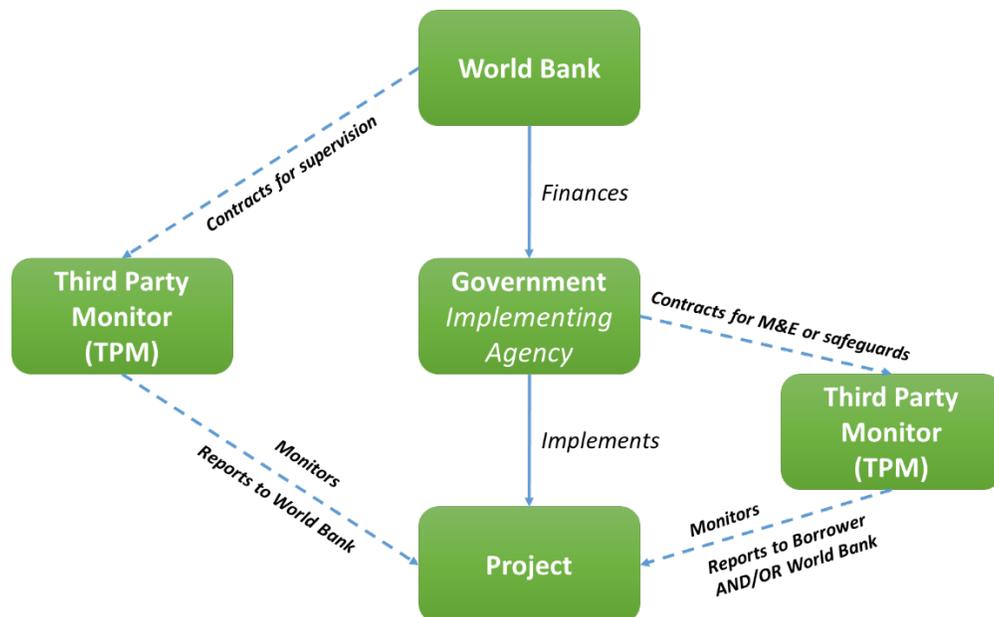
***Borrowers may engage TPM to complement their own capacity for project monitoring.*** The Bank's Environmental and Social Standards (ESSs) include several requirements for TPM to be engaged by the Borrower to complement Borrower expertise. As such, TPM in the context of the ESSs focuses on (1) the role of third-party specialists in the Borrower's implementation of a Bank-financed project, and (2) the

<sup>1</sup> See Annex 1 for resources and examples: "External monitoring of the Chad-Cameroon pipeline projects," International Finance Corporation, September 2006; "Third Party Monitoring Programme for the Afghanistan Reconstruction Trust Fund: A Review," World Bank, 2014.

role of stakeholders, including from civil society, to complement or verify the Borrower’s own monitoring activities.

**TPM may have a different focus if it is engaged directly by the Bank to complement the Bank’s own ability to monitor projects in situations where the project may be difficult to access.** In such cases, TPM promotes “Smart Supervision” by enhancing the Bank’s presence in the field and getting “eyes and ears on the ground” when World Bank staff are unable to do so directly<sup>2</sup> due to high levels of security concerns. Furthermore, in such cases, TPM providers are contracted through Corporate Procurement. Through this “Smart Implementation” approach<sup>3</sup>, Borrowers can benefit from additional support and expertise from experts in monitoring particular environmental and social issues or an overall program. Figure 1 illustrates the relationship between Bank, Borrower, and TPM.

Figure 1. Forms of TPM in relation to Bank, Borrower, and project



<sup>2</sup> See FCV Group (forthcoming Operational Note) “Approaches to Smart Supervision in Insecure Areas: Third-Party Monitoring and Beyond.”

<sup>3</sup> See FCV Group (forthcoming Operations Note).

## 2. The Third-party monitoring process for project implementation by the Borrower

### Step 1: Determine if TPM is advisable

#### Initial decision

The TPM process begins with a decision on whether TPM is required or at least advisable. **The Bank will identify the need for TPM as early as possible during project preparation and appraisal.** The requirement will be included in the ESCP, which is part of the legal agreement. When unforeseen issues arise following the agreement of the ESCP, TPM may need to review recent information or performance, such as follow-up to a major incident or accident.

**The Bank’s due diligence is to require the Borrower to engage TPM where appropriate and to require the Borrower to collaborate with third parties to establish and monitor agreed mitigation measures.** When the Bank engages TPM, this decision will depend on the accessibility of the project to Bank supervision and the Borrower’s capacity to monitor the project (see Section 3 for more details).

**The ESF includes specific requirements for the kinds of projects and the kinds of issues that require TPM to support implementation of the environmental and social risk management aspects of the project.** Generally, complex and contentious projects may need a higher degree of involvement by a third party. Bank staff will assess each project and advise the Borrower or other partners on the requirements, the scope of work, action plans, and monitoring and reporting arrangements that involve third-party. Table 1 summarizes the requirements for TPM in the ESSs.<sup>4</sup>

**Table 1. ESF summarized commitments regarding monitoring and independent expertise in ESS 1-10**

#### **ESS1. Assessment and Management of Environmental and Social Risks and Impacts**

- Engage one or more internationally recognized independent experts for projects that are High Risk or contentious, or that involve serious multidimensional environmental or social risks or impacts (for example, in the form of an advisory panel), and identify the third parties in the Environmental and Social Commitment Plan (ESCP).
- Engage stakeholders and third parties, such as independent experts, local communities, or civil society organizations (CSOs), to complement or verify the Borrower’s own monitoring activities and collaborate with such agencies and third-party.

<sup>4</sup> The ESF also includes references to third parties in other roles, including as independent specialist to carry out the environmental and social assessment (ESS1), as employers of project workers (ESS2), as professionals engaged in the design of structural elements (ESS4), as experts consulted with when assessing biodiversity baseline conditions or to assess whether an offset is feasible (ESS6), as experts consulted with when assessing cultural heritage sites (ESS8), or as experts supporting the Borrower’s stakeholder identification (ESS10). These roles of third parties are not addressed in this GPN, as they do not relate solely to monitoring.

#### ESS4. Community Health and Safety

- Engage separate independent experts with relevant and recognized experience when structural elements or components of a project are situated in high-risk locations, including those with risk of extreme weather or slow onset events, and their failure or malfunction may threaten the safety of communities to conduct a review as early as possible in project development and throughout the stages of project design, construction, operation, and decommissioning.
- Contract experienced and competent professionals for the supervision of the design and construction of dams, provide administrative support for its activities, and report on the panel’s conclusions and recommendations.

#### ESS5. Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

- Retain competent resettlement professionals for all projects with significant involuntary resettlement impacts to monitor the implementation of resettlement plans, design corrective actions as necessary, provide advice on compliance with this ESS, and produce periodic monitoring reports.
- Commission an external completion audit of the resettlement plan for all projects with significant involuntary resettlement impacts when all mitigation measures have been substantially completed, undertaken by competent resettlement professionals.
- Make arrangements for monitoring of displacement and resettlement activities by the implementing agency, supplemented by third-party monitors.

### Project characteristics

***The decision to require TPM will take into account the*** specific requirements of the ESSs, the specific nature and extent of the risks and impacts of the project, the complexity of the project, any stakeholder concerns, and Borrower capacity to implement and monitor the project. Box 1 provides examples of other project characteristics that may benefit from TPM.

**Box 1. Project characteristics that may benefit from TPM**

- Potential impacts to endangered species of flora or fauna, needing specialized expertise in that species
- Certification or verification of performance or results, such as independent auditing
- Labor force size and relationship to the local area
- Labor unrest requiring regular monitoring by independent specialist
- Significant number of grievances, requiring independent review
- Health and safety incident requiring expert advice on mitigation
- Cultural heritage discovered during excavation works (requiring anthropologist or archeologist)
- Independent biodiversity expert to review implementation of biodiversity action plan and make recommendations for adaptive management
- Allegations of gender-based violence or discrimination, requiring independent specialist or specialist organization
- Community monitoring of benefits or impacts
- Ability to reach project sites, due to security concerns or other restrictions.
- Risk category for the Project
- Capacity of the Borrower and/or Project Implementation Unit to monitor the environmental and social risks and impacts of the Project
- Amount of resettlement and livelihood restoration required

**Key benefits and challenges**

When deciding whether to engage third-party monitors, benefits and challenges should be considered (see Table 2).

**Table 2. Benefits and challenges of TPM**

Benefits	Challenges
<p><b>Independent verification of information</b></p> <p>Where the Borrower has internal monitoring and reporting mechanisms in place, TPM allows verification of the appropriateness of measures for managing particular issues and impacts, and for evaluating the implementation of environmental and social (E&amp;S) commitments, identifying strengths and weaknesses and recommending improvements in order to meet project objectives and/or project E&amp;S requirements.</p>	<p><b>Bias</b></p> <p>Some third parties may have particular advocacy positions on certain project-relevant issues, such positions should try to be identified prior to being selected for the work to be undertaken. In some cases, regardless of these views, expert knowledge can make the third party an asset to the work, such as a health CSO with detailed information about health issues in the project area, or a zoologist with particular expertise on an endangered species in the project area. However, if a more neutral perspective is</p>

	<p>needed, a strong actual or perceived bias can significantly influence outcomes of the work being undertaken. Selection of appropriate third-party monitors is one of the most important factors in the credibility of the outcomes and a particular position or bias that may be inherent in the work being undertaken by the third-party monitors, should be acknowledged early in the monitoring report.</p>
<p><b>Capacity building and implementation support</b></p> <p>In the context of development, with situations where capacity gaps are observed (for example, in remote project areas, or in new or emerging expertise), repeated exposure to qualified third-party experts plays a key capacity-building role, whether it is an intended goal or not. The TPM process may contribute to a significant understanding of the benefit of external experts, both through the informal sharing of knowledge and information and the recommendation of improvements to the project’s E&amp;S performance.</p>	<p><b>Understanding of project</b></p> <p>A third party is usually not going to be as knowledgeable about the Project as the Borrower or the Bank. It is critical to brief the third-party monitors adequately and provide them with relevant contacts, documentation, and support, to encourage realistic recommendations that can lead to improvements in the project, where appropriate.</p>
<p><b>Increased credibility and trust</b></p> <p>The presence of a third-party monitor who is independent of the Borrower may improve the level of trust of project-affected parties and the credibility of findings or summary of findings that may be released into the public domain.</p>	

### The Bank’s role

***The Bank will identify the need for TPM as early as possible during project preparation and appraisal.*** The requirement will be included in the ESCP, which is part of the legal agreement. When unforeseen issues arise following the agreement of the ESCP, TPM may need to review recent information or performance, such as follow-up to a major incident or accident. ***The Bank’s due diligence is to require the Borrower to engage TPM where appropriate and to require the Borrower to collaborate with third parties to establish and monitor such mitigation measures.***

*ESP paragraph 58*

*“Where appropriate and as set out in the ESCP, the Bank will require the Borrower to engage stakeholders and third parties, such as independent experts, local communities or nongovernmental organizations (CSOs), to complement or verify project monitoring information. Where other agencies or third parties are responsible for managing specific risks and impacts and implementing mitigation measures, the Bank will require the Borrower to collaborate with such agencies and third parties to establish and monitor such mitigation measures.”*

## Step 2: Determine scope and develop TOR

### Scope

***For the purpose of this GPN, the scope of TPM is always related to environmental and social risks and impacts of a project. The scope of TPM may be general (for example, monitor compliance with the ESSs and ESCP), specific (for example, conduct biodiversity compliance audit) or medium to long-term (for example, monitor the implementation of a resettlement action plan over a number of years, see Box 2).***

The frequency of monitoring and the schedule of site visits depend on a number of variables, including the stage of the project in the project cycle, the project’s complexity, impacts, and any issues that might arise during implementation.

#### **Box 2: Typical TPM activities include**

- Reviewing ESCP implementation status and compliance with the ESSs.
- Tracking environmental and social performance.
- Monitoring contractor or supply chain compliance.
- Verifying compliance and progress on project commitments.
- Reviewing stakeholder engagement and grievance management.
- Undertaking site visits to review documents and meet with workers, management, and stakeholders.
- Identifying corrective and preventive actions as needed and assisting the Borrower to incorporate these in an amended ESCP or relevant management tool, in a manner acceptable to the Bank.
- Providing information for the Borrower to disclose to stakeholders, showing performance of the project or implementation of commitments.

## Terms of Reference

***The Borrower determines and agrees with the Bank the content of the Terms of Reference (TORs), which reflects the scope of the TPM.*** The Bank will provide input on the scope of the TORs to enable the assignment to meet the commitments established in the ESCP. Based on the scope of the monitoring to be undertaken, the Bank assesses whether one expert or a firm is needed, or whether a number of individual experts are needed on specific issues, in which case, there might be several smaller TORs. The TORs are prepared by the Borrower and agreed with the Bank. ***A TOR template is provided in Annex 2.***

TPM is not a substitute for the Borrower's own internal monitoring program, but is designed to complement and/or verify what it has done, depending on the objectives and needs of the monitoring activities.



***The TORs should include the scope of the monitoring assignment, the number of locations and sites to visit, the frequency of the monitoring, the budget and timing of the assignment, and the type and skill sets required of third-party monitors.*** The TORs should clearly identify reporting lines, roles and responsibilities of the different parties involved in the project. Where third-party monitors are not experienced in monitoring, such as some CSOs or individuals, the scope of work should include measures for relevant capacity building.

***The frequency of monitoring necessary will be linked to the specific risks and impacts of the project and the Borrower's performance during implementation.*** For projects that include TPM throughout the entire project implementation phase, the TORs should clarify whether monitoring frequency varies throughout the project cycle. For example, there may be more health and safety monitoring needed during a high-risk construction period, and less during operational phases.

### Step 3: Select and contract third-party monitors

#### External experts

**The Bank will determine whether third parties are needed in monitoring the risks and impacts of a project.** Depending on the project, required third parties may be specialists on a particular issue (for example, endangered species or biodiversity, or a stakeholder engagement specialist) or a team of people to conduct a monitoring assignment. The requirement for an external expert or specialist will be included in the ESCP. The Bank will agree the scope of the monitoring to be undertaken with the Borrower and the selection of the third party. When monitoring reports are prepared, drafts will be sent to the Bank at the same time as the Borrower/implementing agency.

**The use of TPM can range from the Borrower contracting one or more individual experts, to involving specialized CSOs, universities or think-tanks, consulting firms, or other qualified entities.** The Bank will advise the Borrower on the type of third-party that would be preferable for the particular scope of work. Where international experts or firms are contracted, it is good practice for them to partner with local experts to increase local capacity and ensure that the local concerns and issues are taken into account. **Error! Reference source not found.** shows potential issues associated with different types of third-party monitors.

#### Individuals vs. firms

Table 3. Benefits and challenges for TPM conducted by individuals compared to firms		
Type of TPM	Benefits	Challenges
<b>Individuals</b>	Individual experts or specialists can be useful if the scope of work is limited or focuses on a particular issue, such as labor, health and safety, or a particular species of plant or animal that may be affected by a project. Individuals can be less costly than consulting firms.	Individuals may have other clients and not be as available in the time needed, and may be less likely to possess the skills and resources available at a firm. They may also not have liability insurance if there are significant quality problems in the work undertaken.
<b>Consulting firms</b>	Firms may have better quality control than individual experts and can increase staffing or support individual consultants with additional expertise or resources to meet the agreed scope of work. It is important to agree in advance which individual employees of the firm will undertake the work and that these employees are not switched out during the work, unless the	A consulting firm is likely to be more expensive than individual specialists or experts and may be more time consuming to hire. Additionally, a consulting firm that has been involved in the preparation of the project and design of the action plans should not monitor the project. Monitoring work

**Table 3. Benefits and challenges for TPM conducted by individuals compared to firms**

Type of TPM	Benefits	Challenges
<b>Academics and think tanks</b>	<p>If information and advice on a specific methodology or topic is needed, some academics or think tanks can be contracted to undertake a limited scope of work. An example would be hiring an energy efficiency think tank to monitor the implementation of a greenhouse gas accounting methodology and make recommendations for improvement.</p>	<p>Academics and think tanks may act as individuals or consulting firms, but they may not have the breadth of knowledge necessary for the entire scope of work to be undertaken. With this type of contractor, it is very important to understand their experience with the application of the issues in the TORs at the project level, and not just at the theoretical level. Some academics or think tanks may have staked out certain positions on issues related to the project in presentations or publications. These views may need to be understood to ensure there is no perceived bias on project-relevant issues. It is also important to determine whether they may have an obligation or intent to publish in relation to their work on the project, and to take any appropriate measures to protect confidentiality and provide neutrality in the monitoring, if that is the case.</p>
<b>CSOs</b>	<p>Some CSOs may be well equipped for TPM and may include experts on specific issues. It is particularly important to review the CVs of the CSO members that would undertake the work to make sure they have the skills and experience necessary. In some cases, CSOs are well placed to participate in monitoring activities and have the education and expertise</p>	<p>Some CSOs may not be able to agree to confidentiality agreements and, similar to the point made above, may have an obligation or intent to publish in relation to their work on the project. Therefore, it is important to understand any limitations regarding confidentiality if the scope of work includes confidential information (for example, worker health and safety</p>

**Table 3. Benefits and challenges for TPM conducted by individuals compared to firms**

Type of TPM	Benefits	Challenges
<b>Community monitoring</b>	<p>necessary to make recommendations in line with good international practice.</p> <p>Community monitoring is different from other types of monitoring activities. Community members may be affected stakeholders and have an interest in the project outcomes. They are often volunteers and may have a variety of skills and expertise. The community playing a part in monitoring, for example, grievances, or the implementation of the stakeholder engagement plan, can be a tool to improve performance of these plans and programs, and the knowledge about the community and the groups within it are normally far better than that of a consulting firm or an individual expert. The ability of community monitoring to be effective can depend largely on the individual contact points managing the scope of work, and the capacity building provided.</p>	<p>records). It is also important to understand potential bias and funding of the group to understand and confirm the neutrality of their approach to the scope of work. Some CSOs are volunteers and it would be important to understand how timetables will be met, quality control on reporting will be handled, and transparency limitations.</p> <p>Community monitoring may not have the same accountability as a contractual relationship with an individual expert or specialist, and therefore it may be more challenging to meet timing requirements and quality control. Sometimes the benefit of community monitoring goes to the community as a whole. This may mean that individuals working on the monitoring may change without much notice, and that enough capacity building needs to be included in the scope of work to enable the community members to understand what needs to be done, and that new people coming in the middle of the work can be trained. A local community may not have the knowledge needed about international good practice, or the specific expertise needed. Because more input is often needed by the contracting party, this is not as independent a perspective on project implementation as some of the other formats.</p>

### Independence from project preparation

*To be effective in supporting monitoring and implementation of Bank-financed projects, third parties should be independent from project preparation* (including from the Bank, the Borrower, or the

implementing agency and its contractors) and should not have had a previous role in the project (with the exception of a previous monitoring role). Their status should be reviewed to avoid conflicts of interest, and they should maintain objectivity throughout the process, so that findings and conclusions are based on evidence. Third-party monitors should also be ***ethical***, reflecting integrity, confidentiality, trust, and discretion. They should be ***fair***, truthful, and accurate in reporting. Monitors should also be ***competent***, with the expertise and experience necessary to ensure due professional care in the conduct of work undertaken. For high risk or contentious projects, the Bank may require the Borrower to engage one or more ***internationally recognized*** independent experts to provide advice and oversight to the project.

### **Box 3. Using civil society organizations to monitor projects in conflict-affected provinces of the Philippines**

“Under the Philippines Mindanao Reconstruction and Development Project, communities in conflict-affected areas, internally displaced persons, and rebel returnees decide on, plan, and implement subprojects in order to restore their access to basic services. The subprojects are scattered over remote and conflicted areas where World Bank staff cannot travel. Therefore, the project is working with two CSOs to monitor project components that cannot otherwise be monitored by the Bank. The CSOs’ local knowledge (including local languages) makes monitoring possible.”

*Source:* “How-to-Notes: Participatory and Third-Party Monitoring in World Bank Financed Projects: What Can Non-State Actors Do?” World Bank Social Development Department, 2013.

### **Independence of third parties**

***Third parties that are hired by the Borrower are not completely independent, as they are managed by the contracting party and paid by them.*** It is important that their reporting line be such that they are able to raise concerns and make recommendations without interference, and that these views can then be discussed with the Bank and the Borrower. The TORs for the work and the CVs of experts must be satisfactory to the Bank and the Bank should be aware of any conflicts of interest prior to agreeing for the work to proceed. The Bank should receive the draft TPM report no later than when it is received by the contracting agency and dual accountability of the TPM providers can be established in the preparation and appraisal stages.

***It is only by identifying bias and ensuring strict separation of conflicts of interest that the TPM assignment can be credible to authorities or to stakeholders.*** It is difficult for third parties to be completely independent, given the need for access to information and costs associated with the work, but efforts can be made to be as independent as possible<sup>5</sup>. Third parties may need to actively build credibility through demonstrating trustworthiness in the quality of their work and engagement with various stakeholders<sup>6</sup>.

<sup>5</sup> “How to Note: Participatory and Third Party Monitoring in World Bank Financed Projects: What Can Non-State Actors Do?” World Bank Social Development Department, 2013.

<sup>6</sup> “Peru LNG: A focus on continuous improvement, Lessons of Experience.” International Finance Corporation, Washington, DC, March 2013.

## Procurement

***The World Bank's Procurement Regulations<sup>7</sup> for IPF Borrowers clarify the various procurement options, and cover topics such as governance, procurement provisions, and acceptable methods for selection of services.*** The regulations vary according to the specific factors including procurement risk and contract risk and other rules applicable to each specific project as outlined in the *Project Procurement Strategy for Development* and the *Project Procurement Plan*.

***The Bank's task team will support the Borrower in selecting the appropriate procurement approach.*** The Borrower will consider the availability of key knowledge, language and expertise locally and internationally, as well as the complexity and magnitude of monitoring activities. The Borrower will make staff available to manage the call for proposals, selection processes, interfaces and monitoring contracts, following applicable World Bank procurement rules. It is good practice to link payments to outputs in the contract, so that some leverage is retained, and that full payment is not made until reports are of satisfactory quality.

## Confidentiality

***Contracting should include relevant requirements on personal data privacy and confidentiality, as appropriate, and in accordance with procurement requirements.*** The Bank should bring the issue of confidentiality to the Borrower's attention if, in undertaking an assessment, the third party would have access to proprietary information. In such cases, the third party may need to sign a confidentiality agreement (for example, if they will have access to confidential information such as personnel records regarding labor, accident reports, and so forth).

***Some third parties, such as community-based organizations and CSOs, may have limitations on the type of confidentiality to which they can agree.*** The Borrower will take confidentiality needs into account when selecting a third party as well as the sensitivity of the assignment. If confidentiality is required, and cannot be ensured by the potential TPM partner, the type of partner should be revisited. For example, a specialist contracted to monitor allegations of gender-based violence may have access to sensitive personal information that would be detrimental to the individual or group if it were not kept confidential. Similarly, individual amounts received under resettlement agreements would not be public and monitoring of labor issues may involve personnel information that is confidential. In certain circumstances, when confidentiality is a concern, monitoring may be best managed under contracts with individuals, firms, or institutions.

<sup>7</sup> <https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=7398246c-6904-4546-9313-4dd7a8f93faa&ver=current>

## Step 4: Manage the TPM program

### Effective management

For effective management of the TPM, the Bank task team should help the Borrower to:

- a. **Mobilize Borrower management support for TPM and provide a TPM point of contact.** Management support is important to enable timely transmittal of information, access to project sites, logistical support in setting up site visits, and circulation of findings and recommendations to relevant levels of the organization.
- b. **Review draft monitoring reports** in a timely fashion to ensure there are no factual errors and share drafts with the World Bank's task team.
- c. **Discuss recommended measures** or propose alternative solutions to address concerns raised.
- d. **Provide a plan of action to implement recommendations** in a timely and cost-effective manner to show progress until the issue/action is resolved. Propose updates to the ESCP or other action plans with the changes agreed.
- e. **Disclose updates to the ESCP that are relevant to TPM**, particularly if any stakeholders are affected by the changes.
- f. **Update internal monitoring plans to include any changes agreed** and include in future reporting to internal management and World Bank as applicable.
- g. **Ensure final report is shared** with relevant agencies and stakeholders, as applicable.

### Changing commitments

**When a third party makes a recommendation that would require changing existing commitments between the Borrower and the Bank, these changes need to be agreed between the Borrower and the Bank.** For example, issues may be raised during monitoring or by events, such as accidents or incidents, that require additional actions or monitoring. If changes need to be made, the World Bank environmental or social specialists and legal counsel assigned to the project should be involved in the discussion.

### Frequency of monitoring

**If there are incidents during implementation that increase the risk of the project, the frequency of monitoring may also be increased or additional capacity in expertise may need to be adjusted.** For example, a high rate of occupational safety accidents during project implementation may require a health and safety expert to assess the accidents and develop an appropriate action plan and monitor its implementation.

## Step 5: Reporting and transparency

### Documenting findings and results

***TPM results are documented and recorded, along with the evidence that supports the findings and results of the activities.*** Recommendations are made, where appropriate, to propose updates to commitments or actions, including increasing or decreasing the level of monitoring, where appropriate (for example, more intensive monitoring may be needed at certain phases of project implementation, such as during construction).

### Transparency and confidentiality

***The Borrower is responsible for transparency with regard to project information. In addition, the Bank has its own disclosure of information requirements for projects.*** The TPM TORs should be explicit about these roles and responsibilities. The third-party monitor will provide reporting on the assignment directly to the Borrower and the Bank, and will not disclose information beyond those parties unless the contract specifically requires it. Transparency and confidentiality requirements should be specified in the contract. The Bank should discuss with the Borrower the benefits of increased transparency and the need to provide information to stakeholders, in accordance with ESS10 and the publicly disclosed Stakeholder Engagement Plan for the project.

### 3. When the Bank contracts TPM Directly for Smart Supervision

#### Bank's TPM activities

*According to ongoing work carried out by the FCV Group, as of 2018, the Bank has elicited 16 contracts (active and closed) for TPM in seven FCV-affected countries (Afghanistan, Cameroon, Iraq, Pakistan, Somalia, South Sudan, and Yemen) totaling US\$51.5 million.* These contracts had different objectives that fell into three categories: to (a) perform fiduciary oversight; (b) control infrastructure quality; and (iii) monitor social and environmental risks, especially gender-based violence. In these cases, the contract is with the Bank and the duty of care is to the Bank.

#### Box 4: TPM in an active conflict zone

The CEMAC Trade and Transport Facilitation project is a US\$655 million regional operation focused on improving transport conditions along the Douala-N'Djamena and Douala-Bangui corridors. Since early 2015, North Cameroon—the country's poorest region—has been an active conflict zone. In two-and-a-half years, Boko Haram has killed at least 1,300 civilians and 120 soldiers and abducted an estimated 1,000 people. Rehabilitation works on the 205-kilometer critical road, Mora-Dabanga-Kousseri, by two Chinese contractors were suspended in 2014 and terminated in 2016 after the kidnapping of Chinese workers by Boko Haram.

The Government proposed that the works be finalized by the Army Corps of Engineers—a high-capacity military entity, under a results-based approach. The Bank accepted, and the restructuring was approved by the Bank Board in February 2017. A specific risk management framework was developed. The social risk is very high due the presence of vulnerable populations and allegations of human rights violations by the Cameroon military. A TPM combining an experienced road engineering firm (Louis Berger) with a local nongovernmental organization (Public Concern) was recruited to supervise the project, since the Bank team generally cannot travel on-site. The TPM is a critical risk mitigation measure, which brought specific important skills to help the Bank supervise the project:

- Good knowledge of the road sector and of the fiduciary dimensions associated with the proposed innovative results-based force account scheme
- Ability to closely monitor the high social risks (for example, possible abuses by the Cameroon military), through an active engagement with local communities
- Deep understanding of Cameroon's complicated political economy and ability to connect and pass messages to both Cameroonian civilian and military entities
- Proven ability to operate in conflict situations and extensive experience in establishing the right security arrangements for staff and subcontractors
- Knowledge of Bank operational policies and reporting requirements

The TPM has been operational since July 2017 and has since been providing detailed monthly reports to the Bank on progress, community perception and security.

***It is important to note that TPM contracted directly by the Bank is different from the requirement for a Borrower to use TPM to complement or verify its monitoring activities under the ESF. When the Bank chooses to engage TPM directly, the purpose is to complement the Bank’s ability to monitor projects in situations where the project may be difficult to access and enable it to carry out its supervision duties.***

This may be useful in situations of FCV or where access to a project area is limited for other reasons (see Box 4 for an example). In such situations, TPM enables Bank teams to have “eyes and ears on the ground,” for example, during active conflict, and reengage quickly in post-conflict settings where access to Bank staff remains highly constrained.<sup>8</sup> Box 5 describes TPM of a project where security challenges were combined with limited Borrower capacity for fiduciary oversight.

### Capacity or specific skills required

***The Bank may also choose to contract TPM where Borrower capacity to implement and monitor is limited or where a very specific skill set is needed that the Bank cannot provide.*** Box 5 provides an example of TPM where the International Labour Organisation (ILO) was engaged to conduct TPM in relation to child labor on a Memorandum of Understanding basis.

#### Box 5. TPM by ILO in Uzbekistan, 2015-2016

Following allegations of child labor and forced labor related to cotton production in Uzbekistan in 2013, and links to World Bank projects, the World Bank partnered with the International Labour Organisation (ILO) to conduct Third-Party Monitoring (TPM).

The ILO monitored sites associated with four World Bank projects (Improving Pre-Primary and General Secondary Education Project (GPE), Second Phase of the Rural Enterprise Support Project (RESP II, including RESP II Additional Financing), Horticulture Development Project (HDP), and South Karakalpakstan Water Resource Improvement Project (SKWRIP)).

The monitoring included visits to over 350 sites connected to the projects (approximately 6% of project sites). The work was part of a Memorandum of Understanding (2014) and was undertaken in 2015 and 2016. The study methodology and scope, as well as the outcomes and progress made, are presented in the published report:

[http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_543130.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_543130.pdf)

### Coordination

***When the Bank engages TPM directly, the task team should clarify what other agencies and organizations are doing in the project area to explore where partnerships may be an efficient way to monitor specific issues.*** It is important to work with the Borrower to ensure the third-party monitor has access to all relevant information and access to project-related sites and activities in order to undertake a successful monitoring role.

<sup>8</sup> Third-party monitoring in situations of fragility, violence, and conflict is discussed in detail in FCV Group (forthcoming).

## Funding when TPM is on behalf of the Bank

***When TPM is conducted on behalf of the Bank, funding for the TPM cannot come from project funds, but must be sourced through grant financing or other sources.*** In FCV contexts, the cost of TPM supervision, where the Bank has restricted access, are extremely high and average over US\$2 million per contract. The amount of time taken to structure, implement, and monitor the TPM is also resource-intensive.

### Box 6: TPM of the Afghanistan Reconstruction Trust Fund (ARTF)

“The World Bank contracted International Relief and Development (IRD), a U.S. CSO, to provide third-party monitoring of the Afghanistan Reconstruction Trust Fund (ARTF). Given the security challenges and widespread corruption in Afghanistan, the Bank wanted a monitoring mechanism that would reliably report on the construction of village-level infrastructure in areas that were difficult to visit. IRD field engineers are outfitted with smart phones with data collection applications (apps) developed by IRD for each type of ARTF project, such as buildings, roads, bridges, and canals. The individual project survey apps also include social and environmental questions.

The apps also allow the field engineer to record observations, interviews, and information about the project, which can later be translated as necessary. At the site, the field engineer uses the smart phone and application to collect required data as well as take georeferenced photos.

When finished, the data is transferred via a cellular data network or the Internet to an online data processing system; there it is checked for accuracy and completeness before uploaded into the ARTF database.

The online project catalogue contains supporting documents such as inspection reports, drawings, photos, and so on. This provides a comprehensive database of project implementation and performance.”

*Source:* “How-to-Notes: Participatory and Third-party Monitoring in World Bank Financed Projects: What Can Non-State Actors Do?” World Bank Social Development Department, 2013.

***Lastly, it is important to note that TPM contracted for the purpose of enhancing the Borrower’s capacity to monitor safeguards compliance or generate monitoring and evaluation data does not substitute for Bank supervision.***

# ANNEX 1: Resources

- [“CDD Toolkit, Governance and Accountability Dimensions, Monitoring and Feedback,”](#) World Bank, Washington, DC.
- [“CDD Toolkit, Governance and Accountability Dimensions, External level tools,”](#) (including third-parties), World Bank, Washington, DC.
- [“Combining Quantitative and Qualitative Methods for Program Monitoring and Evaluation,”](#) PREM Notes, Number 9, World Bank, Washington, DC, 2009.
- [“External monitoring of the Chad-Cameroon pipeline projects,”](#) International Finance Corporation, Washington, DC, September 2006.
- FCV Group. Forthcoming. “Approaches to Smart Supervision in Insecure Environments: Third Party Monitoring and Beyond.” Draft Operational Note. World Bank, Washington, DC.
- [Handbook on Planning, Monitoring and Evaluating for Development Results,](#) United Nations Development Programme, United Nations, 2011.
- [“How to Build M&E Systems to Support Better Government,”](#) Report, Independent Evaluation Group, World Bank, Washington, DC, 2007.
- [“How-to-Notes: Participatory and Third Party Monitoring in World Bank Financed Projects: What Can Non-State Actors Do?”](#) World Bank Social Development Department, World Bank, Washington, DC, 2013.
- [“Independent Evaluation: Principles, Guidelines And Good Practice,”](#) World Bank, Washington, DC, 2003.
- International Labour Organization. 2016. “Third-party monitoring of measures against child labour and forced labour during the 2016 cotton harvest in Uzbekistan.” International Labour Organization, Geneva. [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_543130.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_543130.pdf).
- [“Peru LNG: A focus on continuous improvement, Lessons of Experience,”](#) International Finance Corporation, Washington, DC, March 2013.
- “Strategic framework for mainstreaming citizen engagement in World Bank Group operations: engaging with citizens for improved results.” English. Working Paper, Number 92957. World Bank, Washington, DC, 2014. <http://documents.worldbank.org/curated/en/266371468124780089/Strategic-framework-for-mainstreaming-citizen-engagement-in-World-Bank-Group-operations-engaging-with-citizens-for-improved-results>.
- [“Ten Steps to a Results-Based Monitoring and Evaluation System,”](#) World Bank, Washington, DC, 2004.
- [“Terms of Reference for Third Party Monitoring of the Chad Cameroon Pipeline,”](#) World Bank, 2000.
- [“The Baku-Tbilisi-Ceyhan \(BTC\) pipeline project, Lessons of Experience,”](#) International Finance Corporation, Washington, DC, 2006.
- [“Third party monitoring guidelines,”](#) World Food Programme, Rome, 2014.
- [“Third Party Monitoring Programme for the Afghanistan Reconstruction Trust Fund: A Review,”](#) World Bank, 2014. [http://www.artf.af/images/uploads/ARTF\\_Supervisory\\_Agent\\_Review\\_FINAL\\_March\\_2014.pdf](http://www.artf.af/images/uploads/ARTF_Supervisory_Agent_Review_FINAL_March_2014.pdf).

**Note: Links accurate as of May 2018<sup>9</sup>**

---

<sup>9</sup> There are many resources that may be useful in addressing the application of the ESF. The list of resources here is not exhaustive and do not necessarily represent the views of the World Bank.

## ANNEX 2: Template TORs for third-party monitoring

### A. Objectives

An introductory section should briefly present the Project, the monitoring goals and objectives and how it fits in the overall scheme of project implementation.

### B. Tasks divided in major project phase, or location or type of activity

This section should provide a general outline of the monitoring program and attach the detailed ESCP/ESMPs, as well as Resettlement Action Plan, Stakeholder Engagement Plan, or other relevant documents. The Borrower should highlight any specific incidents/accidents/events/changes in project or project schedule that need to be taken into account. A link should be provided to the environmental and social documents, where available on a website, so that the prospective monitor can understand the complexity of the assignment.

- Planning of monitoring visit: provide proposed parameters (schedule, meetings proposed, locations, any complex travel logistics, and so forth)
- List of initial documents to be reviewed and data to be made available
- Schedule: For single monitoring trips, preferred timing window and duration of visit. For longer monitoring assignments with multiple trips: preferred timing window for first visit, estimate of frequency of visits during each phase (for example, quarterly visits during construction, annual visits during operation, higher frequency during sensitive phases...), expected duration of each visit. Expectation of initial and close out meetings for Borrower/Project Implementation Unit, as appropriate.
- Scope of discussions with stakeholders: provide some context, locations of communities to be visited (if large-scale project, suggested numbers and locations to be confirmed by selected monitor), and background on key issues and impacts that might be raised (which can influence which specialist is most appropriate to undertake the assignment)
- Methodologies to be used, or request expert/monitoring firm to propose methodology
- Any technology requirements, and any specifications for format and content of output needed in monitoring report, so that the Borrower can access and analyze the information for its own use and/or reporting

### C. Reporting/Outputs

Clarify the focus/purpose of the reports, how findings should be presented/rated, and how conclusions and recommendations should be presented. Propose changes to ESCP, where appropriate; updates to the Stakeholder Engagement Plan, and so forth. Reports should be sent to the Borrower and the Bank at the same time for feedback on any factual inaccuracy. This allows the Bank to see initial and independent recommendations. To ensure independence and credibility, evidence-based conclusions and recommendations of the third-party-monitor should be maintained unless there are factual inaccuracies on which the conclusions and recommendations are based. The Borrower should provide the Bank with their comments to the monitor regarding the report. In controversial or complex projects, the draft report may be shared publicly for maximum transparency and to build trust. Clarify expected language of reporting and intended audience.

### D. Qualifications

The TORs should list the following:

- Expertise needed: minimum or range of number of experts, and specialty areas needed to be covered depending on issues in the scope agreed. These may include: project management and specialists on environmental or social issues, indigenous peoples, public health, biodiversity, resettlement, health and safety, labor, communications and stakeholder engagement, and capacity building.
- Expected level of expertise, such as types of degree or certification (for example, environmental, social, engineering), and acceptable combination of level of education and years of experience
- Experience with/knowledge of international and World Bank standards, the local context, the project sector, applicable regulations
- Language skills needed, and confirmation that the contractor will provide support for setting up logistics locally, such as meetings, clarity on which party will provide translation, and so forth.
- Require CVs of all key personnel and organization’s experience and credentials. These are needed to demonstrate to the World Bank that the experts/specialists are appropriate for the required scope of work.
- Once a monitor is accepted, personnel should not be substituted without permission and should have equivalent expertise.

**E. Eligibility/independence requirements**

For example (a) absence of existing contracts with Borrower contractors on the project, and (b) no participation in earlier phases of the project or in the design of environmental or social programs associated with the project. The more complex and controversial the project, the higher the eligibility and independence needed.

**F. Duration of contract and minimum commitment**

Expected minimum and/or maximum duration of contract, as applicable and any minimal commitment expected from the third-party monitoring provider.

**G. Excluded costs**

Logistical support, travel and accommodation that will be provided by Borrower that should not be included in the cost estimate.

**H. Conflicts of Interest disclosure**

Any past or current arrangements that would prevent the third-party from providing advice independent of the Borrower and the project

**I. Confidentiality and proprietary information**

Any specific arrangements for reports and other outputs to be confidential or proprietary to the Borrower

**J. Format of proposal**

The TORs should indicate how the cost estimate should be made for undertaking the monitoring assignment: by task, sub-tasks, expected number of people, and daily rate and/or lump sum. If tasks in the TORs are not fully defined, clarify how the budget should approach these tasks.