February 3, 2021

Framework for Proportionality Criteria and Modalities for Independent Verification of Management Action Plan Implementation

The framework for proportionality criteria and modalities for independent risk-based verification has been prepared for the Committee on Development Effectiveness' and the Executive Directors' consideration by the Inspection Panel, Group Internal Audit (GIA) and Bank Management in accordance with the Inspection Panel Resolution, dated September 8, 2020. The framework also provides the steps that the Inspection Panel and GIA follow in recommending and carrying out verification of Management Action Plan implementation.

Purpose

1. As set forth in paragraph 50 of the September 8, 2020, World Bank Inspection Panel Resolution (the "Panel Resolution"), the framework for proportionality criteria and modalities for verification, herein included, is elaborated by the Inspection Panel (the "Panel"), Bank Management and GIA.[1]

2. Monitoring the implementation of a Management Action Plan (MAP) is the responsibility of Management.[2] The Executive Directors may approve, as an additional reassurance tool for avoiding reputational risks, independent risk-based proportionate verification of the implementation of the MAP by the Panel and/or GIA.[3]

3. This independent verification tool is applicable to MAPs presented for Requests for Inspection registered by the Panel after September 8, 2020, the date of the approval of the Panel Resolution.

Principles for independent verification

4. As set forth in paragraph 49 of the Panel Resolution:
    i)   verification focuses solely on the Bank's actions as outlined in the MAP, distinguishing between periodic tracking of progress and terminal verification;
    ii)   verification assesses the status (including completion) of specific Management actions in the MAP based on appropriate evidence of implementation status;
    iii)   to ensure efficiency of the verification process, it is important to have a timeline for verification based on timelines of agreed actions to avoid premature review of actions; and
    iv)   there is a role for the Panel and/or GIA during the verification process that is consistent with their expertise and institutional roles.

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[1] Resolution No. IBRD 2020-0004, Resolution No. IDA 2020-0003, September 8, 2020 (the "Panel Resolution").
[2] Panel Resolution, para. 47.
[3] Panel Resolution, para. 48.

Role of the Panel and GIA in verification

5. The Panel verifies the implementation of Management's actions in the MAP that have been agreed between Management and the borrower, designed to address harm that occurred as a result of the Bank's noncompliance.[4]

6. GIA verifies Management's actions in the MAP that are intended to address the Bank's governance, policy and procedures, and other internal operational arrangements for its oversight of environmental and social risks of Bank projects. GIA may also verify MAP actions at the project level if Management actions refer to internal policies and practices of the Bank.[5]

Scope of verification

7. Verification by the Panel and GIA focuses on the Management actions related to the specific concerns that form the basis of the Board's decision to authorize verification. In recommending independent verification to the Executive Directors, the Panel, with input from GIA, describes the situation in response to the specific concerns identified.

Proportionality criteria and verification modality

8. The framework for proportionality criteria and modalities for verification uses as a basis parameters that include: (i) urgency of redress, (ii) risk of repetitive harm, (iii) number and vulnerability of project-affected people, (iv) complexity of the case, and (v) risk of retaliation against Requesters.[6]

9. Based on the risk-based proportionality criteria, the modalities for verification and the above-mentioned roles, the Panel, with input from GIA, recommends to the Executive Directors whether there is a need for verification in light of specific concerns identified by the Panel and GIA, and if so, the scope and timeline for verification, and under what modality the Panel and/or GIA verifies the MAP.[7]

10. The risk-based proportionality criteria and modalities for verification are elaborated below: in cases of 6 to 8 positive indicators, the recommendation to verify MAP implementation includes a site visit; in cases of 3 to 5 positive indicators, the verification is desk-based; in cases of up to 2 positive indicators, no recommendation to verify MAP implementation is made.

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[4] Panel Resolution, para. 51.
[5] Panel Resolution, para. 51.
[6] Panel Resolution, para. 50.
[7] Panel Resolution, para. 52.

Risk-Based Proportionality Criteria Applied to the MAP			
	Yes	**No**	**Comments**
Urgency of redress			
1. Is urgent or immediate redress required based on the severity of harm experienced?			
Risk of repetitive harms materializing			
2. Is there a risk of repetitive harm in this project?			
3. Is there a risk that the harm in this project might be repeated in other projects?			
Number and vulnerability of project affected people			
4. Does the MAP address vulnerable groups such as women, children, indigenous peoples, marginalized communities, etc., requiring special attention?			
5. Are there significant numbers of project-affected people?			
Complexity of the case			
6. Is the case unusually complex[8]?			
7. Are the issues new or unique[9], with a high potential for learning?			
Risk of retaliation against Requesters			
8. Is there a risk of retaliation against Requesters or communities?			

Assessment of Risk-Based Criteria for Basis of Verification and Modalities			
Number of Positive indicators	**Basis of Verification**	**Desk-based Verification**	**Verification with site visit**
6-8	✔		✔
3-5	✔	✔	
0-2	✘		

Verification Recommendation

11. As set forth in paragraph 53 of the Panel Resolution, the Panel's recommendation for verification, generally, is made after substantial implementation of the MAP or if the progress report indicates lack of implementation, at any stage of implementation. This process will avoid an automatic "one-size-fits-all" approach. Site visits will be minimized to usually not more than one. The modality adopted for such additional verification will be proportionate to the complexity and seriousness of the case.

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[8] The complexity of a case reflects the issues covered or where the types of harm experienced are multiple and/or of large variety.

[9] The uniqueness of the issues provides weight to emerging issues where additional attention is required, and where learning can benefit the Bank.

12. In exceptional cases, upon the Panel's recommendation, with input from GIA, the Executive Directors may discuss and assign verification at the stage of approval of the MAP or shortly after. When the Panel proposes such verification for Executive Directors' consideration, it will include a recommendation on the timing of the verification. The circumstances are deemed exceptional based on the gravity of the harm.

13. The Panel makes the verification recommendation to the Executive Directors. The Panel recommendation includes input from GIA. GIA identifies, in coordination with the Panel, the actions within the MAP that it recommends to verify. The Panel seeks Management's input on the verification recommendation ahead of submission to the Executive Directors and includes it as an annex to the recommendation.

14. The verification recommendation includes the modality of the Panel's verification and GIA's approach for verification. If the Panel's recommended modality requires a field visit, the Panel includes this in its recommendation.

15. The Panel's verification recommendation is considered by the Executive Directors on an absence of objection basis.[10] If the Executive Directors approve the independent verification, the Panel discloses the recommendation for verification on its website and informs the Requesters.

Verification Process

16. During verification, the Panel reviews the implementation status of Management's actions set forth in the MAP as identified in the verification recommendation approved by the Executive Directors. The Panel reports on the status of such actions. GIA conducts verification of internal Management actions as identified in the recommendation for verification approved by the Executive Directors. GIA will perform this verification after target dates for implementation as an Assurance Review,[11] a standard product of GIA.

17. The verification focuses solely on Management's actions and assesses the status of such actions. The verification considers Management's reporting of the status of actions as described in the MAP Progress Report and involves the description of the situation in response to the specific concerns identified when recommending verification to the Executive Directors.

18. *GIA Verification*. Once GIA has completed its verification, a draft Assurance Review report is shared with relevant stakeholders from Management and the Panel for feedback and comments. GIA considers the feedback and issues the final report to the President and

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[10] Panel Resolution, para. 53.

[11] An Assurance Review provides assurance on early implementation of new processes, and input for course correction before processes are fully established. While no overall report rating is provided, issues identified are rated by severity of risk and are monitored by GIA and reported to the Audit Committee.

the Audit Committee and shares it with other relevant stakeholders from Management, the Panel and the Board.

19. The Assurance Review report is accessible online by the Executive Directors and Management upon the issuance of the final report. GIA also provides a summary of results of the Assurance Review as part of its quarterly report to the Audit Committee.

20. In addition, GIA provides the Panel with a verification memo containing a high-level summary of the Assurance Review outcomes and the status of MAP actions verified for public disclosure. This is necessary as Assurance Review reports are confidential.

21. GIA follows up with Management on all outstanding Management actions that were verified as per its process to monitor 'Critical'[12] rated audit issues. 'Critical' rated audit issues are followed up and reported to the Audit Committee in GIA's quarterly report until such issues are addressed by Management.

22. At the end of the verification process, the Panel will submit, for information, its verification report to the Executive Directors and the President. The Panel's verification report will incorporate GIA's verification memo if and when available, without amendments. In response to the Panel's final verification report, Management will submit its follow-up, indicating its views on Panel's findings to the Executive Directors. This is the case both for desk-based verification and verification with a field visit. Management follow-up reports that suggest modifications or adjustments to the MAP should be discussed and approved by the Board. Both the Panel's verification report and Management's follow-up will be made publicly available on websites of the Inspection Panel and the World Bank Accountability Mechanism.

23. The Panel's operating procedures further detail the Panel verification process. The GIA's operational procedures detail its own verification process.

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[12] A critical rated issue is an issue that: (a) requires urgent senior management attention; (b) is extremely likely to constrain the ability to achieve strategic or operational objectives of the audited unit, function, process, or system, and/or; (c) causes severe financial or reputational damage to the World Bank Group.