



ANNEX 5: Third-Party Monitoring (TPM) in the IDA and Bank

A. Third-Party Monitoring in IDA/Bank-Financed Projects

- 1. TPM can be citizen led (participatory) and/or conventional, involving consulting and accounting firms.** Citizen-led monitoring is one of the seven CE mechanisms under the [citizen engagement](#) (CE) framework. Conventional TPM is prevalent to independently verify compliance with environmental, social, safety, and performance standards.¹ Some mechanisms for citizen-led monitoring include public expenditure tracking surveys, social audits, community/citizen scorecards, participatory audits, budgets, or procurement monitoring, and project quality monitors. Typical TPM contracting and funding relationships in IDA/Bank-funded lending are shown in figure 2. Typically, third parties come from consulting and accounting firms, nongovernmental organizations (NGOs), academia, aid organizations, and United Nations agencies.
- 2. The option to use CSOs for TPM by IDA recipients and the IDA/Bank has been available for years but has been underused.** According to the Bank's draft 2021 CE Annual Report, citizen-led monitoring was selected in only about 4% of the total number of projects approved by the Bank during FY18-21. The 2018 IEG evaluation of the CE strategic framework found that "*Citizen monitoring, evaluation, and oversight is rarely included at design and even more rarely implemented.*" It found that such monitoring was planned in 50 out of 256 projects covered by the IPF portfolio review (box B.5, p. 89). However, implementation happened in only one out of three completed projects (box B.8, p. 92). According to the Good Practice Note on TPM, as of 2018, the Bank used trust funds and its own budget for 16 contracts (active and closed) for TPM in seven FCS-affected countries totaling US\$51.5 million. The average cost of such TPM is over \$2 million per project.
- 3. At present, the Bank has no systematic way of financing conventional TPM that strengthens accountability, transparency, and integrity in Bank-financed operations.** When the World Bank project teams identify convincing reasons for third-party monitoring (e.g., mitigate risks and assure value for money), they have great difficulty in funding such TPM given the reticence of the borrower to spend their IDA "entitlement" to fund CSOs or other third-party monitors to hold the implementing agencies accountable. The available data confirms this self-evident truth. While scattered trust funds money can be found on

¹ World Bank, [Environment & Social Framework for IPF Operations](#); Harrison, [Study on Best Practices in Third Party Monitoring](#).

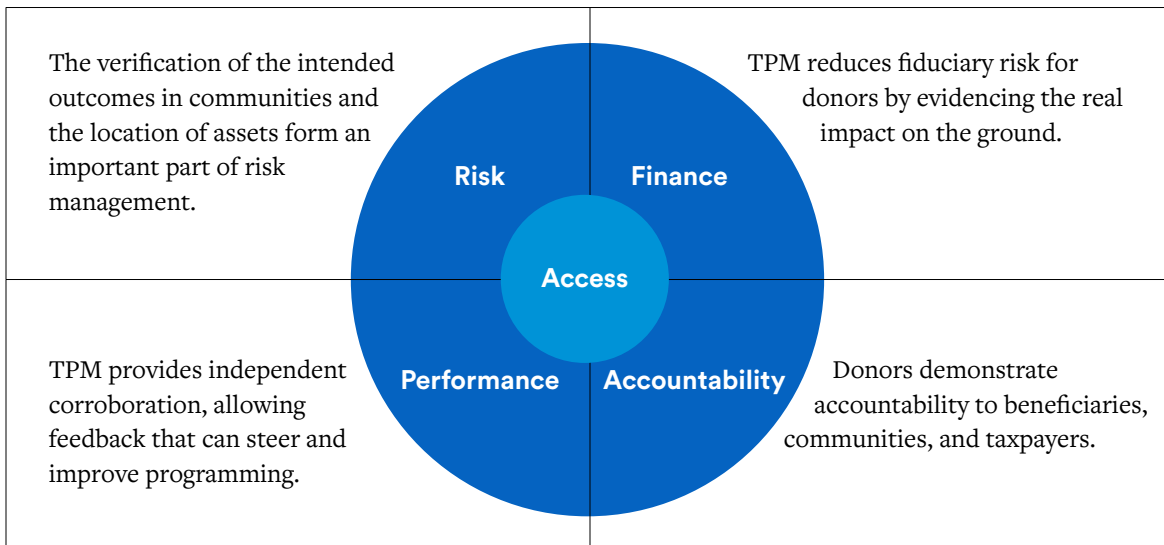
rare occasions, there is no general-purpose CSO fund or window that could be used, and only exceptionally are the resources such that the Bank can be drawn on for such purposes.

4. **There is strong evidence (annex 1) that TPM and other citizen-led social accountability tools can contribute greatly to more conventional mechanisms (of borrowers or the Bank itself) to combat corruption and the misuse of resources in World Bank-financed operations.** At present, however, these are ad hoc since there is no clear source of funding for them. The Bank can finance CE to some extent during the project preparation stage out of its administrative budget, and in rare circumstances, the borrower may agree to include citizen or CSO participation as a project expense. Yet, there is no regular source of funding for TPM outside of the project funding channels, even when the Bank project teams consider them important. Donors to the IDA have a natural interest in financing TPM by CSOs to improve the performance of Bank-financed projects, including maximizing value for money and accountability.

B. Conceptual and Policy Framework for TPM

5. **TPM is generally defined as monitoring conducted by a third party that is neither the project implementing agency (IA) nor the donor.** Fundamental reasons to do TPM are shown in figure 1.² Donor motivations for TPM typically include using TPM as eyes and ears when their own access is limited; mitigating unusual or high risks; independently verifying value for money; and assuring communities and taxpayers of accountability in the use of donor funds. IA motivations include supplementing their M&E capacity and systems; assuring donors and the public that the IA is meeting outputs and outcomes commitments; collecting feedback to improve performance; being more responsive and accountable to beneficiaries; building community trust; and complying with donor conditions.

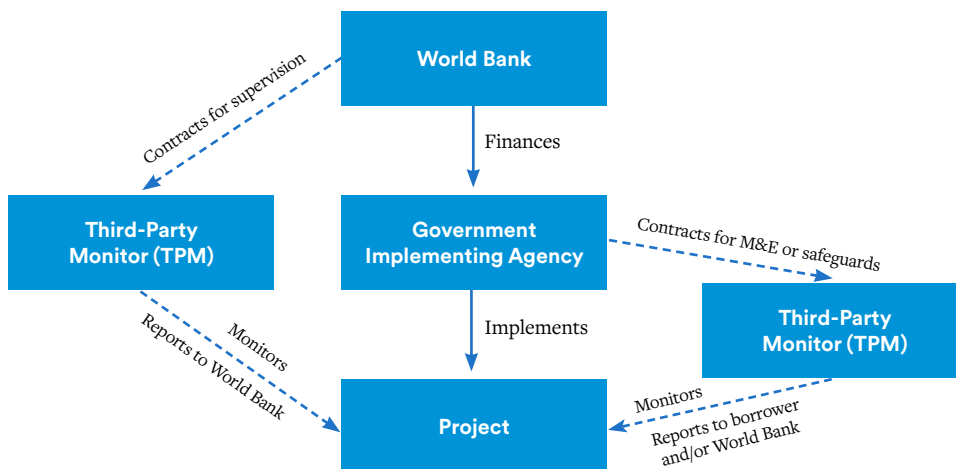
Figure 1: Fundamental Reasons for TPM



² Harrison, *Study on Best Practices in Third Party Monitoring*.

6. The **citizen engagement (CE) framework includes TPM under “Citizen-Led Monitoring.”** It states, *“Involving citizens in monitoring service delivery, revenues, budget execution, procurement, contract awards, and reform policies can increase transparency, improve efficiency of service delivery or budget execution, and reduce opportunities for corruption”* (para. 112). A distinction is made between “participatory monitoring” and TPM. The former refers to the *“active participation of project beneficiaries, project affected people, communities and other primary stakeholders in designing and implementing the monitoring.”*³ Some mechanisms for citizen-led monitoring include public expenditure tracking surveys, social audits, satisfaction surveys, community scorecards, participatory audits, budgets, or procurement monitoring, project quality monitors, or citizen report cards.
7. The **Environment and Social Framework (ESF) allows the World Bank to require the borrower to engage TPM.** It states, *“Where appropriate and as set out in the Environment and Social Commitment Plan, the Bank will require the Borrower to engage stakeholders and third parties, such as independent experts, local communities, or non-governmental organizations (CSs) to complement or verify monitoring information”* (para. 58). The ESF [Good Practice Note on TPM](#)⁴ elaborates that (a) the purpose of the borrower contracting third parties is to strengthen monitoring and evaluation systems and obtain additional data on the achievement of progress development, and (b) the Bank contracts an independent agent (third party) 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. These contracting and funding relationships are shown in figure 2. Typically, third parties come from nongovernmental organizations (NGOs), academia, aid organizations, United Nations agencies, or private firms.

FIGURE 2: Forms of TPM in Relation to the World Bank, Borrower, and Project

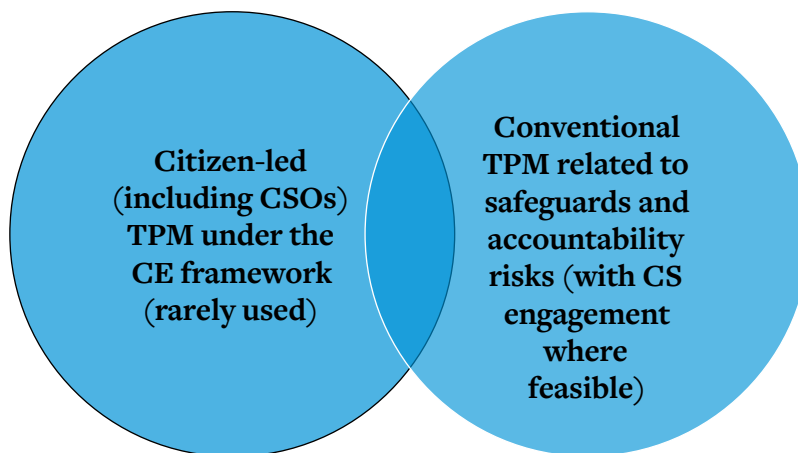


3 Van Wicklin III et al., [Participatory and Third Party Monitoring](#).

4 World Bank, [Environment & Social Framework for IPF Operations](#).

8. **Conventional TPM involves the use of consulting and accounting firms** and appears to be increasingly used by the Bank in Program for Results (PforR) and to verify compliance with environmental and social standards. Synergy with and the use of CSOs is rare.
9. **Citizen-led monitoring and ESF envisaged TPM** (closer to conventional TPM) are not mutually exclusive and should be visualized as strengthening a project’s monitoring, evaluation, and learning (MEL) as well as transparency and accountability frameworks. TPM should therefore find a place under the M&E and accountability banner to elude the constraints of the CE frame. Applying open government principles of proactive disclosure of conventional TPM findings can help bridge the gap between conventional TPM and CE TPM. Conventional third-party monitors can also be encouraged to take citizen and CSO views into account. It should be championed by those concerned with minimizing corruption, enhancing transparency and accountability, and strengthening MEL. The strategic goal should be to grow the zone of overlap between conventional and CE-driven TPM.

FIGURE 3: Synergy between Citizen-Led and Conventional TPM



10. **Situations that benefit from TPM.** According to the ESF GPN on TPM, the Bank contracted TPM (own or TF resources) to (a) perform fiduciary oversight, (b) control infrastructure quality, and (c) monitor social and environmental risks, especially gender-based violence. TPM literature lists the following situations that benefit from TPM:
 - a. Certification or verification of performance or results is needed
 - b. Community ownership of development projects and programs is desired
 - c. Access to the project site is limited due to security concerns or other restrictions
 - d. A significant number of grievances requiring independent review
 - e. Community monitoring of benefits or impacts needed to enhance Project Development Objective (PDO)
 - f. A project is considered highly susceptible to corruption, misappropriation, or theft
 - g. The IA has capacity constraints in undertaking monitoring, evaluation, and learning

- h. Unbiased perspectives and recommendations are needed on issues and status, such as financial or procurement compliance, governance, accountability, or environmental and social risk management

11. Typical TPM activities.

- a. Support the borrower in project implementation through improved monitoring of progress, monitoring compliance with processes, and identifying emerging issues and solutions
- b. Undertaking site visits to review documents and meet workers and stakeholders
- c. Verifying compliance and progress on project commitments and enabling corrective and preventive actions
- d. Reviewing stakeholder engagement and grievance management
- e. Providing project progress and compliance information to the IA to disclose to stakeholders

12. Key challenges in TPM.

- a. Difficulties and costs in obtaining valid and reliable data
- b. Knowledge necessary for quality and credibility of TPM
- c. Getting project management to take on board its findings and recommendations
- d. Confidentiality versus disclosure
- e. Independence from the contracting party, which is especially challenging for local monitors in repressive governments
- f. Elite capture in participatory monitoring

References

World Bank. *Good Practice Note: Environment & Social Framework for IPF Operations: Third-Party Monitoring*. World Bank Group, 2018. <https://documents1.worldbank.org/curated/en/578001530208566471/Environment-and-Social-Framework-ESF-Good-Practice-Note-on-Third-Party-Monitoring-English.pdf>.

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Van Wicklin III, Warren A., and Asli Gurkan. *How-to Notes: Participatory and Third Party Monitoring in World Bank-Financed Projects: What Can Non-State Actors Do?* World Bank Group, ND. <https://documents1.worldbank.org/curated/en/863281468337280255/pdf/804520WPoMonitoBox0379805BooPUBLICo.pdf>.