GLOBAL ECONOMIC GOVERNANCE PROGRAMME

The Corporate Governance of the World Bank Group

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I. Introduction

The World Bank is, from a financial standpoint, organised like a corporation. Using its top credit rating (AAA), it raises funds in the international capital markets like any other financial institution for on-lending to its borrowing clients. As of June 2006, almost half (US$ 100 billion) of its US$ 212 billion total assets were in loans, while the stock of borrowings from financial markets amounted to US$ 96 billion.[1]

Like a large financial conglomerate, the World Bank is actually a group comprising five entities. Its primary component is the International Bank for Reconstruction and Development (IBRD), established at the Bretton Woods Conference in 1944 'to assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes' (Art. I). Subsequently, four additional components were created to enhance the Bank's ability to fulfill its purpose. In 1956, the International Finance Corporation (IFC) was established with the purpose of promoting the growth of the private sector in the economies of the World Bank's member countries. A few years later, in 1960, the International Development Association (IDA) was founded to provide financing to less-developed economies. Subsequently in 1985, the Multilateral Investment Guarantee Agency (MIGA) was added to provide guarantees against noncommercial, or political, risk to foreign investors in the developing countries that are members of MIGA. Finally, the International Center for the Settlement of Investment Disputes (ICSID), established in 1966, provides arbitration and conciliation for investment disputes between states and individual nationals of other states.

Reform discussions of the World Bank Group (hereafter the 'Bank') have constantly focused on how to enhance the representation and the voice of poor countries in the institution, consistent with the political nature of its sovereign members. At the April 2007 meeting of the Development Committee, Ministers discussed the latest in a long series of papers detailing various options on voice and representation (World Bank, 2007).[2] Likewise, academics and policy analysts outside the Bank have focused on the issue of balancing the distribution of voting power between rich and poor countries, advocating a more inclusive decision-making (CGD, 2006; Buira, 2005). As a multilateral organisation, in fact, the Bank's governance should aim for a wide participation of its membership in the institution's decision-making, as most decisions have a direct bearing on its (sovereign) members.

The current debate has, however, overlooked another important aim of the Bank's governance, that is, how to ensure that the incentives of its management (agent) are aligned with the goals set by the organisation's shareholders (principal).[4] The view of governance as a set of arrangements that enable the principal to oversee the agent is broadly applicable to organisations of different natures—be they private, public, non-profit, or multilateral—whenever the shareholders (principal) delegate the achievement of organisational objectives to management (agent).

While the literature has mainly focused on how the oversight takes place in the corporate sector, this is equally relevant in the case of a large multilateral financial institution like the World Bank Group. The study intends to shed light on the issue by providing a methodology to assess the degree to which the governance of the Bank follows relevant best- practice principles that its own entity, the IFC, expects from the private financial institutions with which it does business.

The plan of this study is as follows: Section II reviews the institutional aspects of the Bank's governance framework; Section III highlights the Bank's current decision-making practice and provides a historical perspective on how this practice has evolved over time; Section IV presents the methodology used to assess internal corporate governance, employs this methodology to assess the Bank's own governance framework, and points to the aspects that emerge as most in need of reform; finally, Section V draws conclusions.

II. The Governance Framework

Executive Board

The executive board of each of the World Bank Group's affiliates consists—in addition to the Chairman—of 24 members, or executive directors. IBRD executive directors serve *ex officio* as executive directors of the IFC and the IDA.[5] One each is appointed by the US, Japan, Germany, the UK, and France, while the remaining 19 are elected biennially. MIGA directors, who do not need to be the same officials as IBRD executive directors, are all elected.

The role of the Bank's executive directors is described in the Articles as follows: 'Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.' One important power given to executive directors is the power to interpret the Articles, and unless their interpretations are overruled by the board of governors, they are binding on member countries.

In discharging their duties, executive directors fulfill a dual role as officials of the Bank and as representatives of the member countries that have appointed or elected them. In this sense, they should be regarded as owing their loyalty to both the Bank and their appointing or electing authorities. At the same time, however, they are not merely 'ambassadors' of their constituencies, since, in connection to their fiduciary role, executive directors are equally expected to represent the interests of the Bank and of the membership as a whole (World Bank, 2006).

Consistent with that, membership in the Bank's executive board is for individuals, not for countries. It is not a member country that occupies a particular seat on the board but an individual, who is appointed or elected to it for a defined period of time. In spite of their undeniable links to the authorities that choose them, executive directors become officials of the Bank, although they are clearly not members of the staff. The fact that directors are paid by the Bank, not by the countries that have chosen them, is also relevant.

Each executive director is required by the Articles to cast as a unit all the votes to which he is entitled (Art. V, Sec. 4g). Under this provision, which was meant to emphasise the executive director's duty to the institution, the executive director is expected to deal with matters at hand in such a way as to protect the best interests of the Bank and its membership as a whole, as well as the interests of the members of his group. Since a director cannot split his votes, it is up to each director to reconcile the divergent instructions and interests of constituents and the overall membership of the Bank.

The term ‘executive board’ (hereafter ‘the board’) refers to the body of executive directors acting collegially under the chairmanship of the Bank’s president. The relationship between the latter and the executive directors is defined in broad terms in the Articles of Agreement and has been subject to various refinements in light of accumulated experience. Importantly, the position of executive director differs from that of the president or members of the staff, who ‘owe their duty entirely to the Bank and to no other authority; (Art. V, Sec. 5c). The role of the president is that of ‘chief of the operating staff of the Bank,’ and as such he is to ‘conduct, under the direction of the Executive Directors, the ordinary business of the Bank.’ ‘Subject to the general control of the Executive Directors,’ furthermore, ‘he shall be responsible for the organisation, appointment and dismissal of the officers and staff’ (Art. V, Sec. 5b). In sum, the executive board acts as the policy-making organ of the Bank, setting out the broad framework of the Bank’s policies and overseeing the consistency of the Bank’s operations and organisation with respect to the former.

The working arrangements between the board and the management, still observed today, feature a framework through which ‘the Executive Directors are responsible for the decision on all matters of policy in connection with the operations of the Bank, including the approval of loans,’ and ‘the Management is responsible for developing recommendations on all matters of policy requiring decision by the Executive Directors’ (Memorandum, 1947). As a former general counsel noted: ‘Each Executive Director is free to vote on loan proposals as he or she may deem fit; he or she is not to interfere, however, with the way the President, officers and staff prepare such proposals for submission to the board. Consultation with individual Executive Directors on proposed loans or policies should not be taken as an occasion to impose on the President or staff as to whether the proposal should be made or on the specific features of such a proposal. The President should be able to decide what position to take in light of the consultation, realising that it is the board as a whole which will finally decide on the matter’ (Memorandum, 1991).

Table 1 summarises the most relevant features of the Bank’s governance and compares the role of executive directors and the executive board chair with the corresponding positions in the financial sector. Reflecting the multilateral nature of the institution, the Bank’s board operates in continuous session, differently from corporate boards. Given the limited informational value of performance indicators that the institution might produce, as they relate to the Bank’s ultimate objective of development effectiveness, the founding members opted for an arrangement whereby an executive body of their representatives would closely monitor the institution’s policies.

Another relevant difference with respect to the corporate sector is the inherent conflict of interest in the role of executive director, due to its dual nature. The fact that the Bank’s executive directors, despite their title, do not bear any executive responsibility is not at odds with the practice observed in the private sector. Full independence, however, is one of the most important attributes of a non-executive board member in a private financial institution.

Table 1, furthermore, points to another source of dualism in the Bank’s governance: that the (IBRD) president is, *ex lege*, both Chief Executive Officer (CEO) and board chairman.[9] Such a dual role—according to the current corporate governance best practice—is thought to weaken the system of ‘checks and balances’ underpinning the governance of a large corporation. The dualism is further amplified, within the Bank, by arrangements whereby senior management chair the executive board in the absence of the president. This—compounded by the president’s power to appoint the Bank’s executives—may weaken the executive board’s supervisory function.

Board of Governors

According to the Bank's Articles, 'all the powers of the Bank shall be vested in the Board of Governors.' Thus, the latter are empowered to direct all the ordinary business of the institution. However, as provided for in the Bank's bylaws, the board of governors has delegated all its powers to the executive board except those specifically reserved to the former under the Articles, such as the power to admit or suspend a member, to increase or decrease the authorised capital stock, to determine the distribution of the net income of the Bank, to make formal arrangements to cooperate with other international organisations, and, finally, to suspend permanently the operations of the Bank or to amend the Articles of Agreement. Clearly, these are all powers of a political nature or with political implications.

The board of governors is required—under the Articles—to hold an annual meeting, with the boards of the IDA and IFC meeting in conjunction with the IBRD, while MIGA governors may meet separately, although this is not typically the case. In other words, the governors meet as those of the World Bank Group. The business to be considered by the governors is described in the Articles: they must consider the audited annual statement of the accounts of each institution of the Group and the annual report as submitted by the executive board. The bylaws provide for the board of governors to vote without meeting on matters presented by the executive board.

Development Committee

The Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, commonly known as the 'Development Committee,' is one of the standing committees of the board of governors.[10] It meets twice a year, in the spring and in the context of the annual meetings of the boards of governors.

The development committee was established in 1974 as a joint committee with the IMF to serve as a ministerial forum for both industrial and developing countries on development issues and to coordinate international efforts in development financing. In this regard, the committee advises and reports to the boards of governors of the IMF and the World Bank Group on issues concerning the transfer of resources to developing countries. The committee has no decision-making power, however, as it was conceived rather as a forum for the exchange of views and for making recommendations and suggestions.

III. Decision-Making at the World Bank

Current Practice

The executive board meets in continuous session to discharge its duties. In practice, in the fiscal year 2006 alone, the board met for 342 hours and, overall, considered 776 items. Of these, 157 (or 20 percent of all board items; see Figure 1) were policy items, 64 (or 8 percent) country matters,[11] 13 (or 2 percent) housekeeping matters, and 542 lending items (or 70 percent).[12] If board committee meetings are included, the total goes up to 584 hours. As many as these may be, they represent only a fraction of the time ideally required to discuss the 6,420 documents that were circulated to the board in the same year; in other words, they represent an average of only 5 minutes per document.

But what does the executive board discuss or decide upon, in practice? The Articles do not define precisely the division of responsibilities between the executive board and the president. This lack of clarity led the second president, John McCloy, to agree with the executive directors on a definition of their respective responsibilities, as drafted in a memorandum (Memorandum, 1947), before he would agree to become president. This memorandum continues to provide the basic understanding about the respective responsibilities of the president, as chief operating officer, and the executive directors.

Consistent with the Memorandum (1947), policy papers or sector papers requiring a new policy or a change in a previously-approved policy are presented to the board for approval,[13] while the management is responsible for developing the recommendations presented in such papers. Current practice, however, presents some peculiar aspects in terms of the strategy-setting role of the board.

Consider, for instance, the case of the country assistance strategies (CASs). Such documents are, as staff guidelines put it, the 'Bank Group's business plan in support of a country's development strategy and poverty reduction goals' (Guidelines to Staff for CAS Products, March 2006). In a CAS, management—based on an assessment of the country's own strategies and priorities—spells out the strategy of engagement with a client country and provides an indication of the level and the composition of the Bank's assistance based on the country's performance. Executive directors discuss CASs as they are finalised by management, but they 'do not approve, reject, or endorse' them (World Bank, 2003, 5), even though such documents are defined as the 'central vehicle for Board review of the Bank Group's assistance strategy for IDA and IBRD borrowers' in the instructions given by management to staff.[15]

On the contrary, executive directors approve—with only minor exceptions and for very limited amounts—all the loans and guarantees, which, as we have seen, account for most of the board agenda. While this is considered as falling in the board purview by the Memorandum (1947), the Articles do not specify which organ of the Bank is empowered with approval of loans and guarantees. Likewise, although the Bank's Articles do not specifically empower the executive board with approval of Bank's borrowing, in 1996 executive directors provided a standing authorisation through which management could execute its funding program ('General Borrowing Authorisation').

A Historical Perspective[16]

The first executive board must have provided a cosy and intimate setting for discussing the Bank's affairs. Convened a few weeks after the first inaugural meeting of the board of governors in 1946, it consisted of only twelve executive directors, and it included fifteen directors or alternates who had taken part—as members of their respective country delegations—in the Bretton Woods Conference, where the Articles of Agreement had been drafted.

However comfortable it might have been, the board soon confronted the daunting task of putting into practice the governance framework that had been envisaged at the Bretton Woods Conference. The problem was, however, that the final agreement was a compromise between two competing visions. On the one hand, there was the idea that the executive board should look after the entire membership, similar to the boards of private-sector companies, whose directors represent the shareholders as a body.[17]

According to this view, favored by the US delegation, the executive board would serve as a forum for consensus-building and solution-finding rather than simply a body that voted on particular issues. Interestingly, this conception of the board's smoothing function vis-à-vis the institution and its membership has turned out to be an accurate way of understanding one of the board's most important functions in its decision-making practice. An implication of such a vision was that executive directors would need to reside in Washington—rather than come to Washington to vote on particular issues.

At a broader level, the notion of governance put forward by the US delegation reflected the widely-held view in the American political circles that the Bank—and the IMF—should have adopted, to the extent feasible, the governance arrangements of a large corporation rather than those of an intergovernmental organisation, in order to mark the change from the experience of the League of Nations. The terminology eventually adopted in the Articles of Agreement was meant to symbolise this by referring to the 'President' of the Bank or the 'Managing Director' of the IMF as the top positions in each institution.

On the other hand, there were those who remarked on the tight connection between the executive directors and their appointing or electing countries and suggested that the Bank's governance arrangements should reflect this link. In this view, favored by the UK delegation, each director would hold voting power corresponding to that of his appointing or electing country, with different directors thus possessing different amounts of voting power.

As the first president had not come into office yet, the first board expeditiously put forward a framework defining its own relationship with the president in his capacity as chief operating officer of the institution, foreseeing for itself a truly executive role. Following the election of the first president, Eugene Meyer, the relationship between management and the executive board began to sour, resulting in the resignation of the president after only six months in office. A contributing factor was that the board included many strong personalities who had played a key role in establishing the institution by taking part in the Bretton Woods Conference, and these individuals displayed a 'proprietary attitude,' in the words of Morton Mendels, the first secretary of the board. In addition, many of the members were men of high standing in their home countries and expected thus to play an equally key role in the newborn institution.

For this reason, when John McCloy took office as the second president, he did so only after negotiating with the board a new framework whereby the management would keep all the power of initiative, and the board would either approve or reject the loan proposals as presented by management after it had reached an agreement with the prospective borrowers (Memorandum, 1947). In the words of the then-deputy president, Robert Garner, now management would 'run the Bank,' implying that those who worked out the applicable sections in the Articles of Agreement 'never understood the respective roles of Management and the Executive Directors.' Just a few months after its first meeting, the executive board had lost its executive power.

IV. Assessing the World Bank's Corporate Governance against the Private Sector's Current Practice

Methodology

Taking stock of the increasing degree of convergence in the private sector regarding global best practices, we adapt the methodology that the IFC has formulated to guide its own staff in identifying key aspects of a financial institution's governance by assessing the content of its formalities (IFC, 2007). The IFC methodology provides relevant guidance on what responsibilities, rights, and processes are relevant in a bank's governance framework by identifying what elements should be regarded as 'acceptable,' 'better,' 'desirable,' and 'best' practice. Accordingly, the methodology provides a path of progression that is intended to guide improvements across the various relevant dimensions of corporate governance standards.

The application of the IFC methodology aims to shed light on how to improve shareholders' ability to oversee Bank functions, drawing from best practices in the private sector, where the issue has been widely investigated by academics and practitioners alike (Lynall, Goden, and Hillman, 2003). One of the strengths of the methodology is that it draws on the corporate governance literature by translating its qualitative findings into a set of well-defined and *actionable* requirements (OECD, 2004). Furthermore, as the IFC methodology has been expressly designed for financial institutions, it is likely to capture the most relevant features of the subset of those private-sector corporations whose governance practices are most relevant for a multilateral financial institution such as the Bank.

Given the focus of this study, we consider only the sections of the methodology that are relevant to board functions, board committees, and responsibilities of key executives in a financial institution. To focus attention on the strengths and weaknesses of the current setting, we use a metric that assigns a score based on how the corporate governance of the Bank fits the basic requirements set forth in the IFC methodology. In so doing, we are better able to diagnose the aspects of the Bank's corporate governance that are furthest from (or closest to) the current best practice of the financial sector.

The assessment is conducted by matching the relevant requirements to the corresponding provisions contained in formal IBRD documents, which are fully referenced.[20] A score of 1 is assigned if an IFC provision has an exact match in IBRD governance documents, and a 0 is assigned otherwise. In some instances, the current provisions match the requirements only in part, and a score of 0.5 is thereby assigned.

In this way, we are able to construct indices by computing the (unweighted) average of the scores across all the basic requirements associated with the 14 dimensions of the Bank's governance, such as, for instance, law and ethics, structure and composition, and responsibilities of individual board members, as well as board members' rights. Table 2 lists the 14 dimensions considered, and the Annex provides the requirements associated with each dimension, as well as more detailed comments. The scoring is reported for each of the 'acceptable,' 'better,' 'desirable,' and 'best' practice standards, providing a broad assessment of the degree to which the Bank follows such standards across all the relevant dimensions. The relevant indices and their ranking, furthermore, provide a framework for prioritising the most critical areas where the Bank's corporate governance falls short of the current private-sector standards and help to identify the nature of possible corrective actions.

Results

The IFC methodology relies on a given board's charter to assess the role of the board of directors. Such a document encompasses all the relevant provisions related, for instance, to the nature, the role, and the functioning of the board of directors. The Bank, however, does not have a board charter, so research was required among the sources that are available to find the relevant provisions as they apply to each single requirement put forward in the IFC template.

The Annex reports in detail both the template and, in italics, the applicable provisions for each of the 14 dimensions assessed. Figure 2 summarises how well the Bank performs on each of the 14 dimensions surveyed using the maximum (best practice) standards. Overall, the Bank appears to be quite distant from those standards, as the median score for all the 14 indices is only 0.5 (Table 2). In particular, the Bank scored full marks only in law and ethics, and it also scored quite highly (0.9) in respect of rights of individual board members and in board governance, procedures, and meetings. It scored lowest in structure and composition (0), responsibilities of individual board members (0.2), and in ongoing training (0.3).

The results also suggest a need to better articulate the role of the board (purpose: 0.4), its functions and authorities (0.6), how board leadership is organised (0.5), and the way in which committees work and their members are selected (committees: 0.4; individual committee membership qualifications: 0.4). The results for the remaining dimensions are more encouraging. The responsibilities of the chair are relatively well-defined (0.7), as are induction procedures (0.8) and the overall framework for the remuneration of board members (0.8).

The results can be presented in a perhaps more meaningful way by grouping the 14 dimensions into the following thematic groups: role of the board (I, IV, XIII), role of the board chair (VI, VII), rights and responsibilities of individual board members (VIII, IX, X), board committees (V, XI), formalities (II, III, XIV) and training (XII). Table 3 regroups the results according to this broader functional reclassification.

Role of the Board

This part of the assessment highlights the need to clarify, in the current decision-making framework, the role and responsibilities of the board (I, Purpose) and, within it, those of the executive directors. While the board is given ample prerogatives under the Articles, the current decision-making framework presents a number of gray areas that would benefit from further clarification and a better delineation of responsibilities. The board, for instance, bears no responsibility for the strategy that the Bank pursues vis-à-vis client countries, although it is asked to approve the plethora of loans and projects that logically represent the implementation of the strategy designed by management. Nor does the board monitor the performance of the Bank's management against targets set by the strategic plan.

A clearer delineation of responsibilities is needed also in reference to the role of individual board members, whose responsibilities and obligations are only broadly described in the Bank's governance documents. Bank policies do not specify any requirements to ensure that executive directors will be sufficiently trained and knowledgeable to fulfill their duties of guardianship toward the Bank.

Likewise, the Bank has never claimed 'to establish itself as a recognised leader in corporate governance' (Annex, p. 1), as its own IFC guidelines recommend as a best practice. In fact, the main document that operationalises the division of labor and the related accountability between board and management dates back to 1947 and has never been updated in any substantial part.

As for structure and composition (IV), many of the provisions refer to the independence of the board of directors, which in the case of the executive directors is absent by definition, in light of their dual nature, broadly reflecting the multilateral nature of the institution. While their dual nature is instrumental in underpinning the legitimacy of the World Bank Group as a multilateral organisation, this inherent tension could be counteracted by making executive directors subject to greater accountability.[21]

In functions and authorities (XIII), the Bank's decision-making procedures also fall short of current practice in the financial sector. The most relevant weakness relates to the fact that the board does not systematically review goals, metrics, and benchmarks of strategic plans, nor does it monitor the effectiveness of the CEO and the rest of the executive management. Importantly, the recommendations of the High-Level Panel on IMF Board Accountability (Panel, 2007) equally highlight the need for the board to review the CEO and top institutional management.[22] It is significant that the Panel came to these conclusions even though it adopted an entirely different conceptual approach in evaluating the IMF's decision-making body, drawing on the Contemporary Principles for Board Accountability.[23]

Role of the Board Chair

The Bank's governance provisions acknowledge, in principle, the division of responsibilities between leading the board and providing executive leadership. They fall short of current best practice (board leadership, VI; responsibilities of chair, VII), however, insofar as the latter requires that the roles of board leader and chief executive be discharged by different persons, which is prohibited by the IBRD's Articles.[24] In contrast with the duality of executive directors, however, this additional source of duality in the Bank's governance does not originate from the multilateral nature of the institution but simply reflects the usual practice in the American corporate sector at the time when the Articles were drafted.

Best practice also requires that the board should regularly meet without management present, particularly if the roles of CEO and board chair are discharged by the same person. The current Bank framework, however, provides for the president to chair all the meetings except when he himself determines that it would be inappropriate to do so.[25]

Finally, the section on the responsibilities of the chair (VII) highlights the role of the board chair in promoting the evaluation of individual board members. The feasibility of this requirement is limited in the Bank's framework, which envisages a dual role for the president, who, being also the CEO, would lead the evaluation of executive directors who are charged with the very task of monitoring the president himself. The problem remains, however, that neither board members nor executives are subject to a regular evaluation of their activities in the current governance framework.[26]

Individual Board Members

In the case of individual board members (VIII, IX, and X), the current framework reveals a significant asymmetry, whereby rights of executive directors—including the framework for their remuneration—are extremely well-articulated, while their responsibilities are considerably less so, as indicated by the very low score the Bank receives in this area (0.2). The latter reflects the total lack of professional requirements demanded to fulfill the role of executive director,[27] as well as the problems associated with the role's dual nature, which imposes an inherent conflict of interest in the exercise of the functions of the office.

Board Committees

Board committees have come to represent an increasingly important way in which the board discharges its supervisory role, as acknowledged by the Report of the Ad Hoc Committee on Review of Board Committees (Maelhum, 1995). There is considerable room for improvement of board committees, however, as the best practice score is 0.4 for the sections on individual committee membership qualifications (V) and for committees (XI). The main weakness in the current framework is that relevant expertise is not a requirement for committee membership, in contrast with best practice standards; the Bank's main criterion for selecting committee members is to ensure a balanced geographical and donor/borrower representation, reflecting the multilateral nature of the institution (Board Committees, 2006). The expertise requirement, however, would be particularly relevant for those committees, such as the Audit Committee, wherein professional skills are becoming increasingly sophisticated and at least some members with a more specialised background are required for its adequate function. Current regulations of the New York Stock Exchange, NASDAQ, and the American Stock Exchange require members of the Audit Committee to be financially literate or to become so upon appointment. Likewise, in the US banking sector, federal regulations mandate that large institutions should have at least two audit committee members with expertise in banking or financial management.[28]

In line with the lack of provisions to evaluate management and board members, the current framework does not foresee any periodic review of the adequacy, efficiency, and effectiveness of a committee's performance as a whole or in terms of individual members' commitment.

Formalities

Thanks to the input provided by the corporate secretary and the general counsel, and their respective offices, the Bank excels in the area of formalities in line with the private sector's best practices. In the case of induction and the appointment letter, the Bank scores almost full marks (0.8), lacking only corporate and fiduciary training for new board members.

Law and ethics is the only area where the Bank's governance scores full marks (1). A relevant feature of this framework (Code of Conduct, 2003) is that it includes the Bank's president in the board's ethical policy and it enables the ethics committees to commence an investigation if deemed appropriate by a majority of the committee.

Finally, the Bank's standards surrounding board governance, procedures, and meetings also exhibit almost full compliance with the private sector's best practice, except for the fact that the external auditor and the chief of internal audit may not formally request a board meeting.

V. Conclusion

This study has highlighted that—in comparison with best practices followed in the financial sector—the current governance of the Bank needs to be strengthened in several respects, as listed in Table 4. The findings can be broadly summarised as the lack of an 'evaluation culture,' resulting from the current institutional setting and the duality of roles of the board leadership, senior management, and executive directors, which in turn confuses the execution of their duties and their supervisory responsibilities, blurs their accountability, and produces little incentive for creating a better delineation of their respective functions. Let us consider these issues in turn.

Evaluation is key to successful corporate governance, and it should be applied in any given corporation to the CEO and senior management, as well as to the executive board, board committees, and even individual board members. Evaluation helps to assess how well individuals in these positions are meeting the objectives and standards that have been set for their performance: evaluations are a powerful instrument of accountability that help build awareness of the functions and roles of various positions within an organisation. Evaluation is also a necessary instrument to assess how well the duties of guardianship, loyalty, and fiduciary responsibility have been met. It is not about 'scores and grades' but rather functions as a constructive mechanism for engaging all the governance actors in an institution. In contrast, the simplistic and blunt all-or-nothing mechanism of reappointment or removal for senior management and executive directors is not an adequate substitute for a true system of evaluation.

Evaluation is, furthermore, a powerful instrument of accountability, as it proves that directors are doing their best in representing their shareholders and stakeholders, and it is instrumental in promoting a board culture of 'constructive interaction.' For an evaluation to be meaningful, however, it must measure an individual's performance against a description of a position's specific duties, goals, and objectives. Herein lies the greatest challenge in applying an evaluation culture at the Bank. As the analysis performed so far documents, there is a need to clarify and better articulate the responsibilities of the board, which, on the basis of the Articles, is responsible for almost all the areas of Bank governance, although current practice is not fully consistent. To put in place best practices of corporate governance, the board would need to set clear terms of reference for the CEO that it elects, as well as for the senior management positions, though the board bears no responsibility in appointing individuals to such positions.

This brings us back to acknowledging that the current framework mixes the two very different roles of execution and supervision, (i) by requiring that the CEO also serve as board chair, (ii) by enabling the CEO to appoint the senior management that, in addition to its executive responsibilities, will chair the board in the absence of the CEO, and (iii) by preventing the executive directors from meeting in the absence of the management. To take just one example of the conflicts this structure creates, for an evaluation of the board to be meaningful, it should be set against a 'business plan' developed by the same board at the beginning of the evaluation period. This, however, could prove challenging as the board itself encompasses management, and there is legally no 'board' without management chairing it.

A similar duality of roles affects the Bank's executive directors as well. The dual role of executive directors is more difficult to tackle, however, as it is deeply entrenched in the multilateral nature of the institution. This study has argued that accountability could be a suitable instrument to deal with the dual role of directors. More transparency in the way they discuss and approve board documents is instrumental in holding them accountable for their decisions. Drawing from the private sector's best practices, furthermore, this study has underscored the importance of setting high professional standards in appointing/electing board members in light of the increasingly complex nature of the Bank as an international financial institution.

Table 1. Corporate Governance Highlights

Financial Sector*	World Bank Group**
Directors meet on a regular basis, typically 8 to 12 times a year.	Board members meet in continuous session.
Directors are entrusted by the shareholders with the running of the business. They owe their loyalty to the company and are accountable to the shareholders for their stewardship. Board members are not representative directors, even when a particular group of shareholders have the right of appointment. Once appointed, a director is bound to act in the bank's interests, that is to say, in the interest of all the shareholders. He may not report to his appointers matters that the board deems confidential without permission.	Executive directors provide broad guidance to the President in running the organisation. They owe their loyalty both to the Bank and to the country or countries appointing/electing them. In discharging their duties, executive directors take into consideration both the interests of the membership as a whole (fiduciary role) and those of the country or countries they represent (representative role). In so doing, they report to their appointing or electing authorities about all the issues before the Board.
Board members with non-executive responsibilities are required to be independent from management and objective in their appraisal of situations.	Executive directors, despite the name, have no executive responsibilities and are, thus, independent from management. In discharging their duties, however, they take into consideration the interests of their respective countries.
It is a director's duty to disclose any possible conflict of interest in matters before the board and to abstain accordingly from participating in discussion and from voting.	A conflict of interest is embedded in the dual nature of the role of executive directors. They participate and vote in all Board discussions, including those concerning their appointing/electing countries.
Directors decide the process by which the board is to be assessed, both in terms of the way it works as a collegial body and of the contributions made by individual directors.	Executive directors have themselves occasionally evaluated selected aspects of the role of the Board. Individual evaluations of executive directors have never been performed.
The Chairman is elected by the board of directors. If he is the CEO, then he has dual responsibilities. However, keeping the roles divided improves the checks and balances and lessens the likelihood of a concentration of power becoming dangerous.	The President has a dual role. He is the CEO as well as Chair of the Board. In his absence, the Board is chaired by a Managing Director designated by the President himself.
Executives are appointed by and are answerable to the directors, and have authority delegated to them by the directors for running parts of the business.	Executive directors elect the President, who is responsible for appointing all the Bank's executives.
Directors may be held personally liable if they fail to fulfill her duties.	Board members are immune from personal liability.

(*) The principles in the left-hand column are summarised from Charham (2003).

(**) The principles in the right-hand column are summarised from the Articles of Agreement of the IBRD and from the Rules of Procedure for Meetings of Executive Directors of the IBRD (Rules, 1992).

Table 2. Indices of Compliance

	Index	Acceptable	Better	Desirable	Best Practice
I.	Purpose	0.5	0.5	0.4	0.4
II.	Induction and Appointment Letter	1.0	1.0	0.8	0.8
III.	Law and Ethics	1.0	1.0	1.0	1.0
IV.	Structure and Composition	1.0	1.0	0.5	0.0
V.	Individual Committee Membership Qualifications	1.0	0.5	0.5	0.4
VI.	Board Leadership	0.5	1.0	0.5	0.5
VII.	Responsibilities of Chair	0.7	0.7	0.7	0.7
VIII.	Responsibililities of Individual Board Members	0.3	0.2	0.2	0.2
IX.	Rights of Individual Board Members	1.0	1.0	0.9	0.9
X.	Remuneration	1.0	1.0	1.0	0.8
XI.	Committees	0.5	0.5	0.4	0.4
XII.	Ongoing Training	--	1.0	0.3	0.3
XIII.	Functions and Authorities	0.9	0.5	0.6	0.6
XIV.	Board Governance, Procedures and Meetings	1.0	0.9	0.9	0.9
	Median	**1.0**	**1.0**	**0.5**	**0.5**
	Average	**0.8**	**0.8**	**0.6**	**0.6**

Table 3. Indices of Compliance by Thematic Groups

Index	Acceptable	Better	Desirable	Best Practice
Role of the Board				
I. Purpose	0.5	0.5	0.4	0.4
IV. Structure and Composition	1.0	1.0	0.5	0.0
XIII. Functions and Authorities	0.9	0.5	0.6	0.6
Role of Board Chair				
VI. Board Leadership	0.5	1.0	0.5	0.5
VII. Responsibilities of Chair	0.7	0.7	0.7	0.7
Rights and Responsibilities of Individual Board Members				
VIII. Responsibililities of Individual Board Members	0.3	0.2	0.2	0.2
IX. Rights of Individual Board Members	1.0	1.0	0.9	0.9
X. Remuneration	1.0	1.0	1.0	0.8
Board Committees				
V. Individual Committee Membership Qualifications	1.0	0.5	0.5	0.4
XI. Committees	0.5	0.5	0.4	0.4
Formalities				
II. Induction and Appointment Letter	1.0	1.0	0.8	0.8
III. Law and Ethics	1.0	1.0	1.0	1.0
XIV. Board Governance, Procedures and Meetings	1.0	0.9	0.9	0.9
Training				
XII. Ongoing Training	--	1.0	0.3	0.3

Table 4. Summary of Findings

1) The Bank should explicitly set for itself the objective of being a recognised leader in corporate governance by constantly striving towards best practice.
2) The role of the board in the Bank's decision-making should be clarified by strengthening its oversight function against the extensive involvement in operational decisions.
3) The board should systematically review goals, metrics, and benchmarks of strategic plans, and evaluate the effectiveness of the CEO.
4) The implications of the dual role of executive directors should be clarified and they should be subject to greater accountability.
5) Executive director's responsibilities and obligations should be spelled out and professional requirements for the position should be set.
6) Relevant expertise should be deemed a requirement for committee membership.
7) The dual role of the President should be clarified *i)* by allowing that the supervisory function of the Board Chair and the executive role of the CEO be discharged by different persons; or *ii)* by enabling the board to meet as needed without the presence of management.
8) The dual role of senior management, who are appointed by the President and chair the board upon his designation but without board election, should be clarified.
9) The adequacy, the efficiency, and the effectiveness of the Board should be periodically evaluated against its own "business plan" through both internal and external reviews.
10) The adequacy, the efficiency, and the effectiveness of the Board committees should be periodically evaluated through both internal and external reviews.

Figure 1. Decision-Making in Practice: Board Activity in Fiscal Year 2006

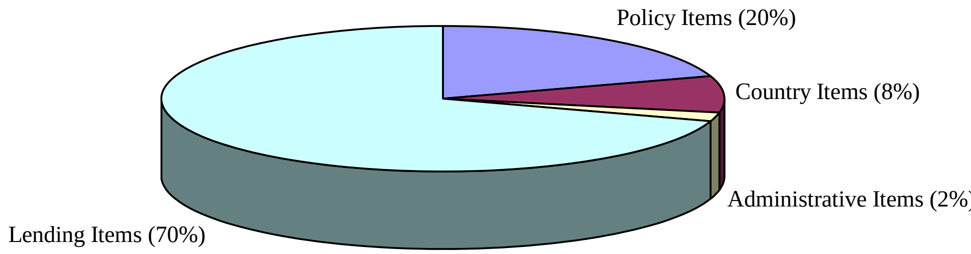
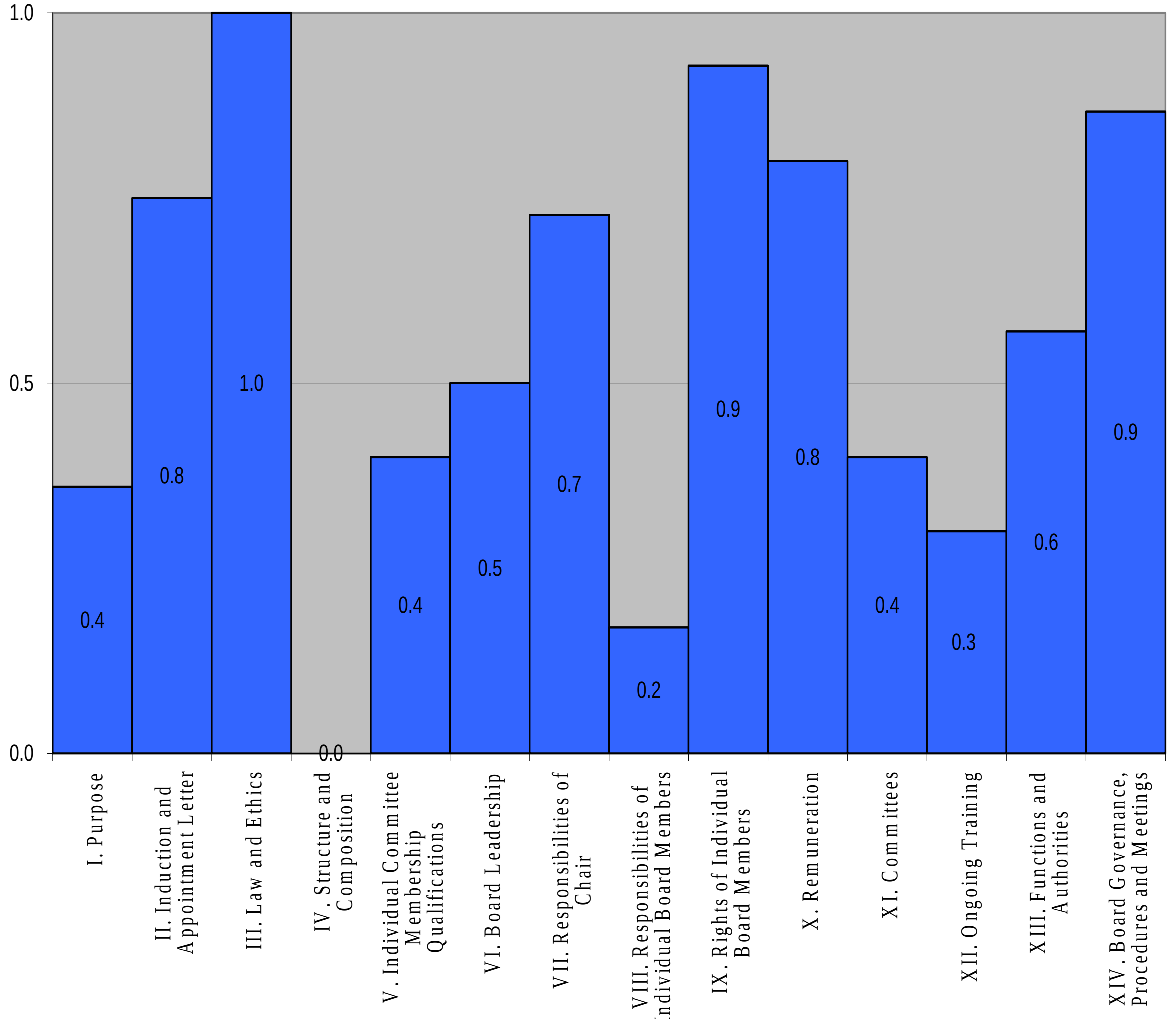


Figure 2. Indices of Best Practice Compliance



ANNEX
Board of Directors Charter Assessment Tool

<table>
<tr><th>INDEX</th><th>ACCEPTABLE</th><th>BETTER</th><th>DESIRABLE</th><th>BEST PRACTICE</th></tr>
<tr><td rowspan="10">I. Purpose</td><td colspan="4">1. Establishing the specific responsibilities of the Board and how it will operate within the applicable legal and regulatory framework. The Articles set a very broad provision whereby ‘[t]he Executive Directors shall be responsible for the conduct of the general operations of the Bank’ (Art. V, Sec. 4a). In Memorandum (1947), however, the Executive Directors agreed that ‘[t]he Executive Directors shall be responsible for the decision of all matters of policy in connection with the operations of the Bank, including the approval of loans.’ Conversely, ‘[t]he management is responsible for developing recommendations on all matters of policy decision by the Executive Directors. Whenever, in connection with the operations of the Bank, decision of a question of policy becomes necessary, the President will submit such question to the Executive Directors with the recommendation of the management as to the action to be taken.’ The basic provisions of the Memorandum have never been revised or updated since then. Score 0.5</td></tr>
<tr><td colspan="4">2. Establishing the Board’s responsibility for hiring and firing the chief executive officer of the Bank (CEO). Art. V, Sec 5a, provides that ‘[t]he Executive Directors shall select a President…The President shall cease to hold office when the Executive Directors so decide.’ Score 1</td></tr>
<tr><td colspan="4">3. Elaborating duties of care, loyalty and confidentiality. Sec. 13d of the By-Laws provides that ‘[i]t shall be the duty of an Executive Director…to devote all the time and attention to the business of the Bank that its interest requires, and…to be continuously available.’ Besides such broad obligations, however, there are no requirements to ensure that an Executive Director is able to fulfill the duty of care. As for loyalty, the Executive Directors have a dual role, acting as Bank’s officials as well as representatives of the countries appointing or electing them. Finally, confidentiality is limited to the extent Executive Directors report to their respective country authorities on matters related to Board deliberations. Score 0.17[1]</td></tr>
<tr><td colspan="4">4. Establishing the Board’s responsibility for reviewing and approving the Bank’s strategic plan. The closest applicable provision is Art. V, Sec 5b: ‘[t]he President…shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organisation…’ The role of the Board is, in practice, less clear-cut. For instance, in the case of a country’s business plans, also known as Country Assistance Strategy (CAS), the Executive Board merely discusses, but does not approve, reject or endorse the CAS (World Bank, 2003). Score 0.5</td></tr>
<tr><td></td><td>5. Establishing responsibility and obligations of individual Board members. These are only broadly described in the Articles of Agreement or By-Laws. Score 0.5</td><td colspan="2">5. Same, and establishing the rights of individual Board members. These are only broadly described in the Articles of Agreement or By-Laws. Score 0.5</td></tr>
<tr><td></td><td colspan="3">6. Distinguishing responsibilities and privileges reserved to the Board, and those delegated to executive management, usually in the person of the CEO. The Articles distinguish between the responsibilities of the Chair, who is also the CEO, and those of the other Board members. Such a distinction is very broad, however, and much is left to practice. Score 0.5</td></tr>
<tr><td></td><td></td><td colspan="2">7. Monitoring the performance of the Bank and the management against the targets set by the Bank’s strategic plan. Not codified nor conforming to current practice. Score 0</td></tr>
<tr><td></td><td></td><td colspan="2">8. Establishing the Board’s responsibility for succession planning for executive officers. Not codified. Score 0</td></tr>
<tr><td></td><td></td><td></td><td>9. Providing high-level advice and assistance to the management, as requested by the CEO, for the execution of the Bank’s strategy. Despite their title, Executive Directors are non-executive. As from Memorandum (1947), the Executive Directors do not have any bearing on the execution of the strategy, which rests entirely on the Management. Score 0</td></tr>
<tr><td></td><td></td><td></td><td>10. Establishing the Bank as a recognised leader in corporate governance for financial institutions. Not codified. Score 0</td></tr>
<tr><td rowspan="3">II. Induction and Appointment Letter</td><td colspan="4">1. Written appointment letter. The election of Executive Directors is a highly structured process regulated by Schedule B of the Articles. In the case of appointed Executive Directors, as from Art. V, Sec. 4, their appointment also implies a written communication from the Governor to the Bank. Score 1</td></tr>
<tr><td colspan="4">2. Appointment letter specifies term. Art. V, Sec. 4b: ‘Executive Directors shall be appointed or elected every two years.’ Score 1</td></tr>
<tr><td colspan="4">3. Appointment letter specifies all Boards (e.g. subsidiary companies) included in main appointment. Under the Articles of IFC and IDA, Executive Directors of the Bank (IBRD) serve ex officio as Executive Directors of IFC and IDA. All members of the MIGA Board of Executive Directors are elected separately. Score 1</td></tr>
</table>

[1] Average of care (0.5), loyalty (0), and confidentiality (0).

		4. Orientation program for all new Board members. *New Board members are offered an induction program at the beginning of their term.* **Score 1**	4. Same, and orientation program includes briefings on: rules and regulations governing the Bank (including relevant jurisdiction's corporate law), anti-money laundering and anti-terrorism financing regulations, capital adequacy regulations, and corporate finance and capital structure of the Bank, as well as detailed information regarding the operations, strategic plan, current business objectives, etc. of the Bank. *Consistent with current practice where applicable.* **Score 1**	
		5. New Board members receive appointment package, including Charter or Articles of Association, governing laws, recent financials, recent annual reports, regulatory filings, etc. *Consistent with current practice.* **Score 1**		
			6. New Board members receive general fiduciary and corporate governance training. *Not consistent with current practice.* **Score 0**	
				7. New Board members informed they are expected to remain current on banking regulation issues and instructed how to do so. *Not applicable.*
III. Law and Ethics	1. Generally referencing to expected ethical behavior of Board members. *A code of conduct sets the standards of ethical behavior expected from Board members (see Code of Conduct, 2003).* **Score 1**	1. Including specific Board of Directors Ethics Policy, or references that Bank's Ethics Policy covers Board members and extends these requirements to CEO and rest of senior management if they are not Board members. *Consistent with Code of Conduct (2003), although Senior Management falls within the Ethics Policy of Bank's staff.* **Score 1**		
	2. Board responsible for overseeing compliance with applicable laws and regulations. *The Executive Board has established an ethics committee charged with overseeing compliance with the code of conduct (see Code of Conduct, 2003).* **Score 1**			
		3. Board members receiving no other material benefits from the Bank other than those explicitly approved by Board as appropriate remuneration for Board and/or Committee service. *All matters relating to the remuneration of Executive Directors fall within the purview of the Board of Governors (Art. V, Sec. 2h). The Joint Committee on the Remuneration of Executive Directors and their Alternates, appointed by the Chairmen of the Board of Governors of the Fund and the Bank, advises the Governors on such matters accordingly (By-Laws Sec. 12e(ii)). Furthermore, the Code of Conduct (2003) prevents Board members from having any financial interest in transactions or projects of the Bank.* **Score 1**		
			4. Integrating ethical standards into overall ethical framework for all employees. *The Code of Conduct for Board officials acknowledges the particular circumstances of Board members while drawing on the overall ethical framework for World Bank's employees.* **Score 1**	
			5. The Board, at the request of the Chair or a third of its members, having the right to initiate an independent investigation into specific allegations of misconduct by executives or Board members. *'The ethics committee shall have the authority to…consider allegations of misconduct against Board Officials or the President…' (Code of Conduct, 2003). The ethics committee consists of three (Board) members.* **Score 1**	5. Same, and such investigation may also be commenced by a majority vote of the non-executive Board members. *Under current procedures, the ethics committee decides by simple majority, requiring two votes out of three (see Code of Conduct, 2003).* **Score 1**
IV. Structure and Composition	1. Establishing the Board system – unitary or dual (where not imposed by law). *Not applicable*			
	2. Establishing minimum and maximum number of Board members. *Art. V provides for 12 Executive Directors. Since 1992, the Board of Governors has brought the number of Executive Directors to 24, in accordance with power conferred by Art. V, Sec. 4b.* **Score 1**			2. Corporate By-laws specify the exact number of Board members. *Not specified in the By-Laws.* **Score 0**

	3. Establishing terms of Board members and whether classified[2] Board, where such boards are permitted by law. *Art. V, Sec. 4b poses that 'Executive Directors shall be appointed or elected every two years.'* **Score 1**		3. All Board members elected annually. *Elected Executive Directors serve for a (renewable) two-year term.* **Score 0**	
		4. Establishing whether any shareholders are given specific nomination rights if not in law or Articles of Association. *Art. V, Sec. 4b grants the five largest shareholders the privilege of appointing their own Executive Director.* **Score 1**		4. No constituency Board members[3]. *Art. V, Sec. 4a(i) empowers the largest five shareholders to appoint their own executive directors.* **Score 0**
		5. Establishing ratios of executive, non-executive[4] and independent Board members.[5] Includes definition of independence. *There is currently a ratio of 24 Directors to 1 Executive, who also holds the Board Chair. The Board of Governors may change the number of Executive Directors under Art. V, Sec. 4b. There are no independent Board Members.* **Score 1**	5. Majority independent Board members. *Executive Directors are not independent due to their dual function as Bank officials and country representatives.* **Score 0**	5. Same, and a stricter definition of independence than the local practice, based on world-class standards. *Executive Directors are not independent due to their dual function.* **Score 0**
V. Individual Committee Membership Qualifications	1. Time and desire to fulfill obligations. *Sec. 13d of the By-Laws provides that '[i]t shall be the duty of an Executive Director…to devote all the the time and attention to the business of the Bank that its interest requires, and…to be continuously available.' Under the Bank's Articles, Executive Directors function in continuous session and meet as often as the business requires (Art. V, Sec. 5e).* **Score 1**			
	2. Meeting regulatory and licensing requirements (e.g., "fit and proper" standards), if any. *Not applicable.*			
		3. Combined banking, financial, legal and other relevant expertise on the Board. *The criteria for Committee membership mainly refer to the need for reflecting 'the economic and geographic diversity of the Bank's member countries' and for 'ensuring balanced representation between borrowing and non-borrowing member countries' (Board Committees, 2006).* **Score 0**	3. Same, and periodic professional education/training for all Board members. *Not consistent with current practice.* **Score 0**	
				4. Less than 75% attendance at meetings in one year automatic threshold for non-reappointment. *Attendance and, more broadly,* ex post *assessment of a member's performance is not required for re-appointment.* **Score 0**

[2] "Classified Board" refers to a structure for a Board of Directors with only a portion of Board members coming up for election each year.
[3] In this context, "constituency Board members" refers to the right of one or more shareholders to nominate their own Directors. It corresponds—in the Bank's own governance framework—to the right afforded to the five largest shareholders to appoint their own Executive Directors. Conversely, all other shareholders form "constituencies" by casting their votes towards a common candidate who, if successful, then becomes (elected) Executive Director.
[4] In jurisdictions with the so-called dual (two-tiered) Board systems, the non-executive directors refer to members of the Supervisory Board.
[5] Preferably requires a majority of non-executive Board members, and, in all cases, enough non-executive Board members to allow the Board to fulfill the functions reserved for such Board members.

<table>
<tr><td></td><td></td><td></td><td></td><td>5. Limit on number of other Board memberships. *Limits to other Board memberships derive from the requirement in Sec. 13d of the By-Laws stating that '[i]t shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Bank that its interest requires, and between them to be continuously available.'* **Score 0.5**</td></tr>
<tr><td rowspan="3">**VI. Board Leadership**</td><td colspan="4">1. Establishing Board leadership positions. *Art. V, Sec. 5a sets that '[t]he Executive Directors shall select a President' and further adds that he 'shall be the Chairman of Executive Directors' (Sec 5b). The Executive Directors appoint their Dean, who is by custom the most senior full-time Executive Director. His role is to facilitate the work of the Executive Board on the basis of his longstanding experience (see Handbook, 2002).* **Score 1**</td></tr>
<tr><td>2. Chair elected from amongst Board members. *Art. V, Sec. 5 provides that the President 'shall not be…an executive director.'* **Score 0**</td><td>2. Specifying that there is a difference between leading the Board and executive leadership of the Bank. Includes an authority framework and delegations to enable this distinction.[6] *The relationship between the Chair of the Board and the executive leadership is regulated by Art. V, Sec. 5.* **Score 1**</td><td>2. Establishing that the Board Chair and the CEO shall be two different individuals. Chair will have no executive functions. *Under the Articles of Agreement, the President is both Chair of the Executive Board and CEO. Such a dual role of the President has been a defining feature of the whole World Bank's history.* **Score 0**</td><td>2. Same, and independent Board member as Chair. *Not codified.* **Score 0**</td></tr>
<tr><td></td><td></td><td></td><td>3. The Chair of the Board may not be the Chairman of any of the Board Committees of the Bank. *Art. V, Sec4(i) provides that '[t]he Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to governors or directors or their alternates.' In the early days, the President used to chair all Board committees, although this does not reflect current practice (Board Committees, 2006).* **Score 0.5**</td></tr>
<tr><td rowspan="6">**VII. Responsibilities of Chair**</td><td colspan="4">1. Presiding over Board meetings. *Codified by Art. V, Sec. 5b. Furthermore, Sec. 5a provides that the President has no vote except for a deciding vote to break a tie in the case of an equal division.* **Score 1**</td></tr>
<tr><td colspan="2">2. Setting agendas, though any Board member may request an agenda item. *Under Rules (1992) '[a]n agenda for each meeting shall be prepared by the President, … and a copy of such agenda shall be given to each Executive Directo' (Sec 3a).* **Score 1**</td><td colspan="2">2. Same, and preparing the Board's annual meetings calendar. *Codified in Rules (1992) and consistent with current practice. These responsibilities are discharged by the President through the Vice-President and Corporate Secretary.* **Score 1**</td></tr>
<tr><td colspan="4">3. Presiding over Shareholder Meetings. *Art. 5 Sec. 2b provides that '[t]he Board [of Governors] shall select one of the Governors as chairman.'* **Score 0**</td></tr>
<tr><td></td><td colspan="3">4. Ensuring that appropriate orientation for new Board members is organised. *This responsibility is discharged by the President through the Vice-President and Corporate Secretary.* **Score 1**</td></tr>
<tr><td></td><td colspan="3">5. Ensuring the effective functioning of the Board, including scheduling meetings, ensuring adequate notice prior to meetings, and timely distribution of appropriate materials in advance of any meeting. *Codified in Rules (1992) and Board Effectiveness (2005). These responsibilities are discharged through the Vice President and Corporate Secretary.* **Score 1**</td></tr>
<tr><td></td><td colspan="3">6. Facilitating separate meetings of non-executive Board members and establishing the process for such meetings.[7] *Sec. 2f of Rules (1992) provides that '[t]he President of the Bank, or in his absence a Managing Director designated by the President, shall act as Chairman of, and preside at, all meetings of the Board. In the event that a meeting of the Executive Directors shall be convened to consider the appointment of the President or the terms and conditions of his service contract or any matter relating thereto, or under other such exceptional circumstances in which the President shall have determined that it would be inappropriate either for him or for a Managing Director so to act, an Executive Director selected by the Executive Directors shall act as Chairman'* **Score 0**</td></tr>
</table>

[6] In the event that the Board still chooses to have a combined Chair and CEO, the Board should select a lead director from amongst the independent Board members with defined responsibilities.
[7] In the case of a combined CEO/Chair, this should be done by the lead independent director.

<table>
<tr><td rowspan="7"></td><td></td><td></td><td colspan="2">7. Encouraging appropriate level of deliberation of all issues. Consistent with current practice featuring extensive Board discussions supported by high-quality documents. Score 1</td></tr>
<tr><td></td><td></td><td colspan="2">8. Seeking input from individual Board members. Input sought through several formal and informal meetings of the Executive Board as well as in bilateral meetings with the President and the Senior Management as appropriate. Score 1</td></tr>
<tr><td></td><td></td><td colspan="2">9. Being informed by CEO of all important developments. Not applicable.</td></tr>
<tr><td></td><td></td><td colspan="2">10. Being available to CEO for consultation on an as-needed basis. Not applicable.</td></tr>
<tr><td></td><td></td><td>11. Ensuring an effective, regular process of evaluation of the Board and Board Committees. Not codified or consistent with current practice. Score 0</td><td>11. Same, and ensuring an effective, regular process of evaluation of individual Board members. Not codified or conforming to current practice. Score 0</td></tr>
<tr><td></td><td></td><td colspan="2">12. Supervising the work of Board committees and liaising regularly with their chairs without interfering in their responsibilities. The Board, chaired by the President, supervises the work of Board Committees (see Maelhum, 1995). Senior Management, on behalf of the President, constantly liaises with Board Committees and provides input into their discussions. Score 1</td></tr>
<tr><td></td><td></td><td></td><td>13. Being available to shareholders where and when appropriate (e.g. Annual General Meetings, between Board meetings), though such representation does not vitiate the principle of collective responsibility. Consistent with current practice. Score 1</td></tr>
<tr><td rowspan="7">VIII. Responsibilities of Individual Board Members</td><td colspan="4">1. Knowing the Bank’s legal status, fundamental business, business environment and strategy. Not codified. Score 0</td></tr>
<tr><td colspan="4">2. Staying informed in a timely fashion. Not codified. Score 0</td></tr>
<tr><td colspan="4">3. Participating in Board and Committee work, and devoting adequate time to fulfill this responsibility. Sec. 13d of the By-Laws provides that ‘[i]t shall be the duty of an Executive Director…to devote all the time and attention to the business of the Bank that its interest requires, and…to be continuously available.’ Under the Bank’s Articles, Executive Directors function in continuous session and meet as often as the business requires (Art. V, Sec. 5e) Score 1</td></tr>
<tr><td colspan="4">4. Abstaining from using/releasing information. In contrast with the dual role of Executive Directors. Score 0</td></tr>
<tr><td></td><td colspan="3">5. Abstaining from compromising independence (if independent Board member) and disclosing to the Board if independence criteria is not met anymore. Given the dual nature of Executive Directors, the conflict of interest between their fiduciary role and that of being a representative of the appointing/electing countries is an inherent feature of the governance of the institution. Score 0</td></tr>
<tr><td></td><td colspan="3">6. Alerting the Board Chair if Board members have a conflict of interest and abstaining when considering any agenda item which might represent a conflict of interest.[8] An Executive Director is not prevented from voting when an agenda item related to his respective country or countries comes up for discussion (although relevant provisions do exist in the case of personal conflict of interest). Score 0</td></tr>
<tr><td></td><td></td><td></td><td>7. Owning a substantial amount of the Bank’s stock (if the Bank is publicly traded) with commensurate economic risk. Not applicable.</td></tr>
<tr><td rowspan="6">IX. Rights of Individual Board Members</td><td colspan="4">1. Receiving timely agendas and information, so as to prepare for Board and Committee meetings. Written guidelines from the Corporate Secretary establish detailed lead times for the distribution of Board documents to Executive Directors (Handbook, 2002). Score 1</td></tr>
<tr><td colspan="4">2. Accessing information about the Bank in a timely fashion. Codified in the Bank’s Operational Manual under BP 17.30 and in Memorandum (2002). Score 1</td></tr>
<tr><td colspan="4">3. Disagreeing, in writing, with any Board action or decision, and recording the dissenting vote. Under Rules (1992), any Executive Director may request a formal vote on any matter before the Board. Furthermore, any Executive Director dissenting from a decision of the Board may require that his views be recorded in the minutes of the meeting. Score 1</td></tr>
<tr><td colspan="4">4. Placing items onto the agenda. Under Sec. 3a of the Rules (1992) ‘[a]ny matter upon which the Board has power to act shall be included on the agenda for any meeting of the Board, if any Executive Director shall so request.’ Score 1</td></tr>
<tr><td></td><td colspan="3">5. Reasonably accessing senior management as needed, on a mutually convenient basis. Fully consistent with current practice. Score 1</td></tr>
<tr><td></td><td>6. Accessing in-house advice on all duties. Fully consistent</td><td colspan="2">6. Same, and accessing independent outside advice. The latter is not codified or conforming to current practice. Score 0.5</td></tr>
</table>

[8] They should not vote or participate in the discussion of that item, nor should they count towards the quorum for that item.

		with current practice. **Score 1**		
		7. Receiving transparent and adequate remuneration. *Fully consistent with current rules and practice.* **Score 1**		
X. Remuneration	1. Establishing general framework of remuneration of non-executive Board members. *By-Laws Sec. 13(ii) established the Joint Committee on the Remuneration of Executive Directors and their Alternates, appointed by the Chairmen of the Board of Governors of the Fund and the Bank 'to consider all matters affecting the remuneration and other benefits of the Executive Directors of the Bank and the Fund, and of their Alternates.'* **Score 1**			
	2. All non-executive Board members receiving the same Board fee.[9] *The remuneration as determined above applies to all Executive Directors.* **Score 1**			
		3. Prohibiting payments to Board members other than those related to their directorship (i.e., prohibits finders' fees, consultancies, etc.). *Code of Conduct (2003) states that 'Board Officials shall avoid having any financial interest in transactions of the Organisations [entities of the World Bank Group] or in projects or enterprises involving the Organisations.' Furthermore, 'Executive Directors and Alternate Executive Directors shall not seek, apply for, or take up appointment to the staff of any of the Organisations while serving as Executive Directors and Alternate Executive Directors or within one year following the end of such service.'* **Score 1**		
			4. Setting the criteria on which the remuneration is based (e.g., comparables, performance of the Bank, timing) and basis for approval (i.e., if shareholder vote is required). *A Joint Committee on the Remuneration of Executive Directors appointed by the Chairmen of the Boards of Governors of the Bank and the IMF makes recommendations on all matters affecting their remunerations, including the choice of external comparators to the Board of Governors (By-Laws Sec. 13e(ii) and JCR, 2003). The Board of Governors approves the remuneration of Executive Directors (Art. 5 Sec. 2h).* **Score 1**	
				5. Prohibiting any 'change in control' provisions benefiting any Board member without prior shareholder approval. *Not applicable.*
				6. Prohibiting non-executive Board members from participating in any Bank-sponsored pension or other retirement plan (though non-executive Board members may participate in plans deferring their Board remuneration). *Executive Directors are allowed to participate in the Bank's pension plan.* **Score 0**
XI. Committees	1. Providing the possibility for the Board to establish various committees, standing and *ad hoc*, to support the Board's work. *Executive Directors are empowered by the Articles to 'appoint such committees as they deem advisable' (Art. V, Sec. 4(i)).* **Score 1**	1. Same, and setting the operating and reporting framework for various specific committees (e.g., Audit and Compliance, Corporate Governance/Nominations, and Compensation). *Consistent with the current framework (see terms of reference of standing committees).* **Score 1**		
	2. Providing the possibility to remit any Board function to a Committee.[10] *As noted in the Mealhum Report (1995), 'in view of the voting structure of the Bank and rules governing appointment and election of Executive Directors, it is not feasible for committees to function as decision-making bodies or to exercise delegated powers of the Board' (p. 9).* **Score 0**			
			3. Annually reviewing adequacy, efficiency and effectiveness of committee structure, including number and nature of committees, their membership and terms of reference (committee charters; may be based on a review by the Corporate Governance/Nominations Committee where such a Committee exists). *Not conforming to current practice.* **Score 0**	
			4. Requiring full reporting by committees to the Board, absent explicit Board authorisation otherwise, or in the case of an investigation that requires confidentiality. *Board committees are not a decision-making organ on behalf of the Executive Board and must fully report to the Board, which takes final decisions (see Board Committees, 2006).* **Score 1**	
			5. Setting the framework by which both inside and outside	5. Same, and establishing a budget to finance expert opinions and outside legal counsel for committees. *Not codified.* **Score**

[9] The Board fee does not include any additional fees for Board meeting attendance (sitting fees) and fulfilling additional responsibilities as a Board or Committee Chair.
[10] Such remit does not alleviate the Board as a whole from its duties and responsibilities.

			experts and outside legal counsel may be accessed by committees. *Not codified.* **Score 0**	**0**
XII. Ongoing Training		1. Providing the right of individual Board members to attend relevant education and training sessions at the Bank's expense. *Conforming to current rules (COGAM, 2005).* **Score 1**		
			2. Requiring ongoing training for all Board Members, both with respect to the Bank's own needs and requirements and with respect to external standards of competence.[11] *Not codified nor conforming with current practice.* **Score 0**	
			3. Regulatory and corporate governance developments in banking and financial institutions are an agenda item at (and preferably the primary focus of) a minimum of one mandatory meeting a year. *Not codified nor conforming with current practice where applicable.* **Score 0**	
				4. Individual director training considered in individual Board member evaluations. *Not applicable.*
				5. Providing customised training for Board members. *Not codified or consistent with current practice.* **Score 0**
XIII. Functions and Authorities[12]	1. Reviewing and amending, if necessary, strategic direction of the Bank. *Art. V, Sec. 4a sets that '[t]he Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.' Furthermore, in accordance with Memorandum (1947), the Executive Board's approval of a new policy or change in an existing policy is required.* **Score 1**	1. Same, at least annually. *Consistent with current practice.* **Score 1**		
	2. Reviewing the effectiveness of executive management. *Not codified.* **Score 0**			
	3. Reviewing the overall performance of the Bank. *The Executive Board carries out this function assisted by the Independent Evaluation Group (IEG) and the Internal Audit Department (IAD). The former assesses 'the relevance, efficacy, and efficiency of the World Bank Group operational programs and activities, and their contribution to development effectiveness' (IEG, 2004). The latter brings 'a systematic, disciplined approach to evaluate and suggest improvements to the effectiveness of risk management, control, and governance process' and 'periodically inform[s] the President and the Audit Committee on the status and results of the annual audit plan' (IAD, 2005).* **Score 1**	3. Same, and reviews relative performance against peer group. *Not codified or consistent with current practice.* **Score 0**		
	4. Approving the Bank's annual budget(s). *Sec. 18a of the By-Laws provides that '[t]he President shall prepare an annual administrative budget to be presented to the Executive*			

[11] Such training shall amount to at least one day per year.
[12] Functions and authorities of the Board specified here are in addition to what is usually required by law or regulation.

	Directors for approval.' **Score 1**			
	5. Reviewing the Bank's business plan. *Done in the context of the (three-year) planning cycle of the Medium-Term Strategy (see, for instance, MTSF, 2007).* **Score 1**			
	6 Approving annual audited and interim financial statements, where required, before submitting for shareholder approval. *Sec. 18b of the By-Laws states that '[t]he Executive Directors shall have an audit of the accounts of the Bank made at least once each year and on the basis of this audit shall submit a statement of its accounts, including a balance sheet and a statement of profit and loss, to the Board of Governors to be considered by them at their annual meeting.'* **Score 1**	6 Same, and even where not legally required. *Consistent with current practice.* **Score 1.**		
	7. Approving delegations of authority (e.g., to approve transactions below a certain threshold) in a detailed chart based on levels of materiality, and providing for written delegations of authority below threshold limits. *Consistent with current regulation (see World Bank, 2003).* **Score 1**			
		8. Reviewing and approving material related-party transactions.[13] *Not applicable*		
		9. Reviewing goals, metrics and benchmarks for strategic plan. *Not consistent with current practice.* **Score 0**		
		10. Approving significant capital expenditures, material changes in capital structure of the Bank, material acquisitions and dispositions. *Changes to the capital structure are in the purview of the Board of Governors and cannot be delegated to the Executive Board. Capital expenditures as well as material acquisitions occurring within the approved-budget envelope fall within the purview of management.* **Score 0**		
		11. Recognising that identifying, understanding, pricing and managing risk are core competencies of any financial institution.[14] *This is recognised in the terms of reference of the audit committee.* **Score 1**		
		12. Evaluating the CEO and other senior executives at least annually. *Not codified or consistent with current practice.* **Score 0**		
			13. Defining succession planning for both CEO and Chair of the Board. *Not codified or consistent with current practice.* **Score 0**	
			14. Reviewing corporate compliance policies and procedures, and discussing Audit and Compliance Committee's review of internal control system, at least annually. *Consistent with the legal framework of Board committees (see Board Committees, 2006).* **Score 1**	
			15. Reviewing state of the Bank's relationships with various stakeholders and shareholders. *Consistent with current practice.* **Score 1**	
			16. Reviewing state of the Bank's relationships with relevant regulators. *Not applicable.*	
				17. Setting the framework for communication with key stakeholders and shareholders, allocating responsibilities to itself, the CEO, CFO, etc. *Done in the context of Board's review of communication policies. However, the Board is not responsible for allocating responsibilities to the CFO and the Senior Management, as this falls within the purview of the President.* **Score 0.5**
INDEX	**ACCEPTABLE**	**BETTER**	**DESIRABLE**	**BEST PRACTICE**
XIV. Board Governance, Procedures and Meetings	1. Referencing the Bank's Articles of Association, Charter or other governing document. *The legal and corporate secretary departments ensure that all the relevant Board governance documents, procedures and meetings are fully consistent with—and reflective of—the Articles of Agreement.* **Score 1**			
	2. Holding at least quarterly meetings, with additional meetings at the discretion	2 Same, and 1/3 of Board members may request a	2. Same, but at least bi-monthly meetings. The External Auditor, Chief of Internal Audit, or Chief Compliance Officer may request a meeting. *Not codified.* **Score 0**	

[13] There should be detailed policies or procedures and required information to determine the materiality of transactions. The Corporate Governance and Nominations or the Audit and Compliance Committee may play a role in this.
[14] Board sets risk philosophy and tolerances. Board receives periodic reports on existing and contemplated risks, including nature and size of the risks, and capital adequacy in relation to those risks.

	of the Chair. *Art. 5 Sec. 4e sets that '[t]he Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business require.'* **Score 1**	meeting, which should generally be granted. *Rules (1992) poses that '[t]he President shall call a special meeting of the Board at any time at the request of any Executive Director.'* **Score 1**		
	3. All Board members receiving advance notice of all Board meetings, with agendas and information packages in advance (e.g., 1 day).[15] *Conforming to current practice and Rules (1992).* **Score 1**	3. Same, with minimum of 1 week notice. *Fully conforming to Rules (1992).* **Score 1**	3. Same, with minimum 2 weeks notice. Information packages should be received no less than 1 week in advance of meeting. *Consistent with the codified lead times for the distribution of documents to the Board (see Handbook, 2002).* **Score 1**	
	4. Establishing quorum of at least 50% of Board members. *Art. V, Sec. 4f poses that '[a] quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less that one-half of the total voting power.'* **Score 1**			
	5. Keeping minutes.[16] *Under Rules (1992), verbatim transcripts are prepared for all Board meetings, including those informal. Formal minutes are prepared for regular (formal) Board meetings. Draft minutes are circulated to the Board for approval and include a record of attendance, subjects considered, decisions made, and resolutions adopted.* **Score 1**		5. Same. Once approved, minutes, together with the Board information package and any other submissions, shall be available to any Board member upon reasonable notice.[17] *There is a Board Resource Center where Executive Directors can access the minutes that normally become available two days after the respective Board meeting.* **Score 1**	
	6. All Board members expected to attend all Board meetings. If a member cannot attend, he or she will inform the Chair and/or the Corporate Secretary as soon as possible. *Sec. 13d of the By-Laws provides that '[i]t shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Bank that its interests require, and between them to be continuously available at the principal office of the Bank; however, in the event that both an Executive Director and his Alternate are unable to be available at the principal office of the Bank for reasons of health, absence while on business of the Bank, or similar reasons, the Executive Director may designate a temporary Alternate to act for him.'* **Score 1**			
		7. Holding meetings at a time and place convenient to Board members or a place selected for corporate purposes. *Art. 5 Sec. 4e provides that 'Executive Directors shall function in continuous session at the principal office of the Bank.'* **Score 1**		
		8. Holding meetings in person or by electronic means, where permitted by law. *As the Executive Board is resident, each Executive Director shall always make himself/herself available or through an Alternate, as from By-Laws.* **Score 1**		
		9. Setting minimal standards for periodicity of Board consideration of financial and operational performance, and regulatory compliance. *Fully conforming to existing regulation and practice (see, for instance, Compendium, 2006).* **Score 1**		
		10. Establishing an office of the Corporate Secretary or other similar office to coordinate Board functions and provide other services as may be required by law, regulation or corporate governance code. *The Executive Board is assisted by the Office of the Corporate Secretary, staffed with professionals who are knowledgeable about Board procedures, as well as Bank policies and operations.* **Score 1**		
		11. Non-executive Board members occasionally meet alone, without management present. *Not codified or conforming to current practice.* **Score 0**	11. Same, but meeting regularly. *Not codified or conforming to current practice.* **Score 0**	
			12 Covering all issues pertaining to the Board's functions and authority according to a schedule,	

[15] Advance notice of agendas and information packages may be waived with unanimous written consent.

[16] Minutes will document processes and outcomes, rather than the Board discussion, unless the Chair otherwise directs. Notwithstanding, any individual Board member may request a statement be included in the minutes to explain his/her vote. Minutes of the previous Board meeting shall be included in the information package for the next Board meeting.

[17] Board members may retain Board papers on a basis that protects confidentiality.

			preferably annual, of meetings set for the whole year. *Typically done in the context of the Executive Directors' Steering Committee, 'whose functions include reviewing and consulting with the Secretary and with Management…all matters relating to the scheduling and composition of the Executive Directors' work program and any other issues of interest in conducting the business of the Board. The Committee also provides informal oversight to ensure compliance with approved Board practices and procedures…The Steering Committee consists of the Dean, who is the Chairman, the Co-Dean and the Chairmen of the Board's five standing committees' (Handbook 2002, 31-32).* **Score 1**	
			13. Corporate Secretary accountable to Board, in the person of the Chair, for his/her performance. Board involved in hiring and firing of Corporate Secretary. *Consistent with current rules and practice (see World Bank, 2003).* **Score 1**	
			14. Corporate Secretary to keep official records of the Board. *Consistent with current rules and practice (see Handbook, 2002). Furthermore, a Board Resource Center has been established within the Corporate Secretary to assist Executive Directors and their staff in retrieving Board documents and other official records.* **Score 1**	
				15. Conducting a yearly Board retreat to meet key executive personnel and to discuss strategy. *Executive Directors conduct a yearly retreat and focus on forward-looking strategic issues. Furthermore, there is a monthly luncheon chaired by the Dean where Executive Directors meet a Senior Executive to discuss issues of common concern.* **Score 1**

[1] As per the IBRD financial statements for the corresponding fiscal year.
[2] Communiqué of the Development Committee, April 15, 2007.
[4] For applications of agency theory to the theory of firm, see the seminal contributions of Fama (1980), Jensen and Mackling (1976), Fama and Jensen (1983), and, more recently, Lynall, Goden, and Hillman (2003). For applications of agency theory to international organisations, see, among the others, Hawkins, Lake, Nielson, and Tierney (2006).
[5] The Articles of Agreement of the IDA and the IFC stipulate that IBRD Executive Directors serve *ex officio* as IFC and IDA Executive Directors provided that: 1) the country that appoints them is also a member of the IDA and IFC; or 2) at least one of the countries that elects them is also a member of the IDA and IFC. In practice, these conditions are extremely likely to occur at each round of appointments/elections and, as a result, the composition of the IBRD, IDA, and IFC Boards tends to be identical.
[9] See Art. V, Sec. 5, of the IBRD Articles of Agreement. In the case of the IDA, the President of the IBRD is *ex officio* President of the Association and Chairman of the Board. At the IFC, the IBRD President is *ex officio* Chairman of the IFC Board. The latter appoints the IFC's President, who has invariably been the IBRD President. The MIGA Convention provides for the IBRD President to serve *ex officio* as Chairman of MIGA's Board. The latter elects the President, who has invariably been the IBRD President.
[10] The other two are the Joint Procedures Committee, which deals with issues concerning the organisation of the annual meetings, and the Joint Committee on the Remuneration of Executive Directors and their Alternates.
[11] Country assistance strategies, poverty reduction and strategy papers, debt-relief reports, oral briefings, and trip reports.
[12] Of these 542 items, 414 were circulated to the Board for approval under the so-called "streamlined procedure," whereby items are not discussed unless at least one board member so requests. While this undoubtedly results in fewer hours of board meetings, it does not in any way exempt the board from its fiduciary responsibility when approving such items.
[13] In practice, the term "policy" is understood in its legal connotation as "rule." Thus, in theory, a new strategy that would not involve a change in the current rule-system, nor result in a new budgetary appropriation, would not require, strictly speaking, board approval.
[15] Bank Procedures (BP) 2.11, par. 1, January 1995.
[16] See Mason and Asher (1973), Kapur, Lewis, and Webb (1997), and Lawani (2006) for a relevant historical account from which this section draws.
[17] Consistent with that idea, for instance, executive directors would be remunerated by the institution, with the aim of engendering commitment and loyalty to the institution rather than to the directors' electing or appointing authorities.
[20] While the analysis is conducted on the governance documents of the IBRD, the conclusions are generally applicable to the other affiliates of the World Bank Group as well, given that the governance of each parallels that of the IBRD.
[21] On this, see Woods and Lombardi (2006) with reference to the IMF board. The need for greater accountability has prompted the work of the recent High-Level Panel on IMF Board Accountability (Panel, 2007), which has made several recommendations to the IMF's executive board regarding how to enhance its accountability. While the recommendations of Panel (2007) are intended for the benefit of the IMF only, they can be easily generalised to apply to the World Bank on the basis of the so-called "principle of parallelism," which captures the broad similarities in the governance of the two institutions. For the purpose of our study, it is interesting to recall that the Panel has recommended a greater and more timely disclosure of board documents. Such a reform would enable stakeholders to monitor how a board member has managed his dual role in contributing to a particular decision.
[22] The Panel's Recommendation No. 3 proposes that "[t]he Executive Board should design a formal, periodic process of assessment of MD [Managing Director and Chairman of the Executive Board] performance, including the use of expert outside advisors. Such evaluation should include an assessment of the MD's management skills. The MD should also solicit Board input into periodic evaluations of the performance of the Deputy Managing Directors." The latter correspond, in the Bank, to the Managing Directors. Recommendation No. 4 adds that "[t]he Dean of the Board should consider the formation of a Board Committee or committees to design and conduct periodic evaluations of the Managing Director's performance and to provide input to the Managing Director on the performance of his management colleagues." Finally, Recommendation No. 6 suggests that "[t]he Dean of the Board should consider the formation of a Board committee, or committees, to organize the following tasks: a) To facilitate the Executive Board's evaluation of its own performance as a corporate body; and b) to arrange for periodic evaluations of the Board by independent external evaluators, such as a 'Group of Wise Persons'; and c) The Executive Board should

include the results of a) and b), when applicable, in a chapter or a section in its Annual Report to the Board of Governors."

[23] One World Trust undertook extensive research on what constitutes the good practice of accountability in international organisations based on issues of contemporary principles of accountability. See Blagescu and Lloyd (2005).

[24] See endnote 9.

[25] Section 2f of the Rules (1992) states that "[t]he President of the Bank, or in his absence a Managing Director designated by the President, shall act as Chairman of, and preside at, all meetings of the Board. In the event that a meeting of the Executive Directors shall be convened to consider the appointment of the President or the terms and conditions of his service contract or any matter relating thereto, or under other such exceptional circumstances in which the President shall have determined that it would be inappropriate either for him or for a Managing Director so to act, an Executive Director selected by the Executive Directors shall act as Chairman."

[26] This is the main difference between the conclusions of this study and those reached by Panel (2007) with regard to evaluation activities. While best practice in the corporate sector mandates a regular evaluation of the Board as a collegial body, of the executive management, and of the individual board members as well, the Panel's recommendations, reflecting a different conceptual framework, stop short of considering the latter.

[27] It is helpful to recall that the recently-established European Central Bank requires that its board members "…be appointed from among persons of recognised standing and professional experience in monetary or banking matters…" See Art. 109a Sec. 2(b) of Treaty (1992).

[28] See Board Evaluation (2001).

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