

Conflict of Interest Policy: Considerations for the Governance Committee

The Governance Committee has been tasked by the Board to consider two issues (1) whether the existing policy sufficiently covers institutional conflicts, and, if not, to propose amendments to address these concerns, and (2) whether it should cover a wider group of subsidiary institutions of the Board or of individuals.

The Secretariat has also identified other issues in the policy for the Committee to consider in its own discretion.

Background

The preceding Governance Committee considered the elements and basic structure of a Conflict of Interest policy in preparation for the October Board meeting. A drafting sub-group of that Committee prepared a draft policy, which was adopted by the Board in Board Decision [Report of the Third Board Meeting, Part D, Section 14 para 2, page 14], which contemplated subsequent technical revisions based on a subsequent legal review. That review has been completed and the final policy is attached as Tab A.

In adopting the attached policy, several Board members expressed concern that the policy should strengthen its coverage of institutional conflicts, and referred the issue to the Governance Committee.

Coverage of "Institutional Conflicts"

The existing policy covers "institutional" conflicts under the following language:

- Conflicts arise when a "Covered Individual" (say, the Board Member) or an "Associated Person" has a financial interest in the matter (section 3.1)
- An "Associated Person" includes the government, company, or institution that the person works for (or participates in some governance capacity)
- The policy applies equally, then, to situations when a Board Member has an individual conflict (stock in a company with a contract before the Board) and situations where the Member's government has an institutional conflict (when the Member Government has a proposal pending before the Board)

This coverage, however, is not very clear. A new draft of the policy, intended to make its application to "institutions" more explicit, is attached as

Tab 2 (proposed changes are highlighted). It has been considered by the Governance Committee and is recommended for approval by the Board.

Scope of Coverage: Subsidiary institutions of the Board

Certain members of the Board also expressed the view that the policy was directed more toward Board proceedings and less toward proceedings of the TRP, committees, or any expert advisory panels that may be established by committees. There is no such limiting language in the policy, however, and it is intended to cover the broadest possible range of these subsidiary bodies of the Fund (see, specifically, section 3 of the policy). The Governance Committee did not highlight specific changes unique to these bodies to be incorporated into the policy.

Scope of Coverage: Individuals

Certain members of the Board also questioned whether the policy should be extended to a more broad range of individuals, to include members of delegations. The policy currently covers:

- Board Members
- Alternates
- Committee/Task Force members
- TRP Members
- Members of any official organization component of the Fund
- Secretariat employees

Noting that each individual listed is required to complete an individual financial disclosure statement, the Committee noted that the fluid nature of representation on delegations made its extension to delegation members impractical. It also noted that the policy was perhaps too broad in covering "all" secretariat employees, rather than just those in a professional or decision making authority. The policy has been changed to cover only those Secretariat employees who are professional, rather than support, staff (exempting secretaries...etc.).

Gift Restrictions

Most conflict of interest/professional conduct policies contain some form of restrictions on gifts, in order to reduce influence and that appearance of influence. Section 6 of the current policy restricts the gift limit to \$20, but does not provide any exceptions for flexibility on that limit. Many similar policies provide exceptions to strict limits for attendance at widely-attended social events, where the risk of influence is slight compared to the benefits that an organization may receive from attending a certain function. In its current restrictive form, it may be that this rule will be "honored in the breach."

The Governance Committee has prepared, for Board approval, practical changes to the policy that would incorporate standard exceptions to these limits for attendance at speaking events and other widely-held gatherings.

Declarations

Section 4.3 requires individuals covered under the policy to file a declaration of interest with the Fund Secretariat. The policy did not set a term for updating these declarations. The Committee recommends that these declarations should be filed by [the end of March.] A revised declaration form and instructions are attached for approval.

Fund Conflicts Committee

Section 5 sets out the terms of reference of a Conflicts Committee. The Governance Committee recommends that the Board consider appointing Board Members to fill the Committee positions, and delegating authority to the Secretariat, under the guidance of the Governance Committee, to establish structures for its operation, for confirmation by the Board at its next meeting.