Implementing Effective Country Level Governance Programs
Governance Partnership Facility
Window One Workshop Proceedings

Implementing Effective
Country Level Governance Programs

Cape Town, South Africa
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CAPE TOWN, SOUTH AFRICA
SEPTEMBER 13-16, 2010
Acknowledgments

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The workshop's success was enhanced by the presence of Managing Director Sri Mulyani Indrawati, Vice President Otaviano Canuto, and Vice President Joachim von Amsberg. Their commitment to the GAC agenda and to staff learning in this area is sincerely appreciated, and their support going forward will be integral to the success of the agenda.

The support of the GAC Secretariat, particularly Brian Levy and Graham Teskey, was critical to the workshop's success and the continued promotion of the GAC agenda. The GPF would also like to thank Ruth Kagia, Mabel Nomsa Mkhize, and the entire South Africa country team for their logistical and creative support in organizing the workshop and for so warmly welcoming colleagues to South Africa.

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How do you run a different kind of development workshop?

You start by eliminating Powerpoints, graphs, and overly long discourses, and instead create a space and structure where people can talk openly and directly. Call it conference fêng shuí, or call it an “Oprah-esque” setting, but it brings people together, and it breaks down barriers.

The next step — if you’re very lucky — is that 90 or so energetic, committed professionals from many points across the globe converge in one place for three days with the goal of supercharging development effectiveness.

This was the Cape Town conference on GPF Window One Countries. Over 90 staff — including one managing director (MDI), two vice presidents (PREM and OPCS), seven country directors, and six other directors — made the long trek to Cape Town, South Africa to sit in a sometimes too-small room and share experiences, examine strategies, provoke ideas, and renew commitments. Most of the participants work in Bank operations and half are field-based. GPF donor partners (UK, Netherlands, and Norway) also took part.

The workshop was deliberately paced to examine three distinct areas of program analysis over a three-day flow of events: day 1 focused on countries; day 2 delved into sectors and governance in the “arch” of World Bank activities, from pre-CAS to project implementation; and day 3 looked towards future actions.

In addition, when planning the workshop, it was decided that certain specialists would prepare in advance a number of original issues notes. These papers were then distributed in draft to 18 separate breakout groups during the workshop, and used as a basis for reflection and debate. The specialists led the various groups as “organizers.” Findings were then summarized and presented to all the participants. The act of preparing the papers itself turned out to be a vital learning tool.

Another unique aspect of the three-day workshop was the formation of six informal country “color groups.” These teams, separated into green*, pink*, blue*, black*, yellow*, and red* units, each focusing on different clusters of three countries, agreed to meet casually over the three days between breaks and over breakfast to discuss essential issues and make recommendations for Phase II of the GAC agenda. At the end of the conference, these daily conversations were summarized and presented to the entire group.

As each step of the workshop progressed, time was allowed for stock-taking and feedback, including reflections from senior management about past, present, and future priorities.

Finally, planners arranged that participants could gather in social settings within and outside the workshop walls. These celebratory breaks helped attendees learn, share and, especially, bond as an informal network of colleagues and friends.
As we prepare to enter Phase II of GAC, this conference represents a turning point in a greater narrative — namely, how the World Bank and its partners are weaving principles of good governance and anti-corruption into their poverty reduction mandate. The following report tells a pivotal chapter in that story.

The workshop set out to do three things:

- Assess and learn from the implementation of GAC in Bank country programs
- Firm up support for the 18 country teams receiving funding from the Governance Partnership Facility (GPF)
- Spark a dialogue with senior Bank management on GAC implementation at the country level

The workshop agenda looked at the implementation progress of governance programs at the country and sector levels, and examined how best to show results and impact. Discussions also examined the implications of current Bank reforms — such as results-based investment lending and the operational risk assessment framework (ORAF) — for GAC implementation at the country level.

What have we achieved?

The sessions revealed a number of positive milestones:

- Governance has become more accepted as a central element in improving development effectiveness. This includes a shift away from "punitive" approaches to governance towards constructive engagement with clients and other country actors.
- Both growth and governance are necessary — even if not equally applied everywhere. Sometimes one takes priority, sometimes the other.
- World Bank funding alone cannot direct governance in our client countries. We should try instead to improve the effectiveness of all development funds, including the country’s own resources. Smarter ways of leveraging our influence and our resources are emerging.
- If the Bank is to maintain its authority and effectiveness, it must embody and project integrity, including staying committed to the objectives of GAC. At the same time, zero tolerance for corruption does not mean zero risk. Our ex-post attitude to corruption and malfeasance must comply with our ex-ante acceptance of risks to development effectiveness.
- The first phase of GAC has helped us understand governance constraints to growth and aid effectiveness. But implementation and resourcing of Bank operations remain uneven.
• Measuring results of GAC activities is vital — for the Bank, for our clients, and for our shareholders. We have to address practical issues about time frames and expectations.

• Recent CASs show a more balanced approach to GAC. There is less descriptive overview and more country specific understanding of GAC issues and how they affect development outcomes.

• We do well at understanding why specific project initiatives succeed or fail — but we fall short in synthesizing this knowledge and applying lessons in similar country and sector contexts.

• In some larger client countries, Bank financing is far less important than Bank knowledge and understanding.

• Sector governance now stands at center stage. It is where governance and development effectiveness meet. It is here that the critical development decisions are made.

Taking on the implementation challenges

Conference participants dealt head-on with implementation and other issues, including goals for GAC Phase II, listing four main areas of concern:

FRAMING GAC AS WE MOVE TOWARDS PHASE II

Management should be sending a consistent message to all WBG staff that GAC is about development effectiveness, and that it is a long-term priority for the WBG.

In addition, internal Bank-wide reforms (financial management, procurement, and results-based lending) offer opportunities to move away from a limited fiduciary focus to a wider development effectiveness perspective. The mechanics of this shift have not yet been developed.

RISK

Bank staff perceive mixed messages from senior management about taking risk. While risk-taking is encouraged at the rhetorical level, there remains a feeling that “if things go wrong” staff will be held responsible. At the same time, pressures to demonstrate impact and results in the short term drive incentives away from risk-taking.

Managers at all levels have to maintain clear and consistent messages on encouraging both ex-ante risk taking and having zero tolerance, ex-post, for fraud and corruption. We also need to do better in project and program design at separating the risk of fraud and corruption from the risk of failing to achieve development outputs and outcomes.

Finally, the Bank should not curb its operational goals simply to avoid risk, especially in governance activities.
RESULTS
The Bank has to engage in more systematic, analytical work to measure governance outcomes and link them to broader development results. A start would be to put together an analytical agenda for GAC Phase II.

Country by country results alone will not be enough; more case studies are needed on the links between governance and development results, and how governance can be measured in specific cases.

RESOURCES
GPF funding has given a jump-start to many activities, but future resourcing options for the GAC agenda are unsure. Additional funding from donors depends on results achieved by GPF-funded activities, evaluations of GAC Phase I, and the directions of Phase II. Given the flat Bank budget, a credible process of funding trade-offs at the country level will be crucial.

GAC sustainability will hinge on the quality of the staff responsible for implementation and the space that management provides for this work. A range of activities is needed to strengthen the Bank’s capacity and align human resources with the GAC requirements. Actions might include a Leadership Development Program on Governance for senior WBG staff, formalizing the network of GAC staff, and increasing the field presence of governance specialists.

Next steps
The workshop opened the gate for immediate future actions:

- Institutionalize the community of workshop participants as a core reference group for GAC consultations, and prepare for a follow-up event in the fall of 2012. This could then be expanded to include non-GPF countries at the forefront of GAC work across the Bank, for example, Ethiopia and Indonesia.
- Use the workshop outputs to inform the five strategic “companion piece” documents under preparation for GAC Phase II.
- Consolidate competencies and career paths for governance specialists.
- Activate GAC thematic groups to link HQ and field staff.
- Develop outreach initiatives by PRMPS and OPCS on ORAF and other tools to ensure ownership by TTLs and CDs. This helps avoid the appearance of another imposed checklist.

This report offers a capsule account of the events and discussions of the Cape Town workshop. For more in-depth materials, including thematic interview clips and updated discussion papers emerging from the workshop, please visit the GPF website: www.worldbank.org/gpf (external) or http://gacknowledge.worldbank.org/gpf (internal).
The GAC Agenda and the GPF

In 1996, the then World Bank president, James Wolfensohn, publicly named corruption as a prime scourge to development objectives and described a grass-roots demand to see it end:

In country after country, it is the people who are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors.

With that speech, Wolfensohn set institutional wheels on a course to deal head-on with corruption. Although corruption had long been grafted to politics, the World Bank, for its part, would work with partner governments and civil society to root it out in Bank-financed projects.

Casting a wider net

It became apparent though that corruption didn’t arise out of a vacuum, but was one appendage of a broader problem with country institutions and systems. In 2006, a new World Bank president, Robert Zoellick, came on board with a strong commitment to link governance to development effectiveness. He announced that governance would sit at the top of the development agenda:

We have to show our client governments that financing is being used effectively and not being diverted for personal gain, and that we’ll hold people accountable if they steal from the poor.

With this as a guide, the Bank in March 2007 adopted the Governance and Anti-Corruption Initiative. The GAC agenda would focus on governance, accountability, and corruption to change the way development is achieved.

GAC principles and strategy

The Governance and Anti-Corruption Strategy defines governance as “the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services.” This encompasses issues of budget and financial management, rule of law, policy making, and transparency and inclusion. A good governance agenda therefore needs to reach beyond just tackling corruption to build strong and sustainable state institutions and to empower citizens through transparency and participation.
The Governance Partnership Facility — Setting a strategy in motion

To help implement the GAC strategy, the Governance Partnership Facility (GPF) was formed.

GPF is a partnership made up of the Bank, DFID (UK), Netherlands Ministry of Foreign Affairs, and Norway’s Agency for Development Cooperation (NORAD). It furnishes the Bank with a network of development partners and resources to enlarge its anti-corruption and governance strategy. GPF has carved out roles in the following areas:

- Creating incentives for governance and anti-corruption strategies in selected countries
- Expanding the boundaries for Bank work in governance, and supporting innovative activities that serve as examples
- Providing a podium for innovation and strategic shared learning

GPF’s structure includes a Governance Partnership Council, a Standing Review Committee, and a GPF Secretariat. GPF promotes governance and anti-corruption initiatives across Bank projects by funding projects that creatively support the GAC Strategy. GPF advances its diverse activities through three unique program “windows,” each aiming at precise outcomes within specific frameworks:

Window 1 backs original, country-based governance programs, such as country governance and anti-corruption strategies or other programs anchored in the Bank’s Country Assistant Strategy (CAS).

Window 2 lends itself to initiatives that expand the “frontiers” of the Bank’s governance efforts at the country, regional, or global level. Activities through this window might include political economy analysis, GAC in sectors, accountability and leadership, and public goods and information.

Window 3 will develop global knowledge and learning platforms for GAC.

At this writing, there are 88 projects from across all regions and networks in the GPF portfolio.

To the World Bank, the GAC agenda is first and foremost a means to improve development outcomes. And embracing the governance and anticorruption agenda forces the Bank to think more in terms of risk. Much of the Bank’s work is in the poorest countries, where institutions are often weak and the likelihood of something going wrong is high. But risk-taking is part and parcel of development work, and GAC is meant to apply high standards in recognizing, assessing, and managing risk.

Seven principles guide GAC’s agenda:

- Fight poverty by building capable and accountable states that create opportunities for the poor
- Ensure that work is country-driven
- Adapt implementation to individual country circumstances
- Remain engaged even in poorly governed countries so that “the poor do not pay twice”
- Engage with a broad array of stakeholders
- Strive to strengthen, not bypass, country systems
- Work with governments, donors, and other actors at the country and global levels to ensure a harmonized and coordinated approach

Learn more about the Bank’s Governance and Anti-Corruption agenda at www.worldbank.org/governance (external) and http://gacknowledge (internal).
Learn more about the Governance Partnership Facility at www.worldbank.org/gpf (external) and http://gacknowledge. worldbank.org/gpf (internal).
The GAC strategy encompasses:

- Public sector management, including budget, administrative, and service delivery
- Sparking demand for good governance by involving civil society groups and citizens directly in the governance process
- Creating checks and balances that hold government officials accountable
- Decentralization and local governance, moving the delivery of services to local municipalities, districts, and village committees

**Getting ready for GAC II**

The GAC Council met in October 2010 to assess the first phase of GAC and plan for Phase II (2011–2014). The last three years have witnessed real progress in integrating a governance perspective into all of the Bank’s work, including country strategies, development dialogues, and a better understanding of governance issues within projects. Phase I of GAC has led to practical support for task teams in supervision and risk mitigation, and helped develop sector specific approaches to risk management. Governance engagement at the project level has helped leverage wider systems change. The GAC vision was and still is to make governance and anti-corruption an integral component of all the Bank’s work.

Now, as the Bank prepares GAC’s second phase, the initiative will aim for three outcomes:

- Intensify efforts to measure development results
- Shift the focus from individual transactions to building sustainable institutions
- Take a more informed and practical approach to risk

_GAC II is not a new strategy_ — it is a refined second stage of Phase I. GAC will continue its focus on clients, emphasizing development objectives. It will also push to mainstream governance into Bank operations and to extend learning opportunities about governance and development.

Phase II for the implementation of the GAC strategy will detail how to achieve these ambitious objectives. Together, PREM, OPCS, and INT will continue to support their operational colleagues in the regions and the networks — as well as clients and other development partners — in addressing the coming governance challenges.

Governance and anti-corruption have now taken center stage in the development arena. Bank staff are ever more eager to wed the governance imperative to the development agenda — and, through the GAC initiative, Bank senior management has demonstrated its commitment to incorporating good governance practices into poverty reduction strategies.
A stop on the way to better governance

The Cape Town workshop’s stated intent was to review the implementation of 18 country-level governance programs funded by the Governance Partnership Facility. But its greater mission was to prepare for a crucial transfer from GAC Phase I to GAC Phase II.

This journey began in 2006 with the implementation of the World Bank’s Governance and Anti-Corruption Strategy (GAC). Along its course, the GAC schooner had made stops in Jakarta, Tunis, and Istanbul for reflection and planning, and was now making a critical shore call in Cape Town.

The travelers arriving in Cape Town represented the pioneers of governance — those laboring on its innovative frontiers while, at the same time, working to put governance principles to work within the wider organization. GPF, in fact, had been formed to encourage a wider view of governance and its practice.

Basking in the energy

The first day of the conference was defined by the excitement and sense of boldness contained in the discussions and pledges of commitment to the governance agenda. Senior management encouraged and participants responded enthusiastically — and candidly, raising questions about the role of governments, civil society, and the Bank’s own commitment, as well as about mining skills and resources in an era of flat budget. There were also the first hints of how innovations from the field could drive the agenda.

Attendees had a full itinerary as they set their sights on discussing, among other issues, country ownership, showing results, strengthening country systems, building relationships with partners, and risk management within the governance agenda.

Sectors in the spotlight

The second day scrutinized sectors — specifically, implementing country-level governance in health, education, transport, energy, and extractive industries. Different sectors, it seems, show remarkably similar challenges and issues in achieving good governance practices. Here, reducing corruption and improving governance work hand in hand to gain results.

Then there is money — and getting the most development impact out of it in sectors. Governance should aim for getting results from the entire commitment of funds, not just those provided by donors. To do this, our work will have to reach across all sector and country system.

We’re all here because we think governance lies at the core of development.
... and development impact

From the garden

This seeds of this conference were sown years ago in a Jakarta garden.

And from those humble seeds, roots took hold that spread and grew stronger until they found their full form in the GAC and GPF initiatives.

Starting in the late 1990s, World Bank presidents began to take a strong view that governance should sit at the top of the development agenda. At the same time, a few country-based staff who cared about governance realized the opportunity, and looked forward to raising its profile within the institution.

But they had some concerns. Even with senior management’s support for governance, the ruling approach seemed to be a top-down one. The field staff, however, believed that governance issues lay at the core of national sovereignty, defining a country and its relationships with development partners.

In 2006 a few of these staff gathered for a three-day conference in a Jakarta garden, where they discussed how to direct the opportunity presented by the Bank’s new governance agenda. A year later, this core group of field staff met again in Tunis, swelling their ranks and spreading their conviction of a country-owned governance agenda. Adherents were now looking for ways to support reform with the client, seek out country champions, and create space for country teams to work on this agenda.

Not long after this, the group met still again in Istanbul, this time joined by senior management. It was here that top-down and bottom-up perspectives came together to shape the substance of what was proposed to the Board and later approved as the GAC strategy.

The Cape Town conference continues this perspective as senior management and governance staff together look for innovative approaches to jump-starting development effectiveness.

Other discussions looked into the increasing use of political economy analysis to weed out obstacles to reform in different sectors and to encourage accountability. Here, the issue of stoking citizen demand for good governance came up, and many stressed the important role of information campaigns, score cards, access to information, and complaint mechanisms.

Finally, the lack of rigorous and concrete data about what works on the ground was bluntly noted.

The next leg of the journey

The final day of the workshop inevitably looked to the future — while taking account the progress that’s so far been achieved. Clearly, the GAC agenda has moved to the heart of the development agenda, as the Bank integrates governance into more and more of its operations, starting with the CASs.

But now it’s time to prepare for the next stage of this trip.

First, we have to build skills, improve methods, and share information from the field to understand what things are still blocking reform. In addition, continue to recruit fellow voyagers for the governance journey. Not everyone is on board, and there are still not enough champions.

Next, unravel the results riddle that has senior management needing immediate, palpable outcomes at the same time that everyone knows that reshaping institutions, engaging citizens, and changing behavior — otherwise known as governance interventions — take a long time. There has to be a workable medium.

Finally, hammer together good partnerships and coalitions. If we want to see governance really take hold in country systems, then we can’t do it alone. Many others are eager to join us on this journey, and we should take a global view to work, share, train, and fund as an alliance.

So, our brief sojourn in Cape Town has ended, and we re-board our vessel to set out for new horizons. And, if this brief stop along the way has provided us with anything, it is discovering that we have the will and commitment to chart our future course with confidence.
# Acronyms

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CDD</td>
<td>Community Driven Development</td>
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<td>CGAC</td>
<td>Country Level Governance Plan</td>
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<td>CMU</td>
<td>Country Management Unit</td>
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<td>CPS</td>
<td>Country Partnership Strategy</td>
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<td>CT</td>
<td>Country Team</td>
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<td>CSO</td>
<td>Civil Society Organization</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DIR</td>
<td>Detailed Implementation Review</td>
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<td>DPL</td>
<td>Development Policy Loan</td>
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<td>GAC</td>
<td>Governance and Anticorruption</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EXT</td>
<td>World Bank External Affairs</td>
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<td>GPF</td>
<td>Governance Partnership Facility</td>
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<td>IAB</td>
<td>Independent Advisory Board</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<td>INT</td>
<td>Integrity Vice Presidency</td>
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<td>ISR</td>
<td>Implementation Status and Results Report</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>NORAD</td>
<td>Norwegian Agency for Development Cooperation</td>
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<td>OPCS</td>
<td>Operations Policy and Country Services</td>
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<td>ORAF</td>
<td>Operational Risk Assessment Framework</td>
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<td>PCN</td>
<td>Project Concept Note</td>
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<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PEMFAR</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>PREM</td>
<td>Poverty Reduction and Economic Management Network</td>
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<td>PSM</td>
<td>Public Sector Management</td>
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<td>RVP</td>
<td>Regional Vice Presidency</td>
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<td>SDN</td>
<td>Sustainable Development Network</td>
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<td>SMU</td>
<td>Sector Management Unit</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>TTL</td>
<td>Task Team Leader</td>
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<td>WBI</td>
<td>World Bank Institute</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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Session 1

Opening statements

Sri Mulyani Indrawati
World Bank Managing Director

Welcome to the GPF conference on Window One Countries (WOW) in Cape Town

Sri Mulyani Indrawati welcomed all, with special thanks to partners for helping make governance a central theme in the development effort. She noted the crucial timing of this workshop in the GAC strategy, with its focus on the implementation of GPF’s 18 Window One pilot country programs, which make up the vanguard of the GAC agenda.

Ms. Indrawati then asked the participants to ponder the following questions in the coming days:

- What have we learned about country systems and relying on them?
- How have we worked with governments in mainstreaming governance?
- How have we and governments learned to measure results (and what exactly do “satisfactory” results mean)?
- How do we see results in the overall government program? Do we know more about the political economy in the countries?

“As we move ahead with GAC,” she said, “we will emphasize quality of implementation and measurement of achievement of results. In addition, we have heard from you that there are certain areas requiring attention: public sector management, procurement, private sector, demand for good governance, and judicial reform... all very ambitious targets.”

She added that we should see ourselves as an integrated team — regions, OPCS, PREM, INT, WBI, and all units.

The managing director urged participants to speak candidly, and in turn she would listen closely. She told them that she had deliberately rearranged her schedule to participate because “the GAC commitment is a priority of senior management, and one to which I attach the highest importance.”
Necessary overkill

Managers, said Ms. Indrawati, will be tested on their reform efforts. Soon after becoming minister of finance, she learned of a violation in the tax department. Her response was what she called, “necessary overkill.”

“I said, ‘I want to remove the whole unit... within the next ten days... from the clerk to the boss.’ The message had to be clear, she said. We will give you incentives, such as higher pay, but there are consequences for transgressions. “This,” she affirmed, “will gain you respect from the public and the media.”

We must start by assembling the building blocks of good governance — accountability, transparency, integrity.

Living the realities and challenges of GAC

Ms. Indrawati turned to some lessons she’s learned about implementing governance from her time as Indonesia’s minister of finance. As a prerequisite to all such work, she said, we have to take the realities of politics seriously. “Reform doesn’t come overnight. Purely technical solutions are rarely successful... and sometimes [instead of first best solutions] we have to accept second or third best.”

We must, she said, start by assembling the building blocks of good governance — accountability, transparency, integrity, and checks and balances. They are a policy maker’s guiding light, and without them, progress in governance and anti-corruption will remain elusive. But, she warned, your good efforts will not always be welcomed.

Next, build public trust, especially in public institutions. While this may be “music to everyone’s ear,” it’s also intimidating to many since most structures have long ingrained traditions of corruption.

Ms. Indrawati said that, as the new minister of what was the most powerful ministry in the Indonesian government, she found herself in the position of having to implement international good practice standards, and that meant that, “I came to bring them the bad news that I would be dismantling their power.”

Governance step by step

Within the MoF, she took on the governance challenge in component stages:

First, change the business process by creating a standard operating procedure. Follow this with an internal audit to see that systems, standards, and staff are working. Then broadcast the SOP inside to staff and outside to the public. Tell them: this is how it works.

Next, make the institutional work flow a logical process. Create guidelines for accountability and predictability.

Third, reform HR. HR must sign on to good governance and learn the psychology of staff. Propose incentives, such as pay raises, and implement discipline so everyone knows new governance is in force.

Finally, the IT system. Try to reduce the interaction between staff and the client or the taxpayer.
Explaining and balancing GAC

Ms. Indrawati noted that, to many, governance and anti-corruption is one big confusing word. So, how do we introduce the concept?

We know that solutions cannot be considered outside the local context. Yet, in the name of the local context, you can be too lenient, she said, giving the government room to make mistakes. It’s often hard for staff to discern the right approach, especially under the stress of meeting deadlines, showing progress to the Board, and, at the same time, demonstrating ownership.

The best answer is that no one size fits all, so try to find workable patterns. Meanwhile, the Bank needs a policy to address its mixed signals to those working on governance.

Measuring our results and uncrossing our signals

Everyone demands that we measure results, she said, and the poor deserve nothing less. We, as a learning organization, must keep learning what works, what doesn’t, and how we can do better. Phase II of the GAC will put results at its center.

In her first months as a managing director, Ms. Indrawati said, she’s realized that staff are receiving mixed messages on the GAC agenda. On one hand, they’re told to take risks — informed and responsible risk-taking is essential to development work and receives backing from senior management. However, she noted, we also hint of a risk-averse culture within the Bank.

Staff need clear guidance on understanding support for country systems versus how project implementation arrangements are defined, she said. For GAC to succeed, senior management must send clear signals.

“I am committed to getting this right,” declared Ms. Indrawati. “So, please help me to help the Bank.”
Mr. Canuto first noted how far the agenda has progressed. “ Barely three years into the GAC, and 18 countries have come up with coherent approaches to incorporating governance into their country strategies.”

He then acknowledged the critical role of the GPF partners in driving this progress — especially within the confinements of flat budget realities — and called for open discussions, debates, and questions. He also asked for feedback on how management can support the work. “One can say that these are early days for the GAC implementation in general. But how well we do in the coming years will determine the future of this important work.”

**An integration of governance and growth**

Mr. Canuto briefly elaborated on several themes:

- There is no separate governance reform agenda and economic growth agenda; there is one agenda — *development*. Sometimes one is the priority, sometimes the other; but they are interdependent, removing the question about exogenous versus endogenous. We need both.

- We have to let go of the “best practice” approach to policy reform. The country must own the agenda. Sri Mulyani Idrawati’s experience shows that an executive decision can confront underlying power relationships that affect outcomes. Strong leadership and widespread desire for reform — usually driven by citizen empowerment — will make it happen faster. Empowerment cannot be externally imposed, and change is usually incremental. Some things go beyond our reach and we must know in advance that we do not own the agenda.
Changes in attitude about GAC

Mr. Canuto recounted how when governance and anti-corruption measures first surfaced at the Bank, he saw them from a unique vantage point — that of a Bank Board member. He recalled that back then the Bank’s engagement with governance was “polarizing.” There were countries to be rewarded and countries to be punished.

He left the Bank for a two-year stint with IADB before returning again to an entirely different environment vis-à-vis governance, and the change was “thrilling.” The “C” word had graduated from being a subject of back room discussion to becoming an open topic in talks of governance and development constraints; and the agenda had moved from reward/punishment to seeing governance as enhancing our effectiveness as a development institution.

- He noted that from earlier professional experiences he’s seen firsthand the arrogant side of the development community, which can assume both truth and wisdom about what to do and how to do it. However, we’ve evolved as a development community, knowing that the country leads the agenda and we support it.

- Reforms depend on the country context — an integration of governance and growth. And every country is unique.

Being resourceful about resources

In terms of staff resourcing, Mr. Canuto proposed that “incentives need to be better aligned to support institutional commitment to GAC agenda.” We are, he admitted, in a peculiar situation because the launch of the GAC agenda coincided with the current economic crisis. Staff get caught in the middle, with conflicting signals from Washington — namely, stick to the governance constraints, but meet lending targets.

Given these limited resources, we will have to find ways to get the most bang for our buck. “As a lending institution, of course, and in a flat budget environment these shortfalls are difficult for us to address... But if we are serious about our governance work, we have no choice.”

Pioneers in governance

In closing, Mr. Canuto, encouraged participants to celebrate what we have accomplished — but focus more on what we need to do. “Think results... results,” he urged. He asked participants to find ways to drill down into specifics, into components that can be implemented, that can be tracked to reflect the results framework.

“We are all too aware of the importance of GAC to development outcomes,” he concluded. “We are still at an early stage of understanding how best to address these governance constraints. It is all about learning by doing.

‘Yours is pioneering work in the trenches. So, I don’t for a moment underestimate the difficulties you face as you move forward. It is important both for our countries and for the Bank that you succeed.”
Mr. von Amsberg first offered some personal observations about the varied workings of governance that he gained from recent visits to three different African countries. In South Africa, a middle-income country, he noted that policy-making to address inequality challenges clearly reflected the interests of the large, excluded population. And institutional arrangements adhered to the development agenda.

At the fragile end of the spectrum, Southern Sudan is struggling with a core agenda that just seeks to build the basic institutions of an effective state.

In Rwanda, he said, the question is: why are public services working in this low-income country? The answer lies in the public institutions and governance arrangements as well as in how effective personal leadership can be transferred into permanent institutional arrangements.

**History lesson**

Mr. von Amsberg recounted a quick history of the GAC agenda, and how it grew from a small group to a Bank-wide mandate. What binds us together, he explained, is our belief that governance should be at the top of the development agenda. Governance defines a country and its national sovereignty — country ownership must be central. So, we should examine how to work with country teams and country champions, those ready to plant the seeds of governance in the development agenda.

We’ve learned two main lessons from our historical growth, he said. First, “We are the Bank and we can change the Bank. We are the GAC. And we can change it again.” He urged that we think about what we want to put on the corporate agenda. After all, he said, we’re here to shape the GAC’s next phase.

Second, Mr. von Amsberg noted the “critical complementarity” of different groups in the Bank working on GAC. Each has its essential role, whether from the public policy side (PREM), the operational (country teams, sector teams, OPCS), or from the fiduciary, oversight, and sanctions sides. All have to work together.

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**Zero tolerance for corruption does not mean zero risk-taking.**

Joachim von Amsberg
Vice President
Operations Policy and Country Services (OPCS)
When things go right — and wrong

He then asked the group to reflect on several topics during the conference.

First, country ownership — a concept that we all declare a priority, but one that needs more examination. “It seems easy doing what the country wants us to do, but it’s not really the full story — especially in governance.”

Our priority, he said, should be to engage in a way that moves the agenda forward. Each country, of course, is rich and exciting, not part of a monolith. And it’s here that the skills and art of running a World Bank country program are tested — that is, “engaging with the country through a complex web of interests and institutions to build country ownership and move the agenda forward. This is at the heart of any policy dialogue.”

Next, focus on results. We’re engaged in GAC because we support better development outcomes. And we can link this to the OPCS Investment Lending Reform, through which we’ve created a new results-based lending instrument.

This new tool will have a large impact for everyone working in operations. We are financing for results — but we cannot turn a blind eye to how results are produced. This instrument will help us help countries build effective fiduciary systems. “It’s not about lowering standards... but raising ambitions.”

We should also revisit the discussions about strengthening country systems. The procurement systems pilots offered parameters that were too rigid for us to use.

Relationships and trust have to be considered. How can we as the World Bank build a reputation for integrity and credibility? A big step in that direction was opening access to our information, which offered an example of transparency and a sign of how government systems can be built.

We must also take up the topic of risk-taking versus zero tolerance for corruption. First, he urged, let’s not make ORAF just an annex to a project appraisal document that everyone ignores. If a project concept note doesn’t focus on results and risks, “then we’ve totally missed the point.” Let’s guarantee that this tool is used rightly — that is, a tool to manage risks, not another bureaucratic step.

“Zero tolerance (for corruption) does not mean zero risk-taking,” he emphasized. “And risk-taking does not mean tolerating corruption.” But you accept when things go wrong then agree on a protocol for handling a corruption case — who is going to advise which agency, talk to whom — so that no one is embarrassed or feels unnecessarily accused.

Shake things up then work together

Finally, the speaker asked for two results from this conference. First, that participants use this opportunity to find places where they want to push the agenda forward. If that means turning GAC II upside down, so be it. “Nothing is cast in stone... if you have a better idea on engaging, disengaging, risk management... let’s discuss.”

Second, he asked that the group tie together the different parts of the Bank working on governance. “How can we become better partners, building on our ‘complementarity’ instead of talking over each other?”
Session 2

Improving Implementation of Country-Level Governance Programs

*How do we transfer our tools and analysis to operations on the ground? One way to find out is to ask those working in the field.*

**Chair:** Susan Goldmark, Country Director, Nepal  
**Panel:** Marie Françoise Marie-Nelly, Country Director, Democratic Republic of Congo  
Bert Hofman, Country Director, Philippines  
Ishac Diwan, Country Director, Ghana, Liberia and Sierra Leone

Susan Goldmark — Setting up the session

*It is never too late to become who you might have been.*

With this timely tag-line, Chair Susan Goldmark drew a credible comparison to the governance agenda, which rose from non-conventional beginnings to become an institutional mainstay. Even colleagues who left the Bank and came back, she noted, have commented on the enormous progress made in a short time.

Those participating here, she said, have had the unique perspective of being on the front lines promoting governance — to be champions. It is worthwhile now to analyze what conditions led to successes and changes along the way, using political economy analysis and other tools.

As good as it is to count successes, though, it’s only a beginning. And here, she said, we want to ask country directors what challenges, from their perspectives, are lurking as well as how they view the cross-cutting country issues on the ground. We also want their take on how best to translate the analytical work into action and whether we’re using the right operational tools to make progress. Are our review processes adequate? Do we need other processes?

Ms. Goldmark also suggested a discussion on state sovereignty in relation to the agenda, specifically, what the Bank does well and what it doesn’t do so well in this area. We also have to examine what remains critical to do, yet now falls beyond our current expertise or mandate. How do the partners fit in here?

Then, she said, there is the question of different kinds of countries — low, middle, and fragile — and the approaches required. Do we need different or common strategies when it comes to governance?

Finally, she said, we need to ask the country directors’ views on HQ linking up with field operations.
Be flexible, take opportunities where you find them, and work with champions. And when you have setbacks, know how to adjust.

Marie Françoise Marie-Nelly — Fragile Countries

Ms. Marie-Nelly first offered some compelling statistics about DRC. The country stretches over an area that in Europe would cover from Portugal to Poland. At the same time, DRC has only 1,000 kilometers of paved road and limited infrastructure, while 70 percent of its 65 to 70 million people live in deep poverty after suffering 10 years of conflict.

DRC also claims the second largest forest in the world and vast minerals and agriculture production potential. But restoring the country’s infrastructure would require an estimated $5 billion of investment.

What fragility means to DRC

Regarding the nature of DRC’s fragility, Ms. Marie-Nelly listed four key points:

• The country remains in conflict, with 18,000 UN troops stationed there.
• The entrenched conflict has divided the country into East and West, and most resources go to the East. How does that get re-balanced?
• The new Constitution, which brought the country together, advances decentralization as a key element to balance power between the center and the provinces. But how does implementation take hold in this context?
• Finally, a high potential for natural resources has also fueled wars for illegal trade as well as corruption within the formal mining sector.

The speaker explained that the political economy analysis of the country led to two essential conclusions. First, elites are fragmented, and unable to make credible commitments to each other. Six parties make up the majority in the government with a number of satellite parties, and each has its own agenda.

Second, although the population has become engaged in service delivery after years of conflict, it’s proving more difficult to create cohesive, collective action on the social level.
Doing business in DRC

At the strategic level, the central challenge, she said, is how to engage with the government to form a policy platform. In DRC, you must deal with diverse interests and parties, but all critical decisions are ultimately made by the head of state.

Ms. Marie-Nelly mentioned that her group had worked with teams and champions in different ministries to develop a leadership framework. "But with so many priorities in such a country, where do we start?" The basics, she said, would rely on developing common values and purpose, but, so far, efforts to do so have produced nothing concrete.

On the other hand, she noted, some things can move with the right incentives. For example, it was interesting that, after seven years, the country achieved its HIP C Completion Point last June. The president, with the coming 50th anniversary of independence in mind, managed to gather a strong enough coalition to push compliance with all the key triggers over a period of 12 months.

In terms of engaging on policy reforms, the question again is: where to start? Sixty percent of the civil servants in DRC have reached retirement age, yet the government lacks funds to pay indemnities. Thus, "they're all sitting in their offices... and how can you expect transparency when directors earn $100 a month?"

The nub of the issue is how to establish the fiscal space to allow change, and at the same time move the agenda and show results on a day-to-day basis. At this point, the best answer is to find individual champions, but change will be incremental and will depend on leadership.

She said her team also worked in three provinces on a results-based model to implement reforms at the provincial level. Even in a fragile environment, reform can be advanced through strictly monitored pilots that can then be scaled up.

Sectors

Political analysis led the way. She recounted that, in the energy sector, the program aimed at rehabilitating production with a view to export electricity. But PE analysis showed the importance of domestic demand and the need to address strong frustration; hence, promoting export would not work. In this case, analysis helped redirect the program.

In the social sector, the malaria program called for the distribution of 2 million bed nets in Kinshasa, a city of 10 million people. This turned out to be a success story, as the Ministry of Health designed the program, an international NGO created a control system to ensure that the bed nets wouldn't be sold, and the communities actually did the distribution — a good example of effective collaboration among stakeholders. "At first, people were skeptical about the state's ability to deliver — until the free bed nets started appearing. They then took pride in the process."

Unfortunately, the opposition, in an attempt to fault the government, spread rumors that the bed nets were poisoned. Another reason that social accountability is so important.

One good example can lead higher

Ms. Marie-Nelly told about an enthusiastic minister who came to the partners with a proposition: “Look,” he said, “I have no more than 10 graduates in my department, and I’m expecting my budget to move from $2 million to $200 million... I want you to create a program to pay retirement indemnities to 2,000 employees so I can hire 600 new young people.” As we worked with him on this, she said, word got around so that suddenly other ministries started showing interest. This showed that working through a good example can help structure a high-level agenda to build country ownership and push the agenda forward.
In closing, Ms. Marie-Nelly stressed the usefulness of political economy dynamics, especially for sectors, as well as the need for flexibility. When we face setbacks, we should know how to adjust. She also underlined the importance of the analytical rigor that drives our work and the critical support of the GAC Secretariat.

Bert Hofman — Middle-income countries

Mr. Hofman led off with some of the ups and downs of moving the GAC agenda in the Philippines. The country had its first opportunity for reform after the fall of Marcos, 25 years ago, but found that some governance issues — anchored in inequality, patronage, and colonial structures — were deeply entrenched, and so reform has been difficult to embed.

Credibility gaps

After James Wolfensohn’s famous mention of the “C” word, the Bank went to work with the then Philippines president to shape an anticorruption agenda — until that same president was forced out of office and convicted for aggravated corruption. This, as well as its long-term association with the Marcos regime, put the Bank’s in a dubious position in matters of anti-corruption and governance.

Later, the promising idea of supporting islands of good governance in the form of champions appeared. But, according to the speaker, the Bank has little influence in fostering islands in a corrupt environment that changes slowly.

After the elections of 2004, the new Philippines president came into office with a vigorous governance agenda — until allegations emerged that she had influenced the elections. After that, the president’s political agenda was focused on retaining power rather than pursuing a governance agenda.

Finally, when a scandal broke in a Bank project, a leaked INT report caused a media sensation that was hard to manage. “We really got our nose pushed in it... and the lesson was that our number one strategic priority had to be understanding and managing our presence in such an environment.”

Breaking the rules

Mr. Hofman said that the best choice after that was to engage on governance with those parts of society that did work. At that time, he said, it meant that they had to break GAC Rule Number 1 — namely, Work First with the Government. Instead, he explained, they looked to civil society and certain well-intentioned departments. He recounted that the Bank later gained some credibility when it dealt with corruption head-on in one of its projects.

In practical terms, he said, the country team focused on, first, operating within a weak governance environment, and, second, improving in areas where we had competence, such as procurement and financial management.

His team also decided to engage with civil society in a more organized way because they saw CSOs as fighters of corruption, and because, with elections upcoming, they needed a broad base of understanding among CSOs in order to engage with future leaders.

Nothing focuses the mind more than having an INT report on the front page of a newspaper.
**Elements for making governance operational**

First, said Mr. Hofman, they simply set up a group of people to think about governance — the Philippines Governance Advisory Team (PGAT). This team was multi-sectoral and anchored in the CMU. The group meets regularly to discuss government issues and the potential role of the Bank.

Next, they resourced the so-called governance filters, he said. “This is a practical process, included in the CAS, by which governance issues in operations are analyzed and discussed, even before the project concept note (PCN) meeting, to determine whether or not to go forward.”

Third, the team set up a CSO advisory group — one of the first set up by a World Bank country director. “These people are especially valuable contributors to the political economy discussion because they live and talk and breathe politics... We meet regularly, I pose them strategic and operational issues, and I take their advice very seriously.”

Fourth, they began investing in political economy analysis — not all of it written down. “For example, often in the Bank we will take a close look at governance issues within a sector and decipher what lessons can be drawn for operations.”

Fifth, he said, links with other development partners are critical. GPF, in particular, was a tipping point for the team, furnishing significantly more resources. There are other partners, too, he said, including the Regional Hub. This bolsters the work of the country teams.

**More is less**

Finally, he advised more patience. He cautioned that, if we want to make political economy choices, we should not be driven by a lending program. We need to be able to walk away, even if we’ve spent money in preparation.

“The deal I’ve made with regional management is, broadly, that I can deliver some envelope of lending, but don’t expect me to do it every year, and don’t count it in number of operations... I’d much rather do large investments in one area that does well — and in which we can invest the time and effort to get the governance agenda right — instead of lots in smaller areas that don’t perform in terms of governance.”

**Ishac Diwan — Low-income countries**

Having worked in East and West Africa, Mr. Diwan had first-hand experience with several of the GAC countries, and some of the distinct differences in the geographies. The big shock, he said, was the eruption of the political in the West compared to the East. In Ethiopia and Sudan, for example, the Bank finds little space to talk politics or to do governance work.

**The politics jump at you**

Heading West, however, the governance aspects are square on the table. Liberia and Sierra Leone still experience post-conflict tremors, with many things in flux. The second generation efforts in Ghana, meanwhile, is trying to improve electoral politics. “It’s obvious that our main problem is governance... Guinea really embodies the issue — a poor country with an enormous mining potential that has just been badly managed.”
Mr. Diwan said that “the politics jump at you,” and one thing he’s learned is that we must take governance seriously. “Stop talking only about poverty — start talking about professional service delivery… Work with the decentralized authorities and the private sector to make the system work better.”

Living in real time

Mr. Diwan described how, in tackling governance issues, his group has tried to be less vertical, less driven by the silos of health and education. Instead, he said, “we’ve taken a horizontal approach to governance in basic services, the civil service, wages, information dissemination, and the role of civil society in fighting silent corruption.”

We must, he said, learn to live in real time. Our Bank culture tends to look to an extended future time line. But within a system, you discover windows of opportunity — moments, for example, when a law passes when you must act on the present situation. He noted some encouraging changes at the Bank in this area, where a group like WBI or even our networks are “willing to come in two weeks because support is needed now. Contrast this with working on an ‘encyclopedia’ that takes a decade to have an impact.”

He warned that our advice to countries can often be too complicated, and suggested that we “get our act together” with a simple message that can be delivered consistently.

He also mentioned the difficulty of convincing our groups to work across sectors. Governments, too, are well acquainted with the “malady” of divided boundaries among ministries, and count on us to bring the cross-cutting aspect to our work.

Find the right models

The GAC I experience, he suggested, has been like a Pandora’s Box — exciting, but sometimes confusing. So, we should look for models, and not the ones that assume that all politicians are rent-seeking kleptocrats, even though that sometimes might be the case.

A more optimistic view has the economic model based on coalition-building among groups to create swing votes. This allows space for gains in efficiency, and moves you closer to the idea of a social contract. Here, politicians are delivering services and security, which encourages investment and an electorate less likely to vote by ethnicity.

Mr. Diwan said that there are resources that can help us build economic and social models in Africa — literature that teaches us about the peculiarities of the continent, such as the “big man” phenomenon, the bifurcation of the state, how violence follows when the economy fails to penetrate the rural areas. “We’re not involved enough in this intellectual work and without it, we won’t know what makes sense and what doesn’t… it makes us naked.”
Decentralization, private sector, and civil society

Decentralization means moving power to local levels. But in doing this, it could also mean weakening local chiefs in order to bring the state there, such as in Sierra Leone. On the other hand, decentralization might be a catalyst for building democracy from below by empowering civil society. Either way, the outcome for us is critical.

The private sector, meanwhile, can end up being nothing but rent-seekers for politicians. They are, however, at the center of social contracts, and seem to be tired of playing the ethnic game and ready to advance with reforms. We want to help them become agents of change.

Finally, civil society. We have this simple model that CS is important to fight silent corruption. And in some countries, CSOs are effective and help in forming swing votes. Yet, cautioned Mr. Diwan, not all CSOs have enough influence to be useful.

In addition, there should be vertical accountability mechanisms in place that are strengthened by horizontal social accountability efforts. Horizontal and vertical accountability systems can complement and reenforce each other, but one cannot substitute for the other.

Creating space

There are countries, he concluded, where there isn’t much space politically, so we have to think about the trade-offs between human rights and results, and whether to intervene.

But there are also countries where efficiency has room to grow, where you can bring competition into an evolving situation. In these countries, we can be optimistic, and we should clarify where we can build this space.

“Overheard”

I recommend to all our colleagues to become film producers… It’s got a lot of skill overlap with the CD role.
**If I hadn’t known which level of countries you were representing, I would have found it hard to distinguish… All seem to be facing the same issues.**

**Marie Françoise Marie-Nelly**

For fragile countries, flexibility is the key. You have to take opportunities for engaging as you find them and work with champions. When you have setbacks, start again — especially when tensions exist. And there are always tensions between the short and long terms. Recognize opportunities then make them sustainable. Ask how you can nurture relationships and leadership to bring a common sense of purpose.

**Ishac Diwan**

In low-income countries we have to support the state through the following:

- Support the state in public finance management, which we do, and public sector reform, which we don’t do often. We must learn to do this effectively; otherwise, people who can’t earn a living wage will steal.
- Support accountability mechanisms, both external and internal.
- Support voices of change.

**Bert Hofman**

First, determine which mechanism or agent in that country can affect change. It may be the state, but it may be other groups. Invest in finding the agents of change.

There was little push-back from the government on the civil society group. Civil society in the Philippines was already engaged, and the government supported that engagement. Since the government was pro civil society, there wasn’t much difficulty incorporating such a group.

The infrastructure issue is always complex, and when you add corruption it becomes even more tricky. But we should still invest — just realize it’s going to be expensive in terms of additional efforts to ensure good governance and to build capacity for project implementers to do the right thing.

**Follow-up Q&A**

- *How do we engage and support civil society, and what is government’s attitude towards an advisory “civil society group”?
- *How do you deal with projects in a notably corrupt sector like infrastructure? Is it worthwhile to continue lending, considering all the expensive “bells and whistles” needed to advance a project?
- *Could the panel be more specific, if you will, in generalizing about which lessons apply to the countries you’re discussing — fragile, low-income, and middle-income? You seem to face many of the same issues, and it’s hard to distinguish between the country categories.*
More Q & A

• **What have you learned in your countries about different kinds of engagement, especially engagement with the Parliament?**

• **What are the prospects for sustaining GAC funding in a flat-budget, post-GPF world?**

• **The Bank has a reputation for folding in the face of governance concerns, and we don’t respond consistently. What do you do with a very bad case? And how do you use this to build credibility?**

• **Do global standards make a difference?**

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**The Bank has a reputation for folding in the face of governance concerns...**

**Bert Hofman**

On engagement with Parliament: We took a practical, knowledge-based approach that included seminars and establishing a Knowledge for Development Center in Congress. So far, this has paid off well and increased interaction.

On demonstrating impact: PE analysis has helped us not only to avoid the bad, but also to find better approaches to project design and gaining results.

On post GPF: If you look at the specific interests that become generalized — environment, gender, etc. — the way to make it work is to first put in a lot of money, and gradually the interest becomes mainstreamed. As long as the time line is long enough, and as long as senior management supports it, mainstreaming can be achieved. I am convinced, though, that with GPF we’ll get there faster.

In a flat budget, these efforts are sustainable if you make choices. You may have to spend more administrative budget on GAC work or do fewer but larger operations. The result is that you’re smarter in your operations, or as in the Philippines, you do fewer but bigger operations.

**Ishac Diwan**

We don’t easily gain credibility in Africa because we carry too much baggage from the past. And budget support and conditionality, rather than helping, become a tax on the credibility and independence of government, and we sometimes act as if nothing can work without us. There’s a word for that: *paternalism*.

Politically, we’re walking on eggs. If we say the economy is good then it’s seen as partisanship, and we’re asked why we’re supporting the governing party over the others. Working with Parliament can also be seen as political. We’re thought to be all over the place and not doing enough transformational work.
A ceasefire in the bidding wars

Infrastructure projects, while expensive to supervise, can pay off in other ways.

Mr. Hofman recounted how in one of their projects they found that, once the operation got under way and bids started coming in, they began hearing from the bid and awards committee, thanking us for our engagement. “They were happy,” he said, “because they were no longer receiving calls from politicians putting pressure on them to award to this one or that one. This should be a priority for infrastructure.”

Marie Françoise Marie-Nelly

In terms of demonstrating impact, we must learn patience. It takes at least five years to see real transformation.

On credibility: if we look at the things that have been put on the table in a number of countries, I believe that our management, especially in the Africa Region, has risen to the challenge and dealt with issues courageously.

Global standards are useful in terms of doing business. For example, the objective of President Kabila was to move 40 points on the “Doing Business” rankings.

“Overheard”

I don’t even want to think about a post-GPF world.
Session 3

Breakout Groups

Linking Country, Sector and Project Analysis in Bank Operations

The breakout groups examined themes and questions raised in a series of “issues notes,” drafted and distributed in advance by sector and topic specialists, who led the groups as “organizers.” Each of the ten groups dealt with one specific paper, and the following are short summaries of those discussions. The entire draft issues notes, with notes from the conference discussions, can be found in annex 1.

Group 1

Diagnostics Matter for Development Effectiveness:
Upstream Diagnostics, Sector Analysis and Resourcing
the GAC Analytics

Organizer: Verena Fritz, Governance Specialist, PRMPS

Since 2007, through the GAC Strategy and Implementation Plan, the Bank has encouraged governance engagement at the country- and project- levels. The strategy urges country teams to draw from knowledge that already exists within the country and within the Bank in order to mitigate the risks that governance and corruption pose to the Bank’s projects and portfolios.

This wide commitment to gaining knowledge has spawned diverse approaches to governance diagnostic work, including broad governance profiles, comparative indicators, sector-specific analyses, and political economy approaches.

Incorporating political economy analysis

Political economy analysis gives teams insights into governance weaknesses and the reasons for them. Useful political economy analysis should be both problem-driven and demand-driven, whether demand comes from the country management unit (CMU), a sector, or the client. The diagnostic’s purpose, desired result, and target audience should be clear at the outset. Often the macro-level political economy analysis informs the Bank’s internal decision-making processes, surrounding the preparation of a country assistance strategy (CAS). The more traditional economic and sector work (ESW) is used to address an external audience. Sound macro-level political economy analysis is essential to ensure adequate understanding of the larger picture before decisions can be made about more specific sector analysis.
Sector-level diagnostics

Sector-level political economy analyses can help identify what technical solutions are politically feasible and which are likely to run into significant obstacles such as elite capture. Such analytic work can also shed light on the underlying causes of implementation failures. Examples of such diagnostics include studies of the mining sector and of the impact of the decentralization process on specific sectors (e.g., agriculture, health, education) in the DRC, and a governance review focused on decentralization in Tajikistan. Where possible, it is desirable to engage clients in the selection and design of sector analyses, and encourage them to develop their own action plans.

Skills for diagnostics: The need to invest

The Bank does not have enough staff or consultants trained in political economy diagnostics, although this pool is gradually growing. One way of conducting governance and political economy analysis with limited resources is to integrate it into other analytical work — for example, turning public expenditure reviews into public expenditure and institutional reviews (PEIRs). In some cases, teams have relied primarily on sector specialists or local consultants to undertake governance diagnostics, but there are risks to both of these approaches. There is also a concern that the Bank may be favoring diagnostic work within its own comfort zone (PFM), avoiding important issues that it does not have the skills to take on (collective bargaining, land reform), but that are also crucial for understanding governance, development, and poverty dynamics. Partnerships with other institutions and donors can help the Bank build coalitions to address governance problems that it might otherwise avoid tackling.

Issues going forward

Support from CMUs and sector management increases the chances that governance and political economy analysis will be successfully carried out and made operational. The link between analytical work and changes in operational procedures must be enhanced. A clearer message that GAC is not an optional add-on, but rather is central to development effectiveness in every sector would help push this agenda forward. The involvement of sector specialists greatly increases the credibility and operational applicability of PE work, and, as such, sector specialists should be encouraged to pursue relevant training and engage with GAC-related projects. At the same time, colleagues working on governance and political economy diagnostic work need to understand the needs and demands of sector colleagues, and the pressures on operational teams.
Group 2

Managing, Organizing & Resourcing Country Teams to Implement Governance Activities

Organizer: Kapil Kapoor, Country Manager, Zambia
Matt Stephens, Project Officer, Philippines

A principal focus of the Governance and Anti-Corruption (GAC) strategy is mainstreaming GAC concerns across the range of the Bank’s development work. At the same time, the strategy underscores that GAC interventions need to be country-specific and that their effectiveness should be judged by impact on development outcomes. This requires a multi-sector approach that involves the entire country team, not just the Poverty Reduction and Economic Management (PREM) unit or governance specialists.

Issues addressed by the Window One projects

Country teams in Window One countries have developed a diverse range of methods of managing and organizing themselves to implement governance activities. Some examples include:

- In Zambia, a comprehensive political economy diagnostics at the country and sector levels identifies governance filters and potential entry points for engagement. A manual to guide staff on key governance issues in preparing and implementing projects is being developed.
- Burkina Faso established the GovID task force, which includes CMU staff (FM, procurement, external affairs, and operations), a social development specialist, as well as ad hoc external representatives (two government and one private sector). The task force has established a governance filter and an annual GAC action plan.
- In Cambodia, the Governance and Anti-Corruption Working Group (CGACWG) is chaired by the country manager. A working group has promoted the analytical program on GAC issues in the Cambodia team.
- The Philippines Governance Advisory Team (PGAT) is chaired by the operations manager and includes representatives from the CMU (FM, procurement, RM, CMU-hired governance team), PREM, and the SD and HD sectors. A governance filter identifies risks and mitigating measures for all stages of the project cycle. Sector teams use the PGAT-developed project idea (PIN) template, closely aligned with the ORAF, to describe project objectives and identify governance risks. The PGAT reviews submissions to determine whether a project will proceed to preparation.

Many Window One countries have set up multi-sector teams to drive the GAC agenda, and a number of common elements have emerged. Some country teams have included government and private sector representatives on the internal governance task force, and others have been working to develop governance filters to formalize the way GAC is approached across project selection. It is important that management of GAC in the country team be spearheaded by the country manager/country director or operations manager, that multi-sector representation is strong, and that all GAC work is guided by an annual work plan to ensure continuity and coherence.

Message consistency from senior management, including vice presidents, country directors, and country managers, is essential. GAC work can be polarizing, especially at the country level, where there can be sensitivity about the Bank getting involved.
Group 3

More Than Just Safeguards: Integrating Social Accountability and Demand-side Tools to Increase Development Effectiveness and Minimize Risk

Organizer: Sarah Keener, Senior Social Development Specialist, AFTCS

Demand for Good Governance (DFGG) refers to a broad range of actions and mechanisms that enable citizens, civil society organizations (CSOs), and other non-executive actors to hold the state accountable through cultivated relationships of downward accountability. A majority of Window One programs include DFGG activities, and GPF support for DFGG runs through all three windows and across all regions.

Some DFGG approaches focus on direct interactions with citizens, such as citizen report cards, while others engage CSOs to represent broader citizen interests and to ensure oversight. A strong civil society is an important partner in both citizen- and organization-based DFGG activities, and issues of legitimacy, representation, and independence from the state are all potential challenges to their effectiveness.

DFGG tools also support the state to provide relevant information and create opportunities for citizen engagement. DFGG mechanisms can complement formal systems of accountability and public administration capacity building, and can be targeted to constructively build on government initiatives to improve formal accountability mechanisms.

Challenges faced by W1 teams in implementing DFGG

GPF Window One teams face many common challenges in designing and implementing DFGG initiatives, including:

- Political buy-in
- Enabling environment for civic engagement
- Capacity challenges
- Delays due to lags in staff recruitment
- Administrative/operational challenges

What do Window One TTLs need?

- Increase just-in-time sharing of knowledge on scaling up DFGG mechanisms between experienced practitioners and Window One/sector TTLs
- Take stock of Window One DFGG needs and look at synergies and economies of scale across countries
- Find a way to link up with WBI in supporting technical capacity of CSOs parliamentarians, and media in support of Window One DFGG interventions
- Continue this conversation as part of the GAC Phase II
- Understand differences among Regions, not just in context, but level of experience and knowledge
- Provide training for DFGG consultants on how to work with the Bank
Group 4

Measuring Governance for Development Effectiveness

Organizer: Vivek Srivastava, Senior Public Sector Specialist, PRMPS

Measuring results from GAC interventions is essential to enlarging on good governance work. At the same time, final outcomes — in the way of better service delivery, better infrastructure, less corruption — are often long-term, subject to non-Bank influence, and fall at the end of a complex web of systems and sub-systems that dictate public sector management (PSM) outcomes.

Analysis to understand political economy and GAC constraints helps identify focus areas and to improve project design, and control mechanisms like ORAF help ensure that efforts are successful. Governance and the institutional environment in the country are key links in the results chain. Thus, improving the country governance environment and learning to work better within the existing environment have been central to the strategy.

Slicing the results chain

Instead of working towards end-of-line outcomes, today’s GAC work should focus on segments of the results chain that reflect short- and medium-term successes. For example, (a) the link from changes in the Bank’s processes system to better design and implementation; (b) the link from the Bank’s changed approach to changes in intermediate/final outcomes; or (c) from changes in project design to changes in intermediate/final outcomes. A related set of questions revolves around what aspects of the results chain are relevant for GAC at the country level, GAC in sectors, and GAC in projects.

Discussion notes from Cape Town

The primary objective of this session was to initiate discussion and obtain feedback on measuring GAC results for Phase II (2011–2014) implementation. There was general agreement among the participants that GAC Phase II should move beyond internal measures of success to looking at external outcomes. Consensus also emerged regarding the difficulty of linking intermediate outcomes to final outcomes (service delivery). In this context, several challenges and measurement problems were discussed:

- We need to be realistic about outcomes and realize that the levels of development and contextual particularities of the many countries in which we work differ significantly.
- We need to consider a simple reporting structure in light of the understanding that different results frameworks are required for different environments.
- Be aware that the governance agenda still needs to be fully mainstreamed within the Bank. We need to be realistic about what we can achieve within 3 to 5 years and make sure we do not set ourselves up for failure.
- We should be clear about what our GAC interventions can accomplish. Carefully designing the GAC Results Framework is crucial to this end.
- It is hard to claim success in final outcomes, and measures of success in the interim must be considered positive.
- Senior management and corporate level actions should ensure that budget planning and priorities reflect the growing role of governance within country/sector portfolios.
- The types of data used to assess progress in governance can be misleading.
- The learning aspects should be a measure of success in the GAC Phase II agenda, including learning from mistakes.
Session 4

What Factors Are Affecting Sector Engagement in GAC Implementation at the Country Level?

At its core, GAC work is about improving sectoral outcomes in countries and delivering services. Because clients demand it.

Chair:  Jim Brumby, Acting Director, PRMPS
Panel:  Ariel Fiszbein, Chief Economist, HDN
        John Roome, Sector Director, EASSD
        Onno Ruhl, Country Director, Nigeria

Ariel Fiszbein — HD perspective on GAC

Mr. Fiszbein said that HD’s first impressions about GAC pigeon-holed it as something to manage corruption in Bank projects, and appraised it as just another add-on or tax that had nothing to with their core work. Worse, “GAC hinted of a police approach that interfered with the real work”

But those impressions have changed as everyone gains more understanding and acceptance of GAC. And the acceptance derives from the “G” in GAC because, in the end, HD is all about better service delivery that creates incentives for providers and accountability for results. Once governance is understood in this light, he said, everything fits together. “GAC is more about institutional strengthening than ring fencing.”

Innovations are now multiplying, and staff work across the Bank is anything but homogenous — for example, in country X there may be fascinating work going on in one sector but very little going on in another, and so forth. Other innovations are tied to individuals, who, when transferring elsewhere, take and spread those innovations.

Mr. Fiszbein recounted how in preparation for this meeting, his team did a small survey among the 18 project countries to measure what challenges HD teams are facing, and how they think about the long list of issues.

It’s interesting, he said, to see how much HD teams are influenced by the 2004 World Development Report on Service Delivery in particular how the “Triangle of Accountability” has prompted staff to think about using various entry points for reform.

We have moved from resistance and fear about GAC to acceptance.
Gaining entry

Within this framework, Mr. Fiszbein pointed to two entry points relevant to their work: (a) incentives for providers and, on the demand side, (b) building agency — that is, creating citizen capacities to demand better services.

On the provider incentive side, he noted a range of experiments such as different payment systems, inter-governmental financing, grants, pay-for-performance, and merit pay.

On the agency side, increased access to information is empowering citizens to demand better services. This includes rights and standards and scorecards as a way of informing people about service providers.

Another dimension to this includes redress mechanisms for when “things go wrong.” Here we see hot-lines, watchdog agencies, and legal mechanisms.

One last often forgotten element on the agency side is the use of “choice mechanisms as a mechanism for accountability.” He thought we should see more of that in HD sectors.

Breaking bottlenecks with KITS

Mr. Fiszbein said that his group had coined its own acronym for confronting bottlenecks: KITS.

• KITS begins with knowledge. Teams need to know what works. HD, he said, had over a number of years established a high technical bar as evidence of impact evaluation. But this takes a long time and is costly.

• Next is instruments, as in operational. It is very difficult, he said, for HD to create incentives for institutional building through our traditional lending instruments. So, note well: investment lending reform and results-based lending are sine qua non for carrying out the GAC agenda. With these instruments in place, he insisted, the nature of our dialogue and ability to focus with clients increase dramatically.

• Tools relates to knowledge, but the greater emphasis here is on analysis — including (a) measurement and (b) political economy. On the measurement side, he said, we’ve worked on developing indicators related to governance, such as surveys that assess service delivery; or, in another instance, we’ve developed a guidebook on public expenditure tracking services. Currently, however, demand exceeds supply.

• Finally, support. Is management behind us? Do they recognize the risks and the time involved as well as delays, changes midway, and resistance? Most staff feel that there still isn’t enough support when things go wrong, and that they’ll be left on their own.

The overall picture is mixed, he concluded. We’ve seen major progress from where we started, including islands of innovation and buy-in from staff. Yet, many staff lack confidence in the supporting environment and see confusion around policy.
We’re missing a hard-nosed assessment of what is working on the ground...
The plural of anecdote is not data.

**John Roome, Sector Director, EASSD**  
A view from the TTL Level

Mr. Roome challenged the group to see what TTLs are seeing, noting that “the disconnect between high-level discussions on governance and the day-to-day issues that TTLs are dealing with is huge.”

One of the main things TTLs are dealing with is the doubling of lending over the past two years in more complex projects within a flat-budget framework. They’re overburdened, so we have to ensure that governance work makes their operations more effective.

**Avoiding the glib answers**

He shared how putting together the background notes for the conference turned into an unexpected learning experience: “I asked for input from our team, and what I got were anecdotes explaining what people were doing on a day-by-day basis. I didn’t get anything systematic, structured, complete, or evaluative... only generic presentations.”

Stepping back for a moment, Mr. Roome said that SDN must deal with many often differing issues across sectors and among countries. Some sectors show more corruption, for example, in public works.

Task teams have to deal with the pressures when the reputational risk for the Bank takes on a higher profile than the developmental impact issues. And in many sectors, it may be the broader governance and accountability issues that are more important than the narrower corruption concerns that get more attention.

He emphasized that different problems require different solutions on the part of the Bank, and we need to focus on different governance issues. For example, in education and health, is the real development issue corruption in civil works or that teachers don’t show up? The former has a bigger reputational risk for the Bank, but the latter often has a much bigger development impact.

“The glib answer,” he said, “is that we have to address both. But the reality from a TTL perspective, given only a limited amount of available time and money, is that we have to make choices.”

**More substance, fewer anecdotes**

Mr. Roome noted the vast amount of innovation taking place at the project and sector levels. And in many cases, these interventions are starting to be underpinned by systematic analysis of the political economy. There may be different ways to do this, but the important thing is that we are doing these analyses.

“We know,” he said, “that the general principles of GAC still hold — namely, country context and political economy still matter. It also helps to have buy-in from agencies instead of shoveling things down people’s throats, and, yes, we have to take risks. We’re making good progress on all of these.”

Still, he continued, we’re missing a hard-nosed assessment of what is working on the ground. We still don’t have a systematic handle on which interventions work better than others. We have lots of anecdotes, but as Mr. Zoellick noted, “the plural of anecdote is not data.”
And what if clients don’t buy in? Should we still engage? Pull out? We now know that the threat of pulling out of a sector doesn’t change behavior, but we may sometimes have to consider this to manage our own reputational risk.

Mr. Roome believes that on political economy we’ve done well in diagnosis and that we’ve built plausible tool kits; but we’re still not tackling some fundamental political economy issues. And at the bottom of these issues we’re talking about some element of vested interest. A certain sub-set of society is taking the gains from others, claiming benefits, and they’re not going to give this up easily. Technocrat solutions aren’t going to fix this. We need the political economy analysis, including an assessment of what has worked and what has not worked.

Another key question: how do we create a demand for good governance? We agree that this is a great concept, but do we know how to do it? At this point, we do not yet have a good track record of changing demand or pressuring governments enough. We have to manage our expectations.

Other thoughts on applying governance

On procurement processes and governance: our procurement regulations are “blind” to industry structure. This creates problems because some industries are more susceptible to collusion and malpractice. While well intended, our guidelines for pre-qualification may help collusion in some areas. Solution: give procurement staff more flexibility in guidelines, based on an analysis of industry structure. Get away from just checking the process box.

Next, how do we use our smaller pot of World Bank money to shape the broader governance of the bigger pot of partner money? Mr. Roome said that we can gain the most value by trying to raise the overall governance standards in a sector from a very low one to a higher one — even if it falls short of the corporate gold standard for governance that we require for funding. Sometimes more realism is called for, and success can be measured by the progress made from the bottom of the bar rather than the distance from the top.

And what do we mean by zero tolerance? Again, a realistic approach would be to do our due diligence in analysis and take action if we see something wrong. And we should expect good due diligence from our staff, including monitoring systems and reasonable risk mitigation measures.

However, we must accept that we cannot eliminate all corruption. If we hold staff and client to a high standard that punishes them if any corruption occurs, then we ultimately undermine our effectiveness by making us too risk averse.

Mr. Roome finished by saying he believes that the results-based lending approach will drive us forward. But first we have to start from the bottom and work up. “Start with real issues clients deal with on the ground, and design operations that the TTLs think make sense.”

Onno Ruhl — A tale of one country

In contrast to the TTL perspective, Onno Ruhl explained that his view would be from the country level, in this case Nigeria.
“We now have an idea”

Mr. Ruhl told of one governor who decided to make a priority of service delivery. “He came to power and told his constituents, ‘we’re going to fix this state, but I’m going to have to tax you to do it because we can’t rely on federal revenues.’”

This governor’s effect was immediate and significant as he delivered on his promises. “I cannot exaggerate his impact,” said Mr. Ruhl. “Every month I go there, and every month it gets better… This guy actually delivers results.”

The results weren’t confined, as other governors watched with interest and asked if they could do the same. Said Mr. Ruhl, “we thought: Ah, as the Nigerians say, we now have an idea. We decided to use this state’s model to introduce state criteria elsewhere. Basically, these criteria would allow state governments to progress through various stages of Bank support, depending on governance and service delivery.”

The performance ladder works like this: first, everybody gets CDD, HIV/AIDS, and basic service delivery support. Then the next level is PER and PEMFAR assessments.

“After this, and once a work program is implemented,” said Mr. Ruhl, “we can start talking about investment lending in that sector. Then if we see procurement and fiscal responsibility legislation, we can move to programmatic support, say in HD, or all the way to DPL lending.”

Surprisingly, Mr. Ruhl noted, rather than seeing this as conditionalities, the governors viewed the performance ladder as a competition.

Following up on the previous speaker, he stated that if we, as an institution trying to influence development in client countries, think that all we have to do is raise our projects to a governance gold standard, then plant our flag and go home, then we’re wasting our time. “It’s not ambitious enough…the core issue is development effectiveness,” said Mr. Ruhl, “and the GAC agenda is a development effectiveness agenda before it is anything else.”

Trapped in oil

Turning to the subject of natural resource management governance, he reminded everyone that in Nigeria the natural resource is oil. It accounts for 85 percent of the country’s revenues and 95 percent of its exports.

On the other hand, he said, Nigeria is not Saudi Arabia. Oil ranks fourth in the country’s sectors, smaller than wholesale and retail. “You could say that it’s not really an oil economy, rather a country trapped by a dependence on oil revenues…But oil is shrinking. The non-oil sector is growing.”

Because of the country’s oil, the government has been locked in a sometimes uneasy partnership with the international oil companies. Geopolitical issues come into play as Nigerian crude is very pure, and there is nothing but an ocean between Nigeria and the US.

Mr. Ruhl noted that because the oil comes from the Niger Delta area, in that part of the country the governance issue is oil. All revenues from oil go through a federal account. The governors go to Abuja, get their money, and hand it down to local governments. The oil states receive a disproportionately higher amount than do the others.

Yet, despite the extra cash, service delivery in those states ranks unfavorably with most low-income states in Africa. This structure creates a system of no accountability, and the population rightly asks why there is no service delivery. They know the money is there.
We can’t go there

In such a situation, he reasoned, there is no benefit to thinking how you’re going to do a WB project and avoid corruption. “It’s a completely irrelevant thought...so, our first thought when we wrote our CPS was ‘we can’t go there,’ and we decided to focus on the rest of the country.”

“We said, okay, we did well at fiduciary reform at the federal level, so we'll work with that, but we won’t get to the level of expenditure that involved service delivery.” Instead, he explained, they picked five states with their partners, called them lead states, and worked there with the intention of providing good examples. Unfortunately, dynamics at the state level didn’t provide a day-to-day consistency of performance.

In rethinking the approach, the team observed that the 2007 elections were a major failure at the presidential level, but were interesting at the state level. What happened was that quite a few states had court cases where election losers ended up winning in court.

And, from a Bank perspective, having a conversation with a governor who had squeaked by in an election — due to a court ruling — versus one who had rigged the election or had a 95 percent approval rating, made all the difference. There was a sense of democracy working at that level.

Do projects matter?

Mr. Ruhl recounted how in post-war Niger Delta the former president had scored a major coup simply by declaring amnesty for the former militants. Suddenly they were respectable citizens. Their money was good, and the conflict was wiped out overnight.

Once this happened, they started bringing pressure to government for delivery of goods, which in turn prodded the governors to do something for the ex-combatants and their families. A further surprise, he said, came when, after long, bitter disagreements between the oil companies and the government about new fiscal laws and taxes, we found ourselves in the position of being asked by both parties to arbitrate the dispute. Somehow, the conversation had changed.

Mr. Ruhl concluded his discussion with the opinion that World Bank projects don’t matter. Yes, he said, they are instruments, but they do not influence the greater governance paradigm. We must find a way of changing that.

Success spawns similar action

Just as with the example of retirement operations in DRC, the Niger Delta experience shows how one good example sends ripples across the governance landscape.

As state governments began feeling the demand for service delivery, the governor of one of the most challenged states actually showed up at the Bank office to ask about the wherewithal of installing accountability. He said, “I don’t know how to deliver... Money doesn’t get where I want it to go.”

The incredible outcome was that this governor agreed to do public expenditure tracking in education as well as PIER and PEMFAR assessments. After this, two other Niger Delta states came to the Bank to ask for the same level of support. “We had not planned for this,” said Mr. Ruhl, “so without GPF support we never would have been able to finance new approaches in this area.
Final observations

Ariel Fiszbein

There are two common aspects to results-based lending and governance: (a) linking disbursements to achieving things the users care about, which forces us to (b) focus on measuring, and this is where accountability matters. This places governance at the forefront of our work rather than in an annex.

John Roome

In our work we’ve traditionally emphasized the procurement and financial systems to control corruption, without linking these to robust technical audits of what’s happening on the ground. We put a lot of emphasis on upfront processes and less on triangulating this with results on the ground.

A results-based approach would shift more weight on development outcome tracking. However, the key is to have a credible, low-cost monitoring system. With, for example, a polio program, health outcomes would be easier to monitor. However, with more complex investments, such as a major hospital, it becomes difficult.

With some kinds of infrastructure (road maintenance, sanitation, rural water supply) where investment and changes in human behavior or organizations are needed, a results-based approach could provide better development outcomes and better control of corruption.

In terms of development outcomes and reputational risk, there are sometimes trade-offs in terms of where our resources go. If we see fraud in documentation, bidding or, say, in medical supplies coming into a clinic, we can’t ignore it. If we do nothing, then we take a big reputational hit.

But in a resource-constrained environment, trade-offs will have to be made at the TTL level, and they need support in this regard.

Finally, we cannot assume that elections will always reward those who provide services. We shouldn’t rely only on an electoral incentive.

Onno Ruhl

To us, service delivery is less an electoral issue than an entry point to begin a dialogue that allows us to move the agenda forward.

The case of the governor mentioned earlier is interesting. His former boss and the entire system were less and less happy with him because his commitment to delivering services cost money. But it was politically impossible to remove him because people liked what he was doing. And because of his delivery record, he stands an excellent chance of being re-elected — but we’re not betting on anything, just looking for dialogue.

As to development outcomes versus reputational risk: If we don’t protect our reputation, then we have no chance of determining development outcomes. In Nigeria, a big scandal in our loans would kill us... I want 100 percent auditing compliance, a low INT case load, and I will never consider approving a waiver.

Finally, you have to press compliance, but you have to convince teams that you will protect them. Then rally resources from the rest of the team for governance and anti-corruption. Ultimately, it’s about development outcomes. But you have to cover your back, and that’s the “AC” part of GAC.
Session 5

Breakout Groups

Implementation of Sector Governance Activities in Country Programs

Group 1

Governance in Infrastructure

Organizer: Cathy Revels, Lead Water & Sanitation Specialist, ETW

Infrastructure is the backbone of an economy, and improving it increases access to basic services, facilitates commerce, and encourages both poverty reduction and economic growth. Strong, well-managed infrastructure improvement projects that address governance and corruption can enable countries to attract the investment necessary to make infrastructure improvements worthwhile. The infrastructure sectors — energy, transport, water, and information and communications technology — represent close to 40 percent of the Bank's lending portfolio.

Governance and Anti-Corruption (GAC) initiatives in the Bank's infrastructure sector have focused on improving the overall enabling environment, fiduciary systems, and accountability mechanisms at the country level as a means to combat corruption. These initiatives need to be complemented with sector-level work designed to mainstream accountability, transparency, and participation in policies, institutions, and practices.

Overview of approaches

Most of the 18 GPF Window One countries have carried out analytical work to start discussions on changes that can and should take place in the infrastructure sectors. Half of these countries have conducted a governance assessment, review, diagnostic, or political economy analysis in the energy, transport and/or water sectors.

Discussion questions from Cape Town

The Window One teams discussed the entry points, opportunities, and bottlenecks for engagement on governance in infrastructure sectors. The following categories of questions were identified as critical going forward:

- Connecting between country analysis and sector analysis
- Quality of analysis
- Moving from analysis to action

The breakout groups examined themes and questions raised in a series of “issues notes,” drafted and distributed in advance by sector and topic specialists, who led the groups as “organizers.” Each of the ten groups dealt with one specific paper, and the following are short summaries of those discussions. The entire draft issues notes, with more of the conference discussions, can be found in annex 1.
Key points

In the second phase of GAC implementation, we need to:

- Mainstream political economy into the work of all teams, and take a more integrated team-based approach to GAC— for example, public financial management, decentralization, and corporate governance. Management needs to provide guidance.

- Explore more holistic approaches to the sector. For example, consider looking at how projects fit into the overall public sector budget.

- Explore incentives for sector teams to engage. TTLs respond to incentives, and management is responsible for changing incentives.

- Explore the utility of assessments. PE analysis can spark dialogue in the sector, and project implementation experience should be factored into assessments. In particular, institutional integrity (INT) experience from project investigations could feed into assessments. Analytics can provide options for solutions and change.

- Understand why clients are sometimes ahead of Bank teams in terms of thinking through issues in this area.

Group 2

Governance in Health, Education, and Social Protection

Organizer: Dena Ringold, Senior Economist, HDN

The Governance and Anti-Corruption (GAC) agenda is at the core of the HD network’s goal of improving outcomes by raising the quality of health, education, and social protection services at the country level. In the Human Development (HD) sector, strengthening governance is about improving service delivery to reach better outcomes. The governance and service delivery agenda in HD has been shaped by the influential World Development Report 2004: Making Services Work for Poor People.

Policy makers, service providers and citizens

The main channels for improving governance are the accountability relationships between three groups of actors: politicians and policy makers, service providers, and citizens.

The compact between policy makers and service providers depends on the quality of institutions, rules, regulations, and incentive arrangements. The interaction of citizens and policy makers takes place through channels for expressing political voice, often facilitated through access to information. Accountability for service delivery is therefore a function of the behavior of service providers and citizens.

Many Window One countries include policy strategies to improve the motivation of providers on the one hand, and increase the agency of users on the other. Governance activities in the GPF Window One countries illustrate multiple entry points and opportunities for improving the ways in which the main stakeholders — policy makers, service providers and citizens — interact to achieve results.
Issues addressed by the Window One projects

There are a number of good entry points for dialogue and action to improve governance in this sector. By focusing on decentralized authorities, strengthening accountability, measuring results, and incorporating political economy analytical work into project design and implementation, teams can better assess and respond to the needs and dynamics of this important sector.

Recommendations emerging from Window One experiences

- Bank engagement should look beyond public sector providers to other stakeholders such as unions and the private sector.
- The Bank needs to work across silos and create more collaboration within country teams for engagement on service delivery. GAC work in the Window One countries has offered opportunities for working across Bank boundaries.
- We need to do better in capturing and sharing lessons learned. The knowledge agenda should include results measurement and impact evaluation to understand what works in delivering services.
- A point related to the knowledge agenda was the need for more guidance on when and where to apply certain analytical tools. GAC Phase I has been successful in supporting innovations in analysis. However, we have to be more strategic about the “toolbox,” especially in a resource-constrained environment.
- There is a pending question about the extent to which the knowledge initiatives under GAC have influenced operations and work in the regions.

Group 3

Governance in Natural Resource Management and Extractive Industries


Not surprisingly, natural resource management and the governance aspects of extractive industries have emerged as a core theme in many of the GPF Window One projects, ranging from countries where the impacts of the “resource curse” are sadly all too evident, such as Nigeria and DRC, and countries seeking to develop well-managed extractive industries, such as Mongolia, Ghana, Afghanistan, Sierra Leone and Uganda, to countries at the outset of scaling up their extractive sector initiatives, such as Burkina Faso.

Approaches taken

The Extractive Industries Review (EIR) — Striking a Better Balance (January 2004), recommends that the Bank focus on promoting “pro-poor public and corporate governance” of extractives and should “vigorously pursue country-wide and industry-wide disclosure of government revenues from extractive industries.” The Bank has been an active supporter of the Extractive Industries Transparency Initiative (EITI) since its launch in 2002.
Participation in EITI prompted a comprehensive review within the Bank of points of engagement. Bank management recognized that the entire value chain of managing extractive industry resources is important. This resulted in the Extractive Industries Transparency Initiative Plus Plus (EITI++) in April 2008. Since then, the Bank, in coordination with donor partners, has made progress on developing and implementing a comprehensive value chain approach on translating wealth from extractive industries into growth and development impact.

Innovation for results

With the support of the GPF, country management units (CMUs) have been more able to take innovative approaches toward promoting better governance in natural resource management and extractive industries. The integrated approach to governance and this sector has enhanced innovation across the Bank and has resulted in a number of new initiatives:

- The “EI Sourcebook” initiative of the Bank’s Oil, Gas, and Mining Policy Division (OCPO)
- The Africa Region EITI++ management level coordination group to advance implementation in priority countries
- SD’s launch of the second phase of its Wealth of Nations initiative, which focuses heavily on natural resources
- The Growth Commission that highlighted particular challenges for natural resource-led development
- The World Bank Institute’s prioritization of extractive industries governance, building a wide-ranging network with global and selected country-level non-state actors

There are also important initiatives led by donor partners and stakeholders, such as the Norwegian Agency for International Development’s Oil for Development Program and the Natural Resource Charter. The Poverty Reduction and Economic Management Network has proposed a Knowledge Platform to integrate internal knowledge work and coordinate with external initiatives.

Takeaways for future engagement

- Country context matters and affects Bank leverage. In a weak state, the challenge is how to enable the state to use the windfall of resources generated by the sudden discovery of natural resources.
- The GPF-supported political economy work has been highly valuable. Essentially, natural resource-related decisions are political ones, and we need to look at and understand the contexts in which they are made.
- There needs to be more knowledge-sharing across the Bank on these issues, and among donors. The opportunity to compare experiences at the Window One Workshop is valuable, but we should not rely solely on such rare opportunities.
- The Bank needs to be opportunistic in deciding where and when to engage along the value chain. While engagement in the sector is risky, the benefits of engagement are justifiable.
- Historical legacies often create obstacles for credible Bank engagement with the government and other partners.
- Building trust and finding the right partners, including donor coordination, are crucial. Where bilaterals have competing interests, the opportunities for effective engagement and dialogue are undermined, so there is a need to be open and creative to get donors on board.
- The Bank can play an important role in framing and outlining the importance of good governance in the sector. A governance diagnostic along the value chain is a crucial step prior to deciding where the Bank has the most value to add.
- Coalitions — including non-state actors — can be valuable in addressing the lack of transparency and in pushing for greater accountability.
- Dialogue at the country-level needs to be accompanied by Bank engagement at the global level.
- We should ask what a sustainable model for managing natural resources will look like in Africa, moving beyond the value chain to broader development questions and cross-sectoral impacts.
Session 6

Addressing the Challenges of Implementing Governance at the Country Level

Chair: Mary Barton-Dock, Country Director, Cameroon

Panel: Galina Sorirova, Country Manager, Burkina Faso
       Manuela Ferro, Manager, OPCS Country Economics
       Denyse Morin, Senior Public Sector Specialist, OPCS Operations Services
       Kundhavi Kadiresan, Country Manager, Uganda

Mary Barton-Dock — CAS leading the way

In framing the session, Mary Barton-Dock told participants that the governance agenda at the country level starts with CAS products and follows with various instruments, including political economy, governance filters, and ORAF. But all of these are only the stage for implementation.

She referred to her own experience in Cameroon, where the CAS has an overall governance filter applied, and they’ve committed to doing PE analysis in all sectors.

But, she added, when we start implementation of what, in this case, is largely an SDN portfolio, we venture into the delicate art of institution building — better procurement, better pricing, safeguards, validating results.

“Under implementation, we have to sometimes look across at the client to see if they’re with us,” she said. “If they’re not interested in moving the reform agenda, then you have to decide how to broaden the dialogue to put pressure on the government to lead the reform effort.” This might entail reaching out to media or local governments.

Ms. Barton-Dock said that the current challenge in Cameroon’s CAS is taking the risk framework and translating it into a practical approach in implementation. As we go forward, monitoring for results will be critical.

Finally, she said, we’re doing DPLs in Central African Republic, where we find a lot of political will for reform but almost no capacity. So, here it would be good to accompany our DPL with technical assistance lending. But we have no IDA budget; therefore, we end up doing one emergency operations after the next, driven largely by where funding is available.
Ms. Sotirova said that this kind of discussion must first ask four questions:

- How do you make the analysis operational?
- How do you engage stakeholders and government in the discussion of the analysis?
- How do you engage and get ownership for country teams?
- How do you keep the process going?

During preparation of Burkina Faso’s CAS, she recounted, the team commissioned a PE study, “which ended up telling us nothing more than what we already knew.” The reason was that it was a high-level, broad-bush political analysis that provided no new entry point to design the program.

“This taught us that we didn’t do our homework at the beginning of the study. We didn’t identify clearly how we’d like to use the political analysis. For example, do we want it to focus on finding space for reform, or to find strategies to extend the space for reform?”

She noted that her team did gain a little more success with a PE analysis in the justice sector, which revealed strong vested interests that blocked any space for direct reform. The team then directed its attention toward other interventions to push reform in that sector.

However, Ms. Sotirova said that when they did political economy analysis at the project level, there were better results. Here, the analysis focused on identifying losers and winners, and this helped the team better define communications strategies and consensus building.

“This tells us that, in order for the GAC analysis to be operational, we have to define its purpose. The more specific the questions, the easier it will be to make it operational.”

**Involving the country teams in implementing the analysis**

The country team is critical to moving the analysis to implementation. Engaging them will rest on several key points.

First, GAC analysis must be linked to the country team’s regular tasks under existing operations. PE analysis within project preparation helps teams focus on the political context.

Next, timing is important. Ideally, GAC analysis should be done before CAS preparation. But teams are pressed for delivery, so it has to be built into the work. “In our case, said Ms. Sotirova, “we brought a political scientist along on the preparation mission who asked the right questions throughout the analysis. This was a great help in guiding the team through the political context.”

Third, involve the country team in TOR drafting, discussions, and analysis. This will help secure ownership, and help the teams instill the findings into their own operations.

Finally, keep the process alive. Studies are fine, but we need to be informed about changes in government and elsewhere. Consider, for example, having regular discussions about governance in the sectors, or start a monthly bulletin that covers issues of the month for governance. Keep the country team interested.
Sensitivity in high places

Ms. Sotirova cautioned that political GAC analysis is sensitive, and in Burkina sensitivities are high. Yet, government engagement in the analysis is critical, and we have to share the diagnostics with them and all stakeholders. But how do we do it without putting the Bank in a vulnerable position?

“When I looked at the projects financed under Window One,” she observed, “I saw different approaches to analyses. What we have done in Burkina is pragmatic and differentiates depending on the type of analysis.”

For example, she said that in the case of country-wide PE, the team decided that, rather than disseminating the analysis, they would use it as an internal resource. In another instance, when the government balked at dissemination, the analysis ended up as a policy note that became the basis for discussions with the government. She said that they have also shared analyses with government projects teams to help them define the elements of a project.

In closing, Ms. Sotirova stated that moving to implementation is not straightforward. It requires planning and attention to details. We have, she said, managed to do as much as we have only because GPF financing allowed us to add a governance person to the team. The test will come in sustaining attention and continuing the focus beyond the GPF.

Manuela Ferro — Governance and risk in country operations: CASs and DPLs

Ms. Ferro first described how after the original GAC was launched, there was a tremendous uptake in governance-related work, and updates in country assistant strategies to reflect this. All the early studies leading into CASs were high-level and cross-cutting, and the CASs became imbued with a strong emphasis on governance.

What we see now, she said, is that some countries have either governance filters or specific operations to address specific governance issues, while in other CASs there are none at all. The reason is that a lot of country teams are using this as a structured way to think about whether governance is a major impediment to aid effectiveness. In the beginning, there was a sense that teams had to say, yes...impediment; now that pressure is easing. And that’s a good thing. We’ve become more specific and deepened our understanding of what supporting governance means.

Then and now

“If you go back to the Bank of 15 years ago,” she recalled, “we were not decentralized. We had ’CAS missions,’ where a team from Washington would go to the country, discuss the strategy with the government, then return to HQ. The idea was to take a picture of the country program, write it up in a CAS, and send it to the Board. “

We now have more of a continuous discussion, she said. There isn’t this “run up to the CAS” as before, and the analytical work is done on a continuous basis. So, timing is less of an issue.
She also raised the issue of whether, in moving from the high-level, cross-cutting CGACs to sector-specific analyses, we’ve changed the way we introduce governance into country programs. Is this more effective? Or do we miss something big by just looking at certain sectors?

Ms. Ferro said that there are many countries where our diagnostic work identifies governance as a key impediment to development, but whose same governments show little inclination to change the situation, or they disagree about how to address it. How do we engage in such situations?

She returned to the subject of how we use our instruments and development policy operations to support governance reforms. One remarkable finding, she said, is that nearly 100 percent of IDA loans have governance-related policy loans. IBRD loans, meanwhile, tend to be sector, rather than governance, specific. This suggests that IBRD governments may not want the Bank engaged in sensitive areas.

Assessing risk in DPLs

As we launched ORAF over the past year, she said, we were asked: aren’t you developing the same thing for DPLs? “We talked about assessing internal risk in DPLs, and decided we didn’t need to because DPLs receive a higher level of scrutiny than investment loans do. They all have a corporate review that looks systemically at fiduciary risks, reputational risk, and operational risks... we thought it better not to overload the TTLs by adding another structure.”

DPLs, she said, receive a great deal of attention from many independent evaluation groups, and a recent audit of DPLs concluded that the way we assess risk in DPLs is mostly sound. Ms. Ferro described DPLs as a “special circumstance” instrument because we are not financing goods and services; thus, there is no real plan to modify how we assess risk in DPLs.

Denyse Morin — Governance and risk in country operations: ORAF

Ms. Morin reported that the Operational Risk Assessment Framework was born of a study done on IDA controls that showed, among other things, that we didn’t pay enough attention to risks during implementation of operations; nor did we excel at measuring results in investment lending.

The investment lending reform process began to address how we should look at risk in these operations, and after a year of consultations with managers, TTLs, SM, and others — and looking at practices outside the Bank — the present framework was adopted.

A Bank tool for linking risks to results

Because the framework was based on deep consultations within the Bank, she noted, it reflects the particularity of our work. We have tried since to take a systematic and holistic way of looking at risk as well as teamwork. In fact, she said, “one of the things we hope this approach does is encourage more cross-teamwork to encompass project, legal, fiduciary, and INT teams, as well as more input from CMUs and SMUs about risks in specific projects.”
Another principle of this framework is to link risk to the specific results a project is trying to achieve. “We cannot repeat that often enough,” Ms. Morin emphasized. “You’re not just looking at overall risk, but what specific risks we might encounter on the way to project development objectives.”

ORAF, she said, could also become a management tool, and not just for project teams. “If we start aggregating information from ORAFs, it becomes possible to assess the riskiness of a portfolio.” We can, she said, then question whether we’re investing too much in risky projects or if our risk assessment is correct. ORAF is a good way of organizing information — information we often already have.

According to Ms. Morin, assessing risk requires that we look at four areas:

- The first area is stakeholder risk. Here, the project team needs extra wisdom from CMU and EXT colleagues, as well as others with good country knowledge.
- We next have to look at the operating risk, which includes both country and sector risk. Although these risks can’t be mitigated through a project, a project team still needs to know about them when preparing an operation. So, again CMU input and expertise are crucial.
- Third, we have to look at risk at the implementing agency level. We don’t control this, but we can influence it through project design. The project team should be able to deal with this.
- Finally, the project-level risk, which the project team controls through design.

Not just an annex

As a final reminder, Ms. Morin repeated that governance and risk are not just add-on’s. “The monitoring of risk and of mitigation measures should run from preparation throughout implementation. This is about a change of mind-set that links results and risks. Keep your eye on the ball and have ready a strategy to address risk when it appears.”
Ms. Kadiresan used her team’s work in Uganda as a springboard for the discussion. If you look at that country’s economy before the financial crisis, she said, Uganda enjoyed impressive growth and foreign direct investment. Poverty levels were declining, and the country was on target to achieve five of the seven MDGs.

But the governance story was not so impressive. Good macro numbers exist, but we see weakness in the micro as well as in the overall governance environment. Rankings are down on all fronts: perception index, “Doing Business,” global and integrity index, and legal and institutional structures. Even if the country is ahead on passing legislation and establishing institutions, there’s no follow-up on the ground.

Seizing opportunities

In Uganda, she said, we can’t go with the general governance filter. We have to be more opportunistic — see what’s possible then develop our governance efforts based on that.

“We were lucky when doing the country political analysis to have a strong governance skill mix in the country office, as well as good support from development partners — DFID, the Netherlands, Norway, and USAID. We had a coordinated voice.”

She said that her team was also able to complement the projects and the Poverty Reduction Support Credit, the budget operation support of the Bank. “We earlier learned that our ring-fenced approach worked fine in one project, but, while keeping a close eye on our project, we missed all the raiding of projects financed by others. So, it’s not just about our money in our projects, it’s the larger money the government is spending.”

Farm politics

Ms. Kadiresan told of two agriculture projects — small, simple, farmer-driven, clearly designed projects to provide technology and advisory services for small farmers to improve productivity and income levels.

But in the course of implementation, the politicizing of some of these elements became a serious issue. The president wanted to change the design from capturing the money for a larger number of farmers to selecting a few farmers from each parish, using people from his own political party to do the political canvassing.

In addition to the technology and advisory services, he also wanted to use the project to hand out freebies in the way of service delivery for his own election benefit. The six selected farmers were also from his party. To him, it was simply about serving his constituency. A stalemate developed, and the Bank eventually stopped disbursement until, after several months, the president acquiesced.

“What we took away from this is that the Bank is still seen as a player that offers a voice of reason — in this case not buckling to the political.”
Session 7

Reconciling Governance, Development Results, and Risk Management

Because Sri Mulyani Indrawati and Joachim von Amsberg both had to depart before the conference’s end, they were asked on the second day to offer their reflections on the salient issues raised so far during the workshop, and to share their insights about where the governance agenda should be heading.

Chair: Ruth Kagia, Country Director, Southern Africa
Panel: Sri Mulyani Indrawati, Managing Director
       Joachim von Amsberg, Vice President, OPCS

Chair Ruth Kagia welcomed Sri Mulyani Indrawati, with the observation that the MD brought a perspective from “the hot seat” as Indonesia’s finance minister, where she faced a rich array of governance issues.

Ms. Kagia then introduced Joachim von Amsberg, who, she reminded the audience, is one of the fathers of this agenda. “You never realized when you were discussing governance with former colleagues,” she chided, “that you would have to reconcile this with the OPCS agenda.”

We need to understand the practical implications of the reforms we are proposing. Even when government is completely on board, they still may have no idea how to go about it.

Sri Mulyani Indrawati

Ms. Indrawati confirmed that much of what she had heard at the conference verified her own development experience. The WOW conference, she said, had also put the GAC concept into a systematic and organized framework.

But, she added, “the Bank is always good at translating a concept into a certain diagram or logical thinking. It sounds good, it looks good, it feels good — but it doesn’t necessarily deliver a good thing.” She urged that we use this realization to shape our strategy from both the demand and supply sides.

Supplying governance

On the supply side, the question comes down to how we as an institution combine governance with client ownership to fight corruption. It’s not easy, she said, because reputational and legacy issues have actually limited the Bank’s leverage, even in low-income countries.
GAC is a vehicle for the institution to be there, to stand tall, to have ‘moral foundations’...

So, we have to prove our legitimacy by creating incentives for good governance and anti-corruption. It’s an ambitious order, and we’ll have to be realistic on what we can achieve. She advised staff to learn whom to contact and how to work with them. But don’t depend on luck; rather, make sure that we have an institutional strategy framework that can be implemented in the country, and then use M&E to see if it actually works.

Ms. Indrawati said that there is always a trade-off between political economy within the country and themes. ‘Although there is no such thing as one size fits all, we still need to find general patterns within the political context so that, even if you delete the name of the president and the name of the country, you see a common pattern.’ In all countries, she said, it’s a question of vested interests who, once in power, serve their own interests instead of those of the people.

Building effective demand

Although civil society organizations, political parties, and others can help, she said, creating effectiveness on the demand side really depends on understanding the meaning of service delivery.

For example, in education if you develop an indicator for service delivery that allows parents and NGOs to track whether teachers come to class, that’s good. But, in reality, teacher attendance might not be linked to quality of teaching. A bad teacher teaches badly, no matter how often he or she attends class. She reminded her listeners that if we are working to measure the result of delivery, you have to always question whether we’re using the right indicator. Is progress being delivered?

Clarify our positions, be flexible, and build trust

Ms. Indrawati suggested that we combine and use these 18 country cases to find an umbrella policy that will clarify our work. She remarked on the many doubts expressed about senior management’s position on this agenda in terms of risk. Would they stand by staff? Or would they stand aside and blame? The former finance minister said she understands the feeling of being left on one’s own.

“My responsibility is to make sure there will be clarity on policy and on risk,” she said. “This is important information, which I will carry to management.”

In terms of institutional response, she asked how we might translate this entire story into clear guidelines in light of the variety of cases, each with unique local situations.
For example, many say that procurement needs flexibility. But flexibility should come with trust. And we should not ignore that some problems involve our own staff. So, with flexibility there should be some assurance mechanism for management that staff won’t abuse their flexibility. “We have to build communication and mutual trust.”

Ms. Indrawati asked for feedback on how the Bank could provide more flexibility for staff to make decisions at the client level. After all, she maintained, this institution exists primarily to serve the client faster, while not sacrificing development goals. If those dealing with the client have a mechanism for communicating to top management, then that information can be translated into policies and institutional decisions.

“GAC is not the goal,” she said. “It’s a vehicle for the institution to be there, to stand tall, to have ‘moral foundations’ ... to say that these principles need to be adopted — not because you have asked us to lend, but because it will serve you well in achieving your goals.”

Humble not helpless pursuits

A word on humility: we need, of course, to be humble, she said. And to be sensitive and smart, and be able to listen and deal with human beings. “A country is not a machine,” Ms. Indrawati stated. “It’s just normal people, with their own history and culture. And we must respect that.”

But don’t let humility prevent you from taking risks. “Humble is not helpless... that would be quite serious for any institution.”

Keeping the priority alive

Finally, Ms. Indrawati regretted that she had to close her presentation with a sobering corporate message: “The next three years are not going to be an easy time for any of us.... The budget will stay flat, and lending will decline.” And, she said, many are wondering what will become of GPF and the entire agenda if trust funds disappear. Will this agenda no longer be a priority?

The short answer, she said, is: of course not! GAC is a very important element of this institution. But, she said, there will be complaints, and she expects to hear a lot of them. But not to worry: “I love complaints... they’re like vitamins to me.”

Still, we must speak with one institutional voice. “And on this,” she promised, “I really want to give you my presence... you can capitalize on me because I want to be useful in this institution, which is still critical in the effort to alleviate poverty.”

“Overheard”

Don’t worry!

[An audience response to the speaker expressing dubious concern about Bank staff becoming too humble.]
Joachim von Amsberg

Mr. von Amsberg assured his audience that he wasn’t going to make a two-hour speech defending ORAF. Instead, he would simply state that “it’s just a tool we’re providing to address a jointly identified problem. It helps us identify risks and allocate more resources to where risks are ... but it’s certainly not perfect.” And, in that spirit, he asked that “we all work together to make it better.”

Leverage, leverage, leverage

He then addressed financing instruments. One previous speaker, Mr. von Amsberg noted, had made the distinct point that Bank projects don’t matter in the greater scheme of events. “He’s right.” The World Bank has become small... even IDA may not be increased.”

In fact, said the speaker, we even have to give up the notion of World Bank projects. “There are none... There are only government expenditures financed by the World Bank.”

In this smaller world, our best option is to leverage. And financing is the leveraging point that we use to enter conversations about public spending and helping governments spend better. This is where we use our lending to influence impact.

However, our financing instruments are not always suitable for achieving that objective. For example, our investment lending is too much based on ring-fencing, without focusing enough on country systems.

We are, he said, hoping that results-based lending will be the right instrument to help us use our financing as leverage towards more effective public spending. It is not just a new mantra that comes from OPCS to solve all problems. It does, however, create space for country teams to work more effectively in disbursements against results, outputs, and outcomes.

Risky business

The subject of risk, he noted, keeps surfacing, especially in terms of risk aversion for staff. Mr. von Amsberg said that we need to be clear about what risk-taking means — namely, sometimes things go wrong! “But if something does go wrong, it doesn’t mean that you were wrong to take the risk. If someone commits a wrong act, such as stealing, that person should be punished. But taking a risk is not wrong and hence not grounds for punishment.”

We need to feel safe, he said... lay out risks, present them to management; then it’s up to them to decide what to accept. We then plan for what to do if things do go wrong.
Wedding the “G” and the “AC”

Mr. von Amsberg noted that we had avoided earlier tensions between the governance and the corruption elements of GAC. He said we now understand the complementary nature of the two. Very often the right entry is governance, which is more closely related to the development impact.

But corruption undermines good governance, so we need anti-corruption in order to be credible to shareholders and to clients. We want to be a partner of choice for governance reformers. We want to build a brand for governance.

When the well runs dry

He then turned to the subject on everyone’s mind: what happens when GPF runs out? Clearly, doing things well is expensive. So, what are our options?

Overall, he advised, we’ll have to do less, and focus on the transformational things. We’ll have to learn, especially CDs, to make hard-nosed choices, recognizing that we’re not running the world, nor even countries. At best, we can strive to make a few major strategic contributions.

The flat budget is a reality, warned Mr. von Amsberg. We’ve had to cut corners, so let’s do fewer things and do them well. For example, he said, in Indonesia we didn’t work in health — and perhaps that was okay. There were high risks with limited results, and the government was lukewarm to our involvement. So, we made choices. The environment was not right, and we didn’t engage. Let’s use our money where it will make a difference.

An inconsistent problem

Another concern, he said, was the issue of double standards around the decision to engage or not to engage in a certain country, sector, or project. More specifically, inconsistency seemed to characterize Bank decision-making.

Mr. von Amsberg acknowledged the validity of the concern; yet, he explained, “I’d be very nervous about us establishing ‘standards.’ If we had them, we’d all yell and scream, we’d say our countries’ circumstances are special, and we’d ask for decentralization.”

One problem, he said, is that as we make decisions in these various contexts, we don’t learn from each other. So, can we find a mechanism to make us more systematic, by which we pull together and classify the decisions we take on a day-to-day basis? We have to think about the criteria we use to make decisions, and aim to be more systematic.

...if something does go wrong, it doesn’t mean that you were wrong to take the risk.
A community effort

Finally, Mr. von Amsberg offered some reflections on the governance community. "We are," he said, "the people who most believe that building effective institutions is at the core of development in most countries... it’s fascinating to see how far we’ve come in a few years."

The challenge, though, is that we have less structure than other communities in the Bank, which have various networks and boards. If, he mused, we were to re-organize the Bank from scratch, we’d probably think about creating an institutions network that brings together PREM, PS, WBI, and the operations side of OPCS.

But in that absence, we should think about the extent of our structure and, especially, how to embed ourselves more fully into the institution. We must strengthen this community as a network organization in terms of management action and becoming partners of choice.

How much tolerance does the Bank have for taking the political flak of pushing governance?

Follow-up discussions

Bella Bird of DFID led with questions in three areas:

• How ambitious is the World Bank going to be in making GAC the norm in country programs?

• How much tolerance does the Bank have for taking the political flak for whatever power changes take place in a country because of us pushing governance?

• We’ve mostly measured the momentum of the governance agenda by how much money the Bank allocates. But is that the best indicator of success? What others do we have?

Other questions from the floor included:

• To what extent should the Bank be involved in getting citizens more involved in institution building?

• We talk about how to efficiently use the totality of a country’s resources, not just those that we are providing. How can we best convey this message of global engagement to our partners so that we can have a common language?

Sri Mulyani Indrawati responds

The Bank is putting GAC at the core of its work, and the three trust fund donors can be proud that their investment has made a significant impact in the way the Bank operates. It’s not just a chapter or paragraph within the country strategy: the governance and anti-corruption element is there to ensure that the public expenditure or governance program will help achieve the development goal.
No backtrack on GAC

Ms. Indrawati underlined that mainstreaming governance is not only mandatory now but recognized. The challenge is to clarify it at the country level. Governance can apply to one specific project or to one big political problem. It’s up to the appropriate manager how governance will be measured. We have to screen where we can gain the most leverage from our resources.

With or without the GPF, she said, the Bank cannot backtrack on the governance issue. It would destroy our moral authority. Governance is now the element of development. And to maintain funding, we have to show the donors the real impact of this trust fund, and convince them that we’ve delivered on the governance and anti-corruption agenda.

Judging risk

GAC is close to special interest groups and power structures, so there are political risks. But a power structure only becomes harmful when it destroys the resources that should be used to deliver public goods to poor people and citizens. Then we face a situation where you don’t have the best option — and we frequently end up with the “least worst” option.

Our best bet then is to exercise good judgment. You ask if, by staying engaged, you offer some better influence than if you were disengaged. It comes down to ensuring that the risks taken are justified in terms of your conduct and compliance. Once committed along this line, be ready to warn all the way to the top when risks are escalating. Integrity and reputation are at stake, and senior managers will react.

One more piece of advice: don’t let the media pick up the story before we hear your version. That, she said, puts management in a very difficult position, and it’s irresponsible for any staff not to be reporting — especially when that staff member becomes a headline. Management will not tolerate that, so develop the skill to know what could be news.
Citizen involvement and partner agreement

The managing director agreed that citizens should be engaged in institution building. And often this doesn’t even require resources to achieve. "When ordinary citizens know how the country is run, they have ownership of how the country is run." This kind of education can be built right into the school curricula. “Teach and build accountability into young people, and you will be amazed how it becomes public knowledge... People need and deserve to understand the complexities of public spending,” she said.

Finally, she promised that we will always try to work with other partners to create wider ownership of the GAC. But it is not just the Bank’s responsibility. The global norm should become our shared theme.

Other questions

- Under GAC II, are we pulling together the kinds of skills needed to do the multi-sectoral governance work needed in country programs? Are we adequately skilled and will staff be given the right direction?

- How can we create incentives to work across sectors?

- Good governance begins at home. So, how do we address our own institutional constraints in terms of the Bank’s budgeting system?

Joachim von Amsberg responds

If we really believe that institution building is at the core of development in most countries, then we have to ask ourselves if there is now a home in the Bank for providing advice at critical moments of development, such as new leaders entering government. I’m not sure if we’re really set up for this yet.

Organizing ourselves

This is not the time that we reorganize the Bank, so we’re really talking only about “soft” structures. One model we can use is that of global practice to use the staff we already have across different units.

It's worth asking how professional staff could be better employed. Many of our best staff are stuck within very narrow mandates, some of which may even be counter-productive to governance work. So, we should look at those so-called soft structures to help us work across institutional silos.

Otaviano Canuto on Bank structures

The Bank hierarchy runs against the effectiveness of what we in governance do — especially when our units behave like silos. This is very common in institutions because each unit defines its own products and funding as it tries to be self-sufficient. But there are ways we can avoid our structural limitations.

For example, we’re now developing what we call integrated business lines for natural resource-led development. This means we cross institutional barriers as we draw from expertise in PRMPS, PRMED, Oil, Gas and Mining in SDN, WBI Capacity Building, and ETI. Of course, since the Bank is used to organizing these kinds of groups, barriers are not rigid. This in turn allows us to be more helpful to countries in gathering information and making contacts.

Considering the commitment of the people here, we cannot wait for major restructuring. In order to piece together the modules of a flexible organization, we have to direct our thinking outside the institutional box.

Informal networks

The informal governance network is the people in this room. I think the network will work if we have the sense that we’re achieving something useful together. I would encourage us to think as a network, and act as a network to create momentum.

In how we measure the success of this initiative, it's important that governance permeate what the Bank does; but it’s not clear whether Bank budget is the best way of measuring this. It’s not governance activities that we’re looking for. It's about the lens, about the filter; it’s about the way we do business.

Looking ahead, the clearest measure of success will be when we see a much greater number of countries in which our program is shaped by an institution-building, governance agenda. We should also ask our clients if they think the Bank is an effective partner in building institutions.

“Overheard”

It used to be that the only time we discussed governance and corruption was over a beer after work.
Session 8

Breakout Groups

Addressing Specific Governance Challenges in Bank Projects

Group 1
Moving from Analysis to Implementation

Organizer: Galina Sotirova, Country Manager, Burkina Faso

Within the GAC strategy, governance analysis is the foundation for support at the country, sector, and project levels. But there is still some confusion about the links between analysis and implementation. Some W1 countries are using GPF resources to enhance the previous stock of limited or outdated analytical governance work, while others are using GPF resources to build a deeper understanding of key sector or project challenges.

Major challenges that arise when making the link between analysis and action include the following:

Sensitivities of dissemination and client engagement

Engaging the client in the preparation and dissemination of analytical work is essential to ensure ownership and to lay the groundwork for implementation. An up-front distinction should be made between analysis designed for internal use to inform project design, and research designed for external consumption, such as economic sector work (ESW). While sensitive research may not always be suitable for dissemination, other GAC-focused analyses (e.g., public expenditure reviews [PERs]) are appropriate for broader consumption and can be central to enhancing client engagement in GAC issues.

Engagement and buy-in of country, sector, and project teams

Country, sector, and project teams face delicate client relations, tight preparation time lines, re-structuring complexities, and disbursement imperatives. Usually, they’re not eager to engage in commissioning or incorporating governance analysis for on-going work. Even when teams are willing to consider governance analysis, the stumbling block comes when analysis needs to concretely influence action. W1 project teams are addressing the challenge of Bank team engagement through various approaches.
• Engagement of project and sector teams in informal brainstorming, design of TORs, selection of consultants, and review of drafts
• Sector and project teams submit expressions of interest for GPF-financed PE work
• Focus on conducting analytical work prior to developing sectoral strategies or PCNs
• Focus on analysis further downstream during project preparation
• Some project teams have focused upon delivering a robust, peer-reviewed final product, and others have focused on using the analytical process to stimulate team reflection and debate by including political economists in project preparation
• Dedicated staff have been recruited to ensure sufficient capacity to monitor and ensure timely delivery of analytical products

Operational relevance of commissioned research
The applicability of governance analysis depends largely on the methodology and expertise at the outset of the project. A range of methodological choices made in W1 country programs includes the following:
• Broad country-level diagnostics
• Sectoral-scoping studies and governance diagnostics
• EITI-scoping study
• Issue-specific political economy (PE) analyses
• Using PE to select growth poles and design a program on artisanal mining
• Assessments of governance-related work
• Community-based school management review

The complexities of an ever-evolving political landscape
Political economy environments are prone to change. A challenge faced by all of the project teams is how to update governance analyses over time. Approaches being adopted under Window One include the following:
• Ongoing internal GAC analysis to keep track of big-picture changes
• Governance diagnostics updated every year
• Think tanks and governance observatories tapped to help Bank teams monitor specific sectors or issues
Group 2
Using DPLs to Support Governance Reforms

Organizer: Barbara Kasura Magezi, Senior Public Sector Specialist, AFTPR
Manuela Ferro, Manager, OPCS Country Economics

Development policy loans allow the World Bank to lend large sums of money to client governments as direct budget support. This instrument is well suited to help address country-wide systemic governance weaknesses. DPLs are a “special circumstances” instrument and therefore fall under greater scrutiny and management.

From a risk management perspective, DLPs provide an opportunity for the country team to develop and follow through with a systematic and holistic approach to lending. Multidisciplinary teamwork, a well-maintained ORAF throughout the project cycle, standard definitions and guidelines, and direct links to project development objectives are essential to this approach. DPLs are designed at a macro level, allowing them to assess Bank-wide portfolio risks, an advantage not possible when designing sector or project-based loans.

A successfully designed and implemented DPL depends on a spectrum of Bank colleagues. The task team evaluates stakeholder risk, and the CMU evaluates country risk. The project team — which usually includes a safeguard specialist, a fiduciary specialist, a lawyer, and a disbursement officer among other specialists — evaluates the risks associated with the implementing agency as well as the projects that will be funded. Sector specialists evaluate the Bank’s institutional risk.

During project preparation, the task team is responsible for reporting new risks that appear and ensuring that new information affecting risks ratings is taken into account, usually by moving the project out of the low-risk category.

During project implementation, the task team is responsible for updating the risk rating and reviewing progress made by the country in implementing mitigation measures as part of ISR reporting. The sector manager confirms the overall risk rating at least once a year through the ISR.

Breakout discussions focused on the following:

• What should be the feedback loops between portfolio implementation and CAS?
• Governance weaknesses make aid ineffective, and there is limited government commitment to improve.
• How do we address fragile states? Shareholder pressure and institutional commitment help, but at times governance is deteriorating.
• What tools are most useful to assess GAC issues and to provide the right analysis and information to make an adequate risk assessment and measures for mitigation?
Group 3

Addressing Governance and Risk in Investment Lending
(GAC at the project and sector levels)

Organizer: Chiara Bronchi, Country Manager, Tajikistan
Ivor Beazley, Senior Financial Management Specialist, OPCFM

Projects are where some of the real benefits of addressing governance are visible, but it’s also where the damage of fraud and corruption is uncovered. Using the perspective of improving project/program effectiveness is a good entry point for dialogue with governments on GAC issues.

Project-level work undertaken with GPF funds largely involves improving project design and use of social accountability tools to strengthen project planning and oversight, including use of community score cards, community monitoring, involving civil society, and the use of e-procurement systems.

Approaches and issues being addressed by the Window One projects

Window One GPF grants are being used across regions to pursue governance initiatives at the national, sector, and project levels. Project-level work undertaken with GPF funds largely involves improving project design and using social accountability tools to strengthen project planning and oversight. In Albania, planned project-level interventions include use of community score cards, community monitoring, the involvement of civil society, and the use of e-procurement systems.

In Nepal, GPF funds are being used to mainstream governance in Bank supported projects through Governance and Accountability Action Plans (GAAPs), the use of sector-corruption mapping in projects, and an expanded social accountability tool kit. Other project-level efforts include the creation of a governance adviser position in the Philippines to advise TTLs on design and implementation. In addition, GAAPs have been mainstreamed in the Democratic Republic of Congo, and community scorecards are being used in Cambodia. Nearly all these activities are under implementation and only one has been cancelled.

At the sector level GPF is being used mainly to support sector governance and political economy analysis. Overall, five out of the ten countries have sector level work as part of the Window One program. Since W1 GPF activities are more heavily weighted towards governance activities at the country level, work in sectors features political economy analysis, access to information, decentralization, and PFM, all of which extend beyond the pilot sector.

Guiding questions

- How well do sector, project and country level activities support each other? Could more impact be achieved by linking activities across the three levels?
- What activities/approaches at sector and project levels have the most traction with government, and why?
- What changes/actions by Regions, sectors, or corporate units would most help in meeting GAC objectives at the project or sector level?
- What concrete issues are being addressed by different tools, and what prospects are there for scaling up good examples in Phase II?
- How do PE assessments get disclosed with clients and partners to build support?
Session 9

A Dialogue on GAC Implementation between Country “Color” Teams and Senior Management

At the beginning of the three-day workshop, participants were assigned to one of six country “color” groups, each focusing on different clusters of three countries. Over the course of the workshop, these six teams met informally between breaks or over breakfast to discuss prime issues within their assigned countries and to offer some essential take-aways for scaling up and advancing the GAC agenda in Phase II. Below are summaries of the findings and recommendations of their daily conversations. Senior management and donors were then asked to respond.

GAC is a binding agenda.

Otaviano Canuto, Vice President & Head of Network, PREM — Opening comments

GAC is a long-haul agenda. No one should expect that results will be achieved quickly and easily. We have to ask: what are the starting points, the entry points to interact with countries? But objectives and results will not be seen within a short time span.

We have to convey this message and manage expectations to avoid frustration. We’ll be walking a tightrope as we create a framework of results, whose targets won’t be seen soon.

GAC is a glue — a binding agenda that encompasses several dimensions. We have to employ our expertise in a broad range of areas, and governance must become a vital component in all areas.

But GAC also has to deal in specifics — be it sectors, economic policy, social policy, and so on. Yesterday we learned that CASs have moved away from speaking about governance on an abstract level, and now include specific components of the governance agenda. This is encouraging because the governance agenda is ultimately about economic development and poverty reduction.
PRESENTATIONS OF COUNTRY COLOR TEAMS

Green Team
Zambia, Afghanistan and Nigeria

GPF funding has greatly boosted GAC activities. Without that support we could not have carried out many activities or engaged in difficult states, such as Nigeria and the Niger Delta, or attempted some of the political economy work. Most likely, the countries involved would not have agreed to borrow from the Bank to perform these activities.

We also agree that it’s too soon to talk about results on the ground. We can’t yet point to specific achievements or impacts on development. We would need another 12 months to monitor the results before presenting. And we won’t talk about scaling up without seeing results.

However, once we do see an effect, what would scaling up look like? First, we would hope to work closely with the demand side — civil society, media, and professional bodies such as economic and legal associations. We would also try to engage with Parliament to take up the development agenda.

In a conflict country like Afghanistan we should continue working with professionals to deliver demand-side activities, and increase information-sharing through such media as community radio.

Another form of scaling up would be to broaden programs to other sectors, more states, and sub-national governments as well as expanding geographically and across sectors.

Pink Team
Albania, Cambodia, Philippines

GPF backing has given the Philippines country director more confidence in making GAC the core of his CAS, and allowed the country team to get a head start on the agenda.

Because GPF is more flexible than our administrative budget, it has enabled teams in Cambodia and Philippines to respond better to clients, and allowed staff to seize opportunities to work in new areas. For example, in Cambodia, the funding has opened up engagement in broader public administration reform issues, which are critical to the GAC agenda in the country.

GPF has enabled additional in-depth analytical work that otherwise would not have been funded, such as in Albania. In Cambodia, where the CAS contains a central focus on governance, GPF funding has empowered teams to coordinate and monitor their work and, more importantly, has inspired a good deal of cross-learning among teams.

In Albania, GPF has enabled the country to move away from fiduciary work towards governance work in public procurement reform. And since GPF derives its funding from several partners, it enjoys broader support, especially in countries with whom we have fragile relationships.
Our recommendations for support:

**General support**
- Reinforce the GAC message and its link to development effectiveness.
- Do not rotate the GAC steering committee chair. Having one person in that chair over a few years will make the committee more effective.
- Design an executive development and learning program along the lines of the Sustainable Development Leadership Program.
- Accelerate the internal reforms, particularly in procurement. The current system focuses too much on transaction reviews rather than helping countries build procurement systems.
- Clarify how GPF will be resourced through the flat budget years.

**GPF and GAC Secretariat support**
- Do more to measure governance and link it to development effectiveness.
- Ask the secretariat to lay out a specific political agenda for the next few years, especially for the second phase of GAC.
- Develop more case studies on GAC monitoring and evaluation.
- Formalize this informal network of GAC staff and make it more “field friendly.”

**Black Team**
*Liberia, Mongolia, Tajikistan*

**Messages for World Bank senior management**
- Hire governance specialists or integrate these skills into the country team. Perhaps PRMPS should lead on the hiring and TORs of governance specialists for quality control. In addition, re-balance PREM skills for better implementation of the public sector and governance agenda.
• Every region should have a director-level RVP governance champion to take the agenda forward.

• Teach CDs and CMs to act as governance “integrators” in country teams. Perhaps this could be achieved by mainstreaming two- to three-day courses or retreats to sensitize managers on governance.

• Governance needs help in knowledge management. Create a Governance Help Desk that responds to country teams, coordinates learning opportunities among country teams, and manages a database of experts, consultants, and assorted gurus.

• Encourage more dialogue with IFC on shared governance goals. Governance should be a WBG business.

• Fiduciary teams need to go beyond a focus on transaction. The Bank needs a broader integrated team that includes public sector, financial management, and political economy.

• Make governance a global agenda with a global message of governance as a public good. Include it in dialogues at the highest levels, and garner high-level champions to lend legitimacy to what we do on the ground.

Blue Team
Ghana, Nepal, DRC

• Create more focal points for interacting with the country directors to find common answers. The planned Fragile States Hub could work in this capacity if it had a governance focus. In addition, build better models and more backing for multi-sector work.

• Integrate governance not only into design, but mainstream it into implementation and supervision. Move our thinking from “doing things right” to “doing the right things.” We should also beef up the parts of the Bank that provide just-in-time services, such as WBI.

• Restructure the GAC organization for more people, resources, and experience across countries. And provide more resources in project design for results-based supervision and third-party verification.

• GPF should bring together donors and ministries of finance to strengthen domestic institutions of accountability. Also, strengthen information sharing and knowledge management. “In-source” knowledge.

• Finally, judicial reform. The short answer is: not yet. This will require thought and careful treading.

Yellow Team
Sierra Leone, Uganda, Cameroon

GPF has supported analytical work through a political economy study in Sierra Leone and data-tracking mechanisms in Uganda. It has provided country teams with tools and expertise, such as web tools like the “GAC web knowledge portal” and the hiring of governance specialists.
Scaling up and moving forward

For the Bank

- Consider making clients pay for products, then look to reallocating BB resources while continuing to search for trust funds. Reorganize HR within PREM to match political economy skills, considering consultants as options.
- Create better links between PREM-driven and sector-driven analytical work. Use existing tools, such as governance filters and ORAF, to emphasize governance issues in the CMU pre-concept note.
- Improve coordination and information sharing among donors to avoid replication of efforts. Meanwhile, focus on fewer larger operations to work within the flat budget environment.

For donors

- Plan a long-term commitment. The agenda looks to the long term, and a mere three-year commitment raises credibility issues for the agenda. Sustain the effort.
- In terms of advocacy, identify and disseminate quick wins, such as the 55 “success stories” in the GAC portal. Showing some results will help gain buy-in from the donors.

Red Team
Burkina Faso, Haiti, Kenya

GPF resources have allowed staff to focus on governance. The funding has helped produce a wealth of analytical work and has supported teams in testing and scaling up paths to DFGG (demand for good governance). In addition, GPF resources have brought country teams into GAC work.

Recommendations for the Bank

- Define the common “baskets” of activities that the GPF Window One teams are working on, including political economy analysis, policy outreach and communications, and social accountability mechanisms. Then use this as a framework to explain GPF/GAC activities and to build a web-based knowledge-sharing site.
- Ensure that the commitment to GAC is upheld at all different levels. Give GAC an institutional center or “home” to champion, monitor, and coordinate the strategy.
- In a flat budget and post-GPF environment, re-allocate budgets to support the GAC agenda and promote staff engagement in it. Recognize and reward staff in the sectors for their contribution to GAC work.
- Enhance the quality of the emerging cadre of governance specialists based in-country. Clarify the role of the governance specialist, including career development and institutional mapping. Develop a robust training curricula for all governance specialists that results in certification and recognition.
- Revisit the coordination of cross-sectoral anchor support, and channel information through a single platform.
The “C” in GAC is simply a key indicator of how “G” is doing.

Colin Bruce, Director, Strategy & Operations, AFRVP
A view from the Africa Region

First, we should take a moment to celebrate how far we’ve come and the influence we’re now starting to have across the institution. I also bring greetings from the vice president of the Africa Region, who stands front and center behind this agenda, and is grateful for the support from the GAC Secretariat. Africa receives 78 percent of GPF Window One funding support.

Missing partners

In terms of internal partnerships, we regret that IFC and senior staff from EXT are not participating here. We need to be more aggressive in forming these partnerships, including INT, IEG, etc. This could help in redirecting some resources into the GAC agenda.

We should also be looking for other internal sources of funding. For example, I was able to tap resources from the Trust Fund on Human Rights based in OPCS. The Matrix Leadership Team is another group doing work with which we could find common purpose. We should look for links to governance in other internal sources of funding for the next phase. They can be useful in leveraging enthusiasm for our agenda.

In the Africa Region, our external leveraging base from money is insignificant. We hope that during the second phase we can increase our leverage at the regional level by working, not just with government and civil society, but with pan-African institutions as well. In fact, the African Union leaders’ summit in January 2011 will focus on governance, which they call “shared value.”

Working with civil society

We’re thinking big — and we’ve taken some special initiatives to look at ways to fund civil society more directly. For us, civil society is still a good entry point, and, given the scale or our ambition, we welcome your support.

Organizing for governance

In terms of organizational support for GAC, we will be looking for new CDs in the Africa Region and expect within a year to turn over 80 percent of the current directors! One of the things we will be looking for as we “rotate” is to build a team with the skills to take hold of and advance this agenda.
Galina Mikhlin-Oliver, Director, Strategy, INTSC
INT's perspective

To understand the relationship between the “G” and “C” in GAC, just think that C is simply a key indicator of how G is doing. And without knowing what’s happening with the C, we won’t know how the G is doing. That’s where INT’s value to the GAC agenda comes in — INT provides diagnosis and the risk assessment that’s so important for design and dialogue.

Traditionally, INT has not been good at sharing information, but that’s getting better. Our idea is to share the information as early as possible so that it can be addressed through the appropriate channels.

Avoiding risk and measuring traction

From INT’s perspective, the more geographically disbursed our activities are, the higher the risk of corruption. We have to ensure that GAC outreach and capacity building reaches the community level, with the right systems in place. Otherwise, we’ll face more risk.

However, our traditional supervision model doesn’t work, so we have to start thinking outside the box about third-party verification, demand-driven supervision, and social accountability. We have to measure traction and what works and what doesn’t. In this respect, INT’s DIRs (detailed implementation reviews) are changing direction.

Everybody knows what the risks are — and we have a rich menu of solutions that we’ve tried for several years. But we don’t know what works and what works when. That’s what I hope to turn the DIRs into — with the relative sectors, with the relative Regions — in order to assess these things.

From an operational outlook (rather than wearing an INT hat), I look at gaps, and say there’s no way most of this could be implemented. Each measure individually is great, but the expense and the reality beg the question: what can we do less of that’s a lot more effective?

INT shares the belief that third-party monitoring is key. But where it’s been tested we don’t know what works very well, and we find a lot of corruption among the information verifiers. The reporting system is awry because those doing the reporting are in collusion with those to whom they’re reporting.

It’s an important part of results-based lending, and we have an obligation to get this right.

### Unleashing the auditors

Ms. Mikhlin-Oliver mentioned INT’s emphasis on capacity building, and related one African story, where, in response to allegations in a multi-donor project, INT went in with three forensic accountants. They looked at it and said that normally nothing meaningful could be accomplished before ten years.

Instead, INT established a relationship with the audit institution in the Ministry of Finance, which released 500 auditors, whom INT then trained. They did the work in three months! And in taking over, the ministry took ownership, uncovered serious issues, and did the follow-up work on their own. The Africa team in INT recommends now that we do this all over the world, and INT is discussing doing similar things with audit institutions in other countries.
The fiduciary question

We have to think differently about procurement rules management; otherwise, we can end up promoting collusion. Our traditional methods don’t always work.

This is just as true in financial management. We do a sweep rather than a targeted review of high-risk areas. Then an allegation comes in, we review it, and we wonder how did they miss that? The answer is that their TOR tells them not to do anything other than what they’re doing. If you can look at the fiduciaries through the integrity lens, you’ll end up doing less transaction work and have more resources for capacity building.

Finally, judiciary reform is a challenge we can’t ignore.

Ariel Fiszbein, Chief Economist, HDNCE
An HD outlook

Multi-sector work

We see here a strong consensus that multi-sectoral work is essential to the GAC work. But, except on an ad hoc basis, the institution has not yet made this happen at the country level. There’s no simple solution, especially in re-drawing boundaries and creating new positions.

The truth is that it’s a management issue that requires the sector and the CM groups to take responsibility and make it happen. Staff respond to what their managers do and ask them to do, and the only way we can make multi-sector work function well is to have managers focus, make priorities, and collaborate.

Knowledge management and the anchors

The solution is not to reinvent or create new structures. We talk about global practices, knowledge platforms, and so forth; but perhaps we’re being too fancy. Again, the simpler answer is for management to establish clear accountabilities for the anchors to perform knowledge management functions. Network management have an essential role in this, including leading the process of working as networks rather than just anchors.

The GPF

GPF has not only brought vital resources but has helped us focus on GAC as a priority.

However, regional teams feel that in many cases they’ve been left out, particularly through the Window One activities. Many sector teams thought that the rules for accessing funds were not always transparent or participatory. This thinking may or may not be justified, but it’s something to consider in Phase II.

“Overheard”

A finance minister accepted an invitation from a Bank country director to take a helicopter ride. Once out, however, they got lost. The finance minister turned to the CD and asked “Where are we?”

The director began explaining that they were 23.65 degrees north of such and such and 21.4 degrees south of such and such...

“Hah!” interrupted the minister. “Just like the Bank — technically accurate but utterly irrelevant.”
Anand Rajaram, Sector Manager, AFTPR
Africa PREM perspective

As noted earlier, we’re very good at talking and articulating ideas — and we’re sometimes even good at setting things in motion; but how these ideas and motions end up, we have yet to evaluate.

These are exciting times for GAC, especially when you consider where we were 5–10 years ago. It seems shallow looking back, thinking about capital and TA and results outcomes. Now, we’re questioning and looking at more fundamental aspects of development.

PREM’s role in Phase II
How do we place PREM in GAC so it’s not seen as a PREM take-over?

In Africa, especially, framing the problem of a country’s development is a huge step for any team. PREM should be doing this in every country — engaging everyone in discussions about development constraints, and taking PE and other challenges into account. We might then have a sporting chance of understanding the problem and designing appropriate country strategies.

Do we have the skills?

If we say then that we’re not just thinking about policy reform but institutional change — and that we want to understand the politics, including complications that natural resource endowment can bring, rent-seeking, and other deeper issues — then we have to acknowledge the need for a different set of skills. And this means we have to change our behavior to think about re-balancing and re-skilling. We’ve started doing this in PREM.

PREM could also be more active in designing the core public management reforms that provide the public goods needed by all the sectors. Here we need to rethink our model. For example, if you look at the average public sector management project, it’s designed as an engineering project or road project — four years, six components, and so forth.

Yet this model provides no acknowledgement that behaviors have to change, including the culture of management in government. It is, to be sure, a difficult task, and the only way to get real institutional reform is to do something catalytic. This will mean thinking more about how to proceed with public management reforms. Part of that will entail working in more targeted ways with colleagues in procurement, financial management, and the sectors.

Finally, we too often fall into the trap of confusing form with function. We think there’s a form that serves a function, so we do a lot of work that never addresses actual functionality. This means that the form we’re using may not be serving the function. Let’s think about better forms and, in doing public management reform, about first principles.
Jim Brumby, Acting Director, PRMPS  
Public sector management perspective

We need to build a more systematic evidence base. It’s important to reaffirm what we’re doing and understand the links between GAC actions and improved results. We also want to be accountable to donors. They have their own requirements for performance, and if we want to continue engaging with them, we have to answer their concerns.

In human resources, clarify which competencies are associated with which governance specialists. I think a number of government specialists are scratching their heads about the nature of their jobs.

For some of our core PSM work, we should think about how it relates to instruments and products.

We’ve made great progress in GAC learning and knowledge through the portal and platforms. There may, however, still be a clear branding issue for core public sector management advice.

Finally, there is enormous human capital here; yet we talk about “the Bank” as an amorphous reference. We are the Bank, and we’re influential in the Bank, already reflected in the GAC agenda. As Sri Mulyani Indrawati said, “there is a difference between humility and lack of confidence.” Let’s not merge the two.

John Roome, Sector Director, EASSD  
SDN view

These sessions have clearly reinforced three things: (a) the GAC agenda is important; (b) the Bank has come a very long way; and (c) GPF has made a huge contribution. There is a huge amount of energy and a large number of innovative recommendations.

However, two reality checks. With a three-year flat budget on the horizon, we have put an idealistically long list of things on the table. Contrast this with, at least for the time being, increased lending and other pressures.

So, should we be thinking about going wider or going deeper? Going wider runs the risk that we do more things, but ones that are less transformational. We need to converge around a small number of activities.

There are three filtering devices we can use:

- Focus strongly on what really impacts development.
- Learn to do rigorous monitoring and evaluation of our work — which should be a network not an anchor function.
- Tackle the procurement transaction issue so we can free up more resources, keeping in mind that some transactions must be done.
SDN should be much more involved in this agenda, and managers in SDN should be conferring on how to involve more SDN staff; CDs, meanwhile, ought to be making space for our colleagues to step into this area.

As for skills, there is much talk about governance specialists and, yes, there is indeed a role for them. But there is also a lot to be said for developing the governance skills of our sector staff. Generalists talking about governance don’t have the traction with clients on a lot of sector issues. Build sector staff skills to take on this agenda.

**Ishac Diwan**, Country Director, Ghana, Sierra Leone, and Liberia

**Bullet point summary of discussions**

- We have enormous energy and convergence. We are the Bank, and we are ready to set the future agenda.
- GPF has been transformational and needs to do more.
- For this the Bank has to be committed, and any present up-front investment will show great future benefit. But three years is not enough. We need to be able to plan work programs.
- We need a compact with the Bank to do more in financing and re-organizing the skill mix.
- We also need commitments from regions and sectors to re-energize the organization of the GPF and of GAC in their areas.
- We’ve discussed the importance of mainstreaming GAC II and the use of filters, and knowledge management.
- We see products, or “baskets” emerging in the areas of service delivery, social accountability, natural resources, mining, commercial agriculture, PSR, PFM, and political economy.
- Governance specialists clearly have a role, but we should also improve these same skills in sector specialists.
- There are issues around World Bank internal changes, including reforms in the fiduciary and risk management areas.
- In this light, within HR, we should re-balance skills in various networks and sectors rather than adding new ones.
- We should work across sectors, which we can resolve by focusing on the “baskets,” instead of just thinking generically.
- Finally, we must examine how we can work as a Bank group that includes IFC and other parts of the Bank.
Closing comments

**Senior management is committed to the GAC agenda, which is nothing less than a development effectiveness agenda. There will be no backtracking.**

**Otaviano Canuto,** Vice President, PREM
Senior management view

As one of the links between this informal network of governance specialists and senior management, I’d like to say that I endorse the idea of being realistic in a flat budget environment. Depending on the support we receive from donors, we may have to be more selective than we would like to be, focusing on what gives the biggest bang for the buck.

Governance, by the nature of the work, is cross-cutting. There is no such thing as a self-sufficient government specialist. His or her work needs to be combined with other expertise in the corresponding area of the governance framework.

We need to improve the expected functions of the network — that’s why we’re discussing an agenda. We will look to re-balancing skills — and don’t forget the companion papers of GAC Phase II. These will drill down to specific things. It’s going to be a win-win: governance agenda wins, and the topics benefit. So does GAC Phase II. These are natural fields to exercise our selectivity as defined by the GAC Council.

Overall, we can be hopeful about the prospects for our work, and we can be proud, particularly everyone who has worked on this agenda.

**Andre Westerink,** Netherlands Ministry of Foreign Affairs
Donor view

The discussions have been frank and of a high-level from both country and sector teams. It is clear that senior management is committed to the GAC agenda, which is nothing less than a development effectiveness agenda. There will be no backtracking.

Staff no longer see GAC as a separate agenda, but instead as an essential element of all their country and sector work. The agenda now possesses momentum, with a lot of high-quality programs under Window One. In addition, the focus has moved from corruption to governance — we support this.

We also welcome the focus on results measurement, but we should avoid becoming overly risk averse.
There will be decisions next spring about how to make GAC more operational. As for GPF, decisions will be made at a future date. Reviews are going on now and will continue. IAG is also reviewing GAC, and will share their assessments next spring. All these review will affect donor thinking about how to proceed.

The Bank needs to commit to the GAC agenda in staff and budget regardless of the flat budget. In this, the Bank is not unique; many development agencies face the same restraints. We need to “walk the walk.”

**Ben Latto, DFID**

*Donor view*

*Sustainability.* No matter what decisions are made about GPF, we have to plan for keeping this work going within the realities of the Bank’s flat budget. We have to list our priorities for staff, funding, and continued analytical work. Look for the transformational work, which may mean doing fewer, bigger programs. For this, we should also bring more governance skills to the sector people.

*Results.* Donors have to justify their investment in GAC. Can we capture governance effectiveness on the results chain and aggregate it across all the work?

*Mainstreaming.* We see an impressive dynamic in how CASs are embracing the governance issues. But we have to move to the next stage, where TTLs grasp the cross-cutting opportunities for their work inherent in GAC.

*Internal learning.* There have been valuable suggestions on systemizing this work and aggregating these stories into something that’s more than the sum of their parts. We have to build learning networks across the Bank.

*Partnerships.* The Bank is not alone in this. There are other donors keen to learn about this work and to work with you on these issues. We also would like to share in your learning and training programs.

**Brian Levy, Adviser, GAC Secretariat**

*GAC — Changes and challenges*

Good governance is not an end — it’s about supporting development effectiveness. And we’ve made enormous progress in understanding how we approach good governance. In the beginning, it was a debate; it no longer is. We’ve also learned that governance and anti-corruption are not competing agendas; they are mutually reinforcing. We’re in the business of taking risks, and if we do everything right and something still goes wrong, then there’s no fault in that. We have to balance, adjust, and press forward.

For this to work, senior management must show a consistent message, and we need a frame that clarifies the risks. ORAF may answer that.
Sectors at the center

Sectors have moved to center stage in this agenda, including public management reform. It’s here that governance and development effectiveness meet. This raises the question: do we have the personnel and management to address governance in the sectors? The results-based lending instrument offers a huge opportunity to take governance into the sectors and drive it through our lending.

Addressing political economy

In early discussions, we shied away from talking about politics and political economy. Contrast that with these few days. We see a bold transformation in how we address the underlying political drivers of our decision-making, and what this means for how we do development work.

The challenge is getting from talk to utility. Studies make good reads, but we care more about what helps us refocus design and address implementation bottlenecks. Until now, we’ve let a thousand flowers bloom in terms of approaches; and we’ve now reached the stage where we’ve gathered plenty of good practice studies about the political work that improves our operations. We should continue to capture these good practices.

The frontier challenge

The dilemma of GAC is that it is everybody’s business; therefore, you have to distribute ownership across the Bank. But how then do you systematically address gaps as they arise; and how do you consolidate where you need to consolidate?

Phase II will need to sharpen and systemize ways of providing support in a cross-cutting environment. One idea might be a multi-sector global team that supports governance on a demand basis and provides a coherent platform.

Graham Teskey, Senior Adviser, GAC Secretariat
Taking Phase II forward

The genesis of the GPF idea issued from the 2006 Singapore meeting. One of the most senior members of DFID mentioned at the time that the feeling in that agency was that the Bank was far in advance of DFID in every area except one: governance, where it was still too “economistic” and therefore lagging behind. So, DFID’s involvement in GPF came about in part as a wish to put governance at the heart of the rest of the Bank’s work.

Since joining the Bank, I’ve been impressed by the intensity and depth of commitment of the Bank’s work on governance. But I don’t think we should be complacent. Our commitment is still patchy. For example, even now in some of the Bank’s major economic documents, we see no mention of governance.
Also, a warning on mainstreaming: if we say that governance is everybody’s business, it’s not far from saying that it’s nobody’s business. So, having champions across the Bank in every unit and in every sector is absolutely vital.

**Aggregating results**

For Phase II, everyone is looking to results. It’s almost a cliché, and we spend a lot of time discussing what works, where it works, and why it works. But a major test for GAC II will be in differentiating how measuring applies across the three categories of country clients: fragile, low-income, and middle-income countries.

Measuring results in our specific interventions presents its own set of challenges. First, the time period. Changing behavior and institutions can take 20 years. Although senior management acknowledges this, they still demand answers in the short term. So, what chain are we going to look at?

Next, do we intend to aggregate the results of GAC, and, if so, how?

Finally, senior management seems to have a low tolerance for ambiguity and seeks certainty. We need to remind and convince them that changing behavior and institutions is a long process, and we can’t always provide them with definitive answers on development outcomes. However, GAC II is now preparing a results framework.

**A new phase not a new strategy**

Keep in mind that GAC Phase II is not a new strategy — the strategy remains. GAC II is really the next phase of implementation, and therefore is focusing on the far end of the chain rather than internal processes.

We want GAC II to be an inclusive process. Regional vice presidents are already conducting internal assessments on governance, and we want to enlist some of you to be part of a reference group, and to make you part of our dissemination network.

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**If we say that governance is everybody’s business, it’s not far from saying that it’s nobody’s business.**

**Having champions across the Bank in every unit and in every sector is absolutely vital.**

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“Overheard”

I learned more over breakfast this morning than I have in months.
Goodbye for now...

Piet Van Heeswijk,
Sr. Program Officer, GPF Secretariat

As GPF presses on, we will continue to serve our core function — giving you money and then pestering you to spend it wisely.

But there's more we can and want to do. This small secretariat will not only work to help the GAC Secretariat but also support and help spread this GAC community — a community that started many years ago in a garden in Jarkata and then moved on to Tunis and Istanbul, all the time growing. Now we want to work to strengthen and formalize that community even beyond the Window One countries.

GPF will explore how, beyond funding, we can add support to the implementation of Window One projects. Some of our activities might include a help desk, as discussed, or organizing just-in-time support.

Partnerships will be important — we want to capitalize the "P" in GPF. Our partners are strong, supportive organizations that have the incentive and the funding to help our work, without creating additional trust funds. Teams, especially those implementing Window One projects, should look to GPF as a way of leveraging this additional funding, and to the partners for help in creating those product "baskets." The data tracking system in Uganda is a prime example of how partnership helped create baskets to measure governance results.

GPF will also plan targeted regional and thematic learning events. Such occasions will bring together people working on specific issues, like measuring results on governance, and be more inclusive in bringing in our partner colleagues to join in on learning activities.

That's it for now... we'll meet in other places.
The conference finishes, and we go back to our posts. We came, we learned, and we inspired each other. We drew on our ever-growing community’s strength, yet faced some sobering assessments of what still needs to be done. The work goes on.

We heard from field staff about a myriad of issues and innovations, and everybody talked about achieving and measuring results. Design projects that make sense in the field and to the TTLs, we were told. Staff also revealed a lingering uneasiness about the depth of support from senior management, especially in the area of risk-taking.

Donors, meanwhile, restated their belief in the value of GPF, and urged the Bank to continue supporting the GAC agenda in staff and resources regardless of the flat budget. They told us we all need to “walk the walk.”

Finally, senior management responded to staff concerns and pledged an unflagging corporate support for GAC and its small brigade of enlistees. No backtracking now. Some comfort as we look to an era of flat budgeting and a possible post-GPF world.

What we know

We are the GAC, and we want to set the future agenda. GPF has already profoundly changed governance work, and we want this to continue.

Of course, this obliges the Bank to commit beyond three years so that we can plan rigorous work programs. However, any up-front investment will see ample dividends. We’ve already shown that.

The Bank will also have to do more in financing, re-organizing the skill mix, and in mainstreaming governance. And we need commitments from regions and sectors to re-energize the organization of GPF and of GAC in their areas.

We see products, or “baskets,” emerging in the areas of service delivery, social accountability, natural resources, mining, commercial agriculture, PSR, PFM, and political economy. Governance specialists
clearly have a role, but we should also improve these same skills in sector specialists.

We should work across sectors, which we can resolve by focusing on the so-called baskets, instead of just thinking generically. And we must examine how we can work as a Bank group that includes IFC and other parts of the Bank.

What we have to learn

Political economy analysis is doing a great job in helping to design interventions. But bottlenecks and other impediments to reform are still hampering us. We have to continue building skills, improving methods, and sharing lessons from the field.

We can take pride in how far the governance agenda has advanced, but much of this progress is still patchy. We need more people committed to the agenda and more champions among the ranks.

Results are hard to nail down and deliver. On the one hand, senior managers want results on the double, rigorous and lucid; yet, everyone understands that governance is a long-term agenda. Institutions don’t change overnight — or even sometimes over years — and even the best interventions find it hard to aggregate and package what hasn’t yet been completely revealed. This will have to be resolved.

Governance is labeled a global issue, so fixing systems worldwide will need a global alliance of partners and coalitions if we are to succeed. We are not alone — nor should we be alone — in our governance efforts. We have to open partnerships, then work on sharing lessons, resources, training, and information.

Emerging issues

GOVERNANCE AS A TRANSFORMATIONAL AGENDA

Governance is now a universal principle that is changing the way we think about development effectiveness. Senior management and INT have thrown their full support behind the GAC agenda, and governance is now an integral component of an increasing number of CASs. As more and better analytical tools appear, the governance agenda is helping to turn practice into better outcomes on the ground, and guiding the Bank into better decisions about where to focus its time and resources.
GOVERNANCE AS A CROSS-CUTTING GLUE

GAC is cross-cutting but it’s also a glue that binds several dimensions. In many ways GAC is less about activities than about how we do business on a day-to-day basis. As CASs become ever more specific about governance, we should proclaim the seriousness of the governance agenda. It’s about making the system work and working with those who can help us do that, whether in government, civil society, or the private sector. Improvement in governance is fused with economic development and poverty reduction.

MANAGING RISKS IN OPERATIONAL DESIGN AND IMPLEMENTATION

Risk-taking means that sometimes things go wrong. But that doesn’t mean it’s wrong to take risks. Hazard is part of this work. Managing risk often comes down to a judgment call, and that can sometimes mean walking away. Choices should not be driven by lending programs, and it may be better to invest in an area that goes well than be pushed to do a lot in areas that may not lend themselves to governance work.

Staff have to feel safe in taking risks — to know that they won’t be left alone. The best approach here is to know and present the risks to senior management, then let them decide how to proceed. Once they do, then we plan for what to do if things do go wrong.

KNOWLEDGE SHARING AND NETWORK BUILDING

There is no such thing as a self-sufficient governance specialist. Governance is cross-cutting, and therefore requires a cross-cutting flow of information and shared purpose. We have to improve the Bank’s governance network and learn better ways of sharing knowledge. Use the GAC portals, consider help desks, and put our enormous human capital to work to build a formidable network.
POLITICAL ECONOMY ANALYSIS TO GUIDE OPERATIONAL WORK

Political economy analysis tells us where we stand in a country and helps identify the agents of change. It gives insight into the opportunities and points out the champions. The PE analysis not only helps us think about what we’re doing, but directs us to what we’re not doing. PE guides those working on governance towards making better decisions about the right approach. But to be most effective, analysis should be up-front and specific.

If analysis can’t be done in advance, then consider including a political scientist among the preparation team. The specialist can then ask the right questions throughout, pointing the team in the right direction.

ENGAGING WITH CIVIL SOCIETY ORGANIZATIONS

Civil society has to be involved constructively in governance. Participants heard from field staff about creative initiatives to engage the right players, including the formation of civil society advisory groups and sectoral roundtables, as well as third-party monitoring and the creation of effective complaint mechanisms.

PARTNERSHIPS

The right partners will help us maximize this impact, and GPF has been critical in furnishing resources and focusing attention on GAC priorities and programs. Many promising ideas are taking hold, and the investment in governance is already showing high returns. But the agenda is not a short-term proposition, and we should accept that the most significant results will only show themselves farther down the road.
Coda

Continuing the GAC momentum

The Cape Town workshop confirmed that the governance agenda is a dynamic process driven by a committed staff whose work and innovations are constantly adding to the store of knowledge and ideas.

Yet, as vigorous a learning experience as the Cape Town gathering was, the GAC schooner has since left that port and already set its course for new discoveries in how to improve development effectiveness.

We seek and encourage your participation in this journey. You can do this in several ways:

Visit the GPF (www.worldbank.org/gpf) and GAC (www.worldbank.org/governance) websites for issues and project updates.

Connect with us through the GAC Knowledge & Learning Portal by typing GACKnowledge or GPF into your browser.

Join the GPF discussion group on the Bank’s internal discussion site, Scoop, to comment on issues addressed in this report or elsewhere.

Or, e-mail us at GPF@worldbank.org to share ideas or suggest areas for discussion.

The conversations that began at Cape Town are worth continuing and expanding. Your valued engagement will make sure that happens.
Participants

Sri Mulyani Indrawati
Managing Director, MDI
sindrawati@worldbank.org

Otaviano Canuto dos Santos Filho
Vice President & Head of Network, PREM
ocanuto@worldbank.org

Joachim von Amsberg
Vice President & Head of Network, DPCS
vonamsberg@worldbank.org

Susan Goldmark
Country Director, Nepal
sgoldmark@worldbank.org

Colin Bruce
Director, Strategy & Operations, AFRVP
Cbruce@worldbank.org

Ruth Kagia
Country Director, South Africa
Rkagia@worldbank.org

Marie Francoise Marie-Nelly
Country Director, Democratic Republic of Congo
Mmarisenelly@worldbank.org
James A. Brumby  
Acting Director, PRMPS  
JBrumby@worldbank.org

Galina J. Mikhlin-Oliver  
Director, Strategy, INTSC  
mikhlin@worldbank.org

Robert J. Saum  
Adviser, MDI  
rsaum@worldbank.org

Bert Hofman  
Country Director, Philippines  
bhofman@worldbank.org

Ariel Fiszbein  
Chief Economist, HDNCE  
Afiszbein@worldbank.org

Onno Ruhl  
Country Director, Nigeria  
oruhl@worldbank.org

Ishac Diwan  
Country Director, Ghana, Sierra Leone & Ghana  
diwan@worldbank.org

Mary Barton-Dock  
Country Director, Cameroon  
m Barton-Dock@worldbank.org
John A. Roome
Sector Director, EASSD
jroome@worldbank.org

Kapil Kapoor
Country Manager, Zambia
kkapoor@worldbank.org

Galina Sotirova
Country Manager, Burkina Faso
gsotirova@worldbank.org

Qimin Fan
Country Manager, Cambodia
qfan@worldbank.org

Chiara Bronchi
Country Manager, Tajikistan
cbronchi@worldbank.org

Arshad M. Sayed
Country Manager, Mongolia
asayed@worldbank.org

Kunchavi Kadiresan
Country Manager, Uganda
kkadiresan@worldbank.org

Elisabeth Huybens
Sector Manager, Social Developments, SDV
ehuybens@worldbank.org
Anand Rajaram  
Sector Manager, AFTPR  
aranam@worldbank.org

Veronica E. Zavala Lombardi  
Sector Manager, LCSPS  
vzavala@worldbank.org

Manuela V. Ferro  
Manager, OPCCE  
mferro@worldbank.org

Robert Hunja  
Manager, WBIIGV  
rhunja@worldbank.org

Ben Latto  
DFID  
b-latto@dfid.gov.uk

Bella Bird  
DFID  
b-bird@dfid.gov.uk

Per Øvind Bastøe  
NORAD  
Per.Oevind.Bastoe@norad.no

Andre Westerink  
Netherlands Ministry of Foreign Affairs  
ar.westerink@minbuza.nl

Brian Levy  
Adviser, GAC Secretariat  
blevy@worldbank.org
Graham Teskey
Sr. Adviser, GAC Secretariat
Gteskey@worldbank.org

Anupama Dokeniya
Governance Specialist, GAC Secretariat
adokeniya@worldbank.org

Piet Van Heeswijk
Sr. Program Officer, GPF Secretariat
Pvanheeswijk@worldbank.org

Lilian Samson
Operations Analyst, GPF Secretariat
lsamson@worldbank.org

Ted Droger
Governance Specialist, GPF Secretariat
Tdroger@worldbank.org

Mabel Nomsa Mkhize
Team Assistant, AFCS1
mmkhize@worldbank.org

Cece Fadope
Consultant, GPF Secretariat
cfadope@worldbank.org

John Lobsigner
Consultant, GPF Secretariat
john.lobsigner@sympatico.ca
Khateeb Sarwar Lateef
Consultant, AFTPR
kleef@worldbank.org

Verena Fritz
Governance Specialist, PRMPS
yfritz@worldbank.org

Kai Kaiser
Senior Economist, PRMPS
kkaiser@worldbank.org

Matthew Stephens
Project Officer, Philippines
mstephens@worldbank.org

Josefina U. Esguerra
Public Sector Specialist, Philippines
jesguerra@worldbank.org

Richard Hogg
Advisor, SASGP, Afghanistan
rhogg@worldbank.org

Yongmei Zhou
Sr. Institutional Dev. Specialist, Afghanistan
yzhou1@worldbank.org

Clelia Rontoyanni
Public Sector Specialist, ECPSP4
crontoyanni@worldbank.org
Greta Minxhozi
Senior Country Operations Officer, Albania
eminxhozi@worldbank.org

Knut J. Leipold
Senior Procurement Specialist, ECSC02
kleipold@worldbank.org

Stephane Guimbert
Senior Economist, Cambodia
sguimbert@worldbank.org

Smile Kwawukume
Senior Public Sector Specialist, Ghana
skwawukume@worldbank.org

Elizabeth Alluah Vaah
E T Consultant, AFTFM – Ghana
evaah@worldbank.org

Chris Finch
Senior Social Development Specialist, Kenya
cfinch@worldbank.org

Nyambura Githagai
Senior Social Development Specialist, Kenya
ngithagai@worldbank.org

Tony Verheijen
Lead Public Sector Specialist, Uganda & Democratic Republic of Congo
averheijen@worldbank.org
Barbara Kasura Magezi
Public Sector Specialist, Uganda
bmagezindamira@worldbank.org

Evariste Niyonkuru
ET Consultant, Uganda
eniyonturu@worldbank.org

Elijah Ayleko Osiro
Consultant, Uganda
eosiro@worldbank.org

Jean Mukumba,
Senior Public Sector Specialist, Democratic Republic of Congo
imulumba@worldbank.org

Denis Tshibombi,
ET Consultant, Democratic Republic of Congo
dtshibombileta@worldbank.org

Bronwyn Griewe
Governance Specialist, Burkina Faso
bgriewe@worldbank.org

Lazare Tanga Zabre
Admin. Assistant - Burkina Faso
lazabre@worldbank.org

Foluso Okunmadewa
Lead Social Protection Specialist, Nigeria
fokunmadewa@worldbank.org
George Larbi  
Senior Public Sector Specialist, Nigeria  
glarbi@worldbank.org

Roberto Panzardi  
Sr. Public Sector Mgmt. Spec., AFTPR  
Rpanzardi@worldbank.org

Marco Larizza  
Young Professional, AFTPR  
milarizza@worldbank.org

Vivek Srivastava  
Senior Public Sector Specialist, PRMPS  
vrsrivastava@worldbank.org

Vikram Menon  
Senior Public Sector Specialist, Nepal  
vmenon@worldbank.org

Hiranani Ghimire  
E T Consultant, Nepal  
hghimire@worldbank.org

Christine F. Kimes  
Senior Operations Officer, Nepal  
cjkimes@worldbank.org

Alexandre Arrobbio  
Sr. Public Sector Mgmt. Specialist, LCSPS  
aarrobbio@worldbank.org
Sahr John Kpundeh  
Sr Public Sector Specialist, AFTPR  
Skpundeh1@worldbank.org

David G. De Groot  
Consultant, EASPR

Joan E. Hubbard  
Senior Operations Officer, WBIRP  
Jhubbard@worldbank.org

Adesinaola Michael Odugbemi  
Sr. Communications Officer, EXTOC  
adugbemi@worldbank.org

Sarah Keener  
Senior Social Development Specialist, AFTCS  
Skeener@worldbank.org

Cathy Revels  
Lead Water and Sanitation Specialist, ETW  
crevels@worldbank.org

Dena Ringold  
Senior Economist, HDNCE  
dringold@worldbank.org

Ivor Beazley  
Sr. Financial Management Specialist, OPCM  
ibeazley@worldbank.org
Denyse E. Morin  
Senior Operations Officer, OPCIL  
Dmorin@worldbank.org

Michael Jarvis  
Private Sector Development Specialist, WBIGV  
mjarvis@worldbank.org

Craig B. Andrews  
Lead Mining Specialist, COCPO  
Candrews@worldbank.org

Claus Prem Astrup  
Senior Country Officer, South Africa  
castrup@worldbank.org

Theodore Leon Naidoo  
GSDSO, South Africa  
tnaidoo@worldbank.org
Annex 1
Draft Issues Notes with Workshop Discussions

Session 3, Group 1

Diagnostics Matter for Development Effectiveness:
Upstream Diagnostics, Sector Analysis and Resourcing the GAC Analytics

The international development community increasingly recognizes a good understanding of country political and social contexts as crucial for successful development interventions. Furthermore, there is a growing concern about poor governance as a key bottleneck to growth, poverty reduction, and environmental and social sustainability. This is compounded by a longer-established need to ensure good fiduciary management of development resources, and this has more recently been complemented by broader efforts at effective risk management. These interrelated concerns have given rise to efforts at ‘governance diagnostics’ as a way to formalize and systematize an understanding of country contexts.

Several types of governance diagnostics have emerged, including:

- Governance indicators — WGI, TI’s index, state fragility indices, the CPIA’s institutional sub-indicators
- Governance profiles — EC Governance profiles, DFID’s Country Governance Assessments (CGAs), CIDA’s plans for a Country Situation Assessment, Netherlands Strategic Governance and Anti-Corruption Assessments (SGACA)
- More in-depth assessments of governance — e.g., Institutional and Governance Reviews (IGRs), Governance diagnostic surveys
- Political economy assessments — e.g., DFID’s Drivers of Change, SIDA Power Analysis, the WB’s problem-driven GPE assessments focused on country as well as sector/thematic diagnostics
- In-depth assessments of specific areas of concern — e.g., PFM (PEFA, PERs, PETs) or anti-corruption; e.g., USAID’s corruption assessments
- Participatory governance assessments — e.g., undertaken by UNDP
- Social accountability assessments — WB’s country social accountability assessments

These approaches are not mutually exclusive. Elements of various tools or approaches can be combined. Also, later assessments often draw on information generated by existing sources (e.g. governance profiles often draw substantially on the range of available governance indicators).

The World Bank has not embraced a standardized approach to governance diagnostic work. The most common governance diagnostic approaches that have been used in recent years are PFM-focused assessments on the one hand (PERs, PEFA); and IGRs and (increasingly) political economy assessments on the other; as well as selectively, PETs and social accountability assessments. A number of teams have commissioned governance/PE diagnostic work feeding into country strategy discussions (e.g. Albania, Burkina Faso, Burundi, Mongolia, Tajikistan) and into major flagship reports such as CEMs (e.g. Benin, Ghana, Cambodia).
Since 2007, through the GAC Strategy and Implementation Plan, the Bank has begun to encourage strong governance engagement at the country and project levels. The strategy urges country teams to seek to better understand governance and corruption impediments to development by tapping into the significant knowledge that exists within the country and within the Bank, and to use this understanding to be better able to mitigate the risks governance and corruption concerns pose to the Bank’s projects and portfolios. Moving forward into GAC phase II, an increasing focus will be on strengthening countries’ own accountability and integrity systems (e.g., country fiduciary systems; corruption monitoring initiatives by the national authorities) to help improve development outcomes at the sector or country level — going beyond risk management for the Bank’s resources.

Incorporating political economy analysis

Governance assessments have been widely adopted as a way to formalize and systematize an understanding of country context, and have increasingly included political economy analysis. This allows teams to not only better understand governance weaknesses, but also zero-in on the underlying reasons for such weaknesses. Compared to initial governance assessments known as a ‘gap analyses’, which have sometimes focused on comparing a local reality to an ideal model of good governance, another added value of a political economy perspective is to understand the situation as it is and combine this with a realistic assessment of the potential for change. It can therefore help identify politically feasible approaches and appropriate opportunities (‘entry points’) for pursuing major economic and institutional reforms, which might otherwise be blocked due to political economy factors (e.g., opposition from vested interests; reforms perceived as threatening to control of ruling elite).

Useful political economy analysis needs to be demand-driven, whether demand comes from the Country Management Unit (CMU), a sector, or the client. It is clear that different types of diagnostics are required depending on the terrain of existing work and the operational purpose of the research. It is very important that the purpose, desired result and target audience of the diagnostic should be clear at the outset to avoid conflicting expectations, which may result in analysis that is less applicable to immediate operational needs. In many cases, analysis of macro-level political economy analysis is primarily intended to inform the Bank’s internal decision-making processes, surrounding the preparation of a Country Assistance Strategies (CASs), or for the purposes of managing reputational risk. In such cases, a more nuanced and confidential approach to diagnostics is required (e.g. internal strategy papers), as the more traditional economic and sector work (ESW) is meant to address an external audience.

Sound macro-level political economy analysis can help teams get better understanding of the larger picture allowing for decisions about more specific sector-analysis to rely on stronger foundations. One option is to maintain updated political economy-focused ‘country briefs’, resembling DFID’s Country Governance Assessments. Such an approach is now being piloted in the Europe and Central Asia region and is under discussion in other regions.
Sector-level diagnostics

Sector-level political economy analyses can help identify what technical solutions are politically feasible and robust, versus likely to running into obstacles such as becoming stalled or becoming subject to elite capture. Such analytical work can also shed light on the underlying causes of implementation failures. Examples of such diagnostics include studies of the mining sector and of the impact of decentralization process on specific sectors (e.g., agriculture, health, education) in the DRC and in the Philippines and a governance review focused on decentralization in Tajikistan. Sector-level diagnostics have much relevance for the new Operational Risk Assessment Framework, particularly for projects in new sectors of engagement or sectors with past reform implementation failures or other governance-related risks.

Where possible, it is desirable to engage clients in the selection and design of sector analyses, and encourage them to develop their own action plans to address the problems that are identified. While in some cases such client engagement may not be possible, for example where the topic of the analysis is considered politically sensitive such as in natural resource sectors (mining, forestry), engagement with the client allows for more relevant analysis and greater ownership of reform. Public expenditure management and financial accountability assessments undertaken at the state-level in Nigeria are a good example of Bank-Client collaboration on potentially sensitive issues, as they went beyond simply describing processes and problems and addressed the reasons for diagnosed weaknesses in the sector.

Similarly, in East Asia, the governance hub has launched ‘governance dialogues’ in response to requests from Clients. These dialogues aim to bring the factors constraining the client’s implementation performance in specific sectors out into the open, allowing for wider acceptance and targeted responses. This type of governance diagnostic work tends to be focused less on the stage of project design and more on addressing governance-related constraints to implementation. This approach may have potentially greater traction and impact, as it may be more likely to get support from sector specialists, who directly face implementation problems that may be rooted in political economy issues.

Skills for diagnostics: the need to invest

As the Bank has only recently started to conduct governance and political economy analysis in an explicit and systematic manner, quality can be expected to improve as the Bank’s experience and skills in this area grow. The Bank does not have enough staff or consultants trained in political economy diagnostics, although this pool is gradually growing.

Since GAC and PE analytic work on a whole is still in its infancy, expectations need to be realistic. At the same time, quality assurance remains very important. The Bank’s normal peer review processes should be sufficient to ensure adequate quality in governance and political economy analyses, despite varying expectations about what constitutes an acceptable methodology and standard of evidence for such analytical work. All GAC work should be expected to comply with general analytical standards employed in social and political science research, such as thorough triangulation to ensure that information is robust.
One way of conducting governance and political economy analysis with limited resources is to integrate it in other analytical work (e.g., turning Public Expenditure Reviews into Public Expenditure and Institutional Reviews - PEIRs), though constraints related to the potential sensitivity of the analysis need to be considered. In some cases, teams have relied primarily on sector specialists or local consultants to undertake governance diagnostics, but there are risks to both of these approaches. Sector staff and technical specialists are often not well enough attuned to political realities to understand underlying factors of governance challenges (e.g. decentralization is often approached from a very narrow, technical point of view in PERs); local consultants may have their own political biases and/or may only have limited training and experience (although occasionally it has been possible to identify very strong local consultants for this type of diagnostic work). In contrast, small teams combining sectoral and core governance/political economy skills, and local as well as international consultants have often been ideal when resources have allowed.

There is also still a concern that the Bank may be favoring diagnostic work within its own 'comfort zone' (e.g., PFM), shying away from important issues that it does not have the skills to take on (e.g., collective bargaining, land reform), but that are also crucial for understanding governance, development, and poverty dynamics. In other cases, political economy analyses reveal cross-sectoral governance problems (e.g., conflict, land ownership, patronage in the public sector) that the Bank may not be well equipped to address. Partnerships with other institutions/donors can help the Bank build coalitions to address governance problems that it might otherwise avoid tackling.

Issues going forward

A clear mandate of support from CMUs and Sector management greatly increases the chances that governance and political economy analysis will be successfully carried out and will subsequently inform and influence operations and country strategies. A well-established audience and purpose for analytical work should be defined and agreed with management at the concept stage (before embarking on the substantive research and analysis) to avoid producing what may be an interesting piece of knowledge with limited possible impact.

Going forward, the link between analytical work and changes in operational design (and possibly management) must be enhanced. A clearer message that GAC analytics are not an optional add-on, but rather should be central to development effectiveness in every sector would help push this agenda forward. The involvement of sector specialists greatly increases the credibility and operational applicability of GAC work, and as such sector specialists should be encouraged to pursue relevant training and engage with GAC-related projects. Conversely, colleagues working on governance and political economy diagnostic work need to be attentive to the needs and demands of sector colleagues, and to the pressures on operational teams to manage sometimes conflicting incentives such as disbursing funds, working within tight supervision budgets, and managing procurement and fiduciary risks, while promoting better governance and development effectiveness.

Resources

Social analysis: http://go.worldbank.org/UDVDOCK3X0
Other: Governance and Social Development Resource Centre (UK)
http://www.gsdrc.org/
Session 3, Group 2

Managing, Organizing & Resourcing Country Teams to Implement Governance Activities

A principal focus of the Governance and Anti-Corruption (GAC) strategy is mainstreaming GAC concerns across the range of the Bank’s development work. One objective of the strategy has been to enhance understanding of GAC across the full range of WBG staff and activities, with the understanding that GAC is "everybody’s business". The strategy underscores that GAC interventions need to be country-specific and that their effectiveness should ultimately be judged by impact on development outcomes. By definition, therefore, delivering on the mainstreaming challenge cannot be driven by the Poverty Reduction and Economic Management (PREM) unit or governance specialists alone, but through a multi-sector approach that involves the entire country team.

Summary of issues being addressed by the Window 1 projects

Country teams in Window 1 countries have developed a diverse range of methods of managing and organizing themselves to implement governance activities. Some examples1 include:

<table>
<thead>
<tr>
<th>GAC Advisory Teams</th>
<th>Analytical Work and Governance Filtering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>Zambia GAC (ZGAC) advisory council, chaired by country manager, including Country Management Unit (CMU) staff, GPF-financed Senior Governance Specialist, procurement and financial management (FM) to serve as an advisory team for project staff at all stages of project preparation</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Established the GovID Task Force, including CMU staff (FM, procurement, external affairs and operations), Social Development specialist, as well as ad hoc external representatives (two government and one private sector)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Governance and Anti-Corruption Working Group (CGACWG), chaired by the Country Manager</td>
</tr>
<tr>
<td>Philippines</td>
<td>Governance Advisory Team (PGAT) is chaired by the Operations Manager and includes representatives from the CMU (FM, procurement, RM, CMU-hired governance team), PREM, SD, and HD sectors</td>
</tr>
</tbody>
</table>

1. This is based on a review of Window 1 GRMs from the Philippines, Zambia, Afghanistan, Uganda, Mongolia, Democratic Republic of the Congo, Albania, Cambodia, Nepal, Liberia and Burkina Faso.
Many Window 1 countries have now set up multi-sector teams to drive the GAC agenda, and a number of common elements have emerged. Some country teams (Burkina Faso) have opted to include government and private sector representatives on the internal Governance task force, and others have been working to develop Governance Filters to formalize the way GAC is approached across project selection. It has been found to be essential that management of GAC in the country team be spearheaded by the Country Manager/Country Director or Operations Manager, that multi-sector representation is strong, and that all GAC work is guided by an annual work plan to ensure continuity and coherence. Consistency of message coming from senior management, including Vice Presidents, Country Directors and Country Managers is essential. GAC work can often be polarizing, especially at the country level where there can be considerable sensitivity about the Bank getting involved. This is especially the case when the agenda is viewed more narrowly by Governments in terms of anti-corruption, rather than in terms of results and development effectiveness.

**Questions for further reflection**

*Staff and skills*

Do country teams understand and recognize the links between growth, poverty reduction and governance and anti-corruption?

Does the institution have in place a structure of incentives that rewards “GAC performance” and holds staff accountable for delivering results?

How effective has the institution been in resolving the GAC-related skills gap?

*Financial sustainability*

Much of the scaled-up GAC-related effort has been made possible by special arrangements; i.e., a specially-constituted GAC Council and Secretariat and specially earmarked resources from both the Bank’s administrative budget and the GPF. To be sustainable, GAC implementation needs to be mainstreamed into the budgets and business processes of the Bank’s Operational Vice Presidencies and its corporate units. Is this happening and how can the Bank do this in the present flat budget environment?
Session 3, Group 3

More Than Just Safeguards: Integrating Social Accountability and Demand-side Tools to Increase Development Effectiveness and Minimize Risk

Demand-side governance in Window 1 countries

Session objective

- Exchange TTL experience in implementing DFGG in Window 1, many of which are in the early stages
- Identify any obstacles

The facilitator laid out some background information on:

- Examples of tool-based (mechanistic) versus problem-focused holistic approach to DFGG
- Distinction of the “supply” side of demand side (embedding entry points and information sharing in government systems) versus primarily demand side approaches (working independently with civil society)
- The realities of working in environments where civil society is weak or government doesn’t support their involvement

The key questions posed to the group included:

- What is the strategy you have taken on DFGG and how is it guided?
- How are DFGG measures leading to impact? Is there evidence? CSOs as a feedback mechanism versus systemic mechanisms of citizen feedback?
- What is the key challenge in implementing and scaling up DFGG?
- What support/resources are needed to scale up approaches?

Summary of key discussion points

DESCRIPTION OF WINDOW 1 APPROACH TO DFGG: On aggregate, most Window 1s are in the relatively early stages. Some countries are setting out very broad goals (for example, improve feedback in service delivery in Nigeria), while others (Burkina) presented an ambitious plan with activities at several levels (broad based support to CSO monitoring as well as engagement in specific sectors around Bank operations). In others (Mongolia) the GPF is being used to develop a constructive dialogue around one strategic area (mining value chain) between Government and stakeholder; it is selective in use of tools, and is using resources to develop a local institutional platform.

The majority of the Window 1 TTLs represented in the session were from the Africa Region. Thus, discussion topics tended to focus on those most relevant to this region, where there has been a recent push to scale up demand side governance approaches.

Several Window 1 TTLs cited the high expectation from the country teams on DFGG components (i.e. Burkina and countries in the Africa Region where there has been a drive to scale up) and the challenges of managing such expectations given the labor intensive nature of some DFGG interventions. Some teams cited the challenges in being strategic and selective as DFGG needs strong background analysis of the sector involved (mining sector; decentralization), can be time consuming, involving managing contracts and expectations of CMU (Burkina Faso).
DIAGNOSTICS/ANALYSIS: There was some agreement that it is important to premise interventions on upstream diagnostics and take a strategic, rather than ad hoc approach – following the chain from diagnostics to program design and implementation and impact. Participants noted that different political systems have different forms of accountability (for example, in East Asia accountability within party systems)- and that one needs to understand these systems before we propose solutions/interventions.

RESULTS AND DEVELOPMENT IMPACT: It is critical to link interventions on DFGG/social accountability to development outcomes - for instance, where might DFGG issues/absence of accountability be a binding constraint? How do interventions improve development and result in more effective service delivery? Linked to this is the issue of impact evaluations - understanding what has worked on demand side approaches (do DFGG approaches really yield results), and initiating studies to assess impact.

INTEGRATING DEMAND-SIDE SYSTEMATICALLY INTO CAS AND SECTOR PROGRAMS: The first Phase of GAC was focused on experimentation and funding innovations- letting a 1000 flowers bloom. In the second phase it is important to scale up and systematize.

SHARING KNOWLEDGE AND INNOVATION ACROSS SECTORS IN A RAPIDLY EMERGING PRACTICE AREA: Because most Window 1 TTLs are still at the early stages of implementation or design, a common theme emerging in the discussions was the desire to quickly capture lessons emerging from practice and to make these lessons and innovations accessible to country teams (for example on the use of ICT, which tools to select, evidence on what tools work best in which types of country environments).

CONNECTING OTHER PRACTITIONERS TO WINDOW 1: Although Window 1 initiatives are still relatively new, within most regions a small number of DFGG practitioners have been mainstreaming DFGG approaches in Bank operations for several years. Increased demand for knowledge and, more specifically, technical support on DFGG with no increase in staff with operational experience in DFGG in Bank operations or in resources was likely to pose challenges. Participants expressed a desire to know who the resource persons are within each region and across regions. While some teams (DRC, Burkina) had received good support on issues such as training of journalists, freedom of information and CSO training (WBI), others felt that they needed support for carrying out the detailed diagnostics of what to do, how to do it (tools and conditions under which specific tools work). Many task managers needed people/technicians (more than just knowledge) to help implement DFGG activities.

ISSUES WITH SUSTAINABILITY: While participants cited some examples where DFGG is being scaled up, and has been institutionalized by making links between citizen voice and Government processes (Madagascar, Ethiopia Protection of Basic Services) there was also a recognized need to look at some of the countries which had made earlier advances in the application of DFGG (notably Uganda school boards sector, or the “graveyard” of scorecards in Kenya) but which had seen progress/results stall in more recent years. The group felt it would be good to understand the factors behind these diverse experiences.
WORKING IN ENVIRONMENTS WITH LIMITED CIVIL SOCIETY: Further, in some countries in Asia, which are characterized by single party systems, it is important to identify alternative institutional arrangements to build demand side accountability. For example in Vietnam working with People’s committees, universities, media, inspectorates can be an alternative means to ensure checks and balances in the delivery of services and build improvements in transparency and accountability. Even within a single party system there are often a range of views and positions which can hold the executive accountable.

CHALLENGES IN WORKING WITH CSOS: Many Window 1 TTL plans (particularly those in the Africa Region) proposed to work with CSOs as intermediaries on various forms of monitoring - versus focusing on embedding mechanisms for direct client/citizen feedback in the regular functioning of government services. It was clear that the context for CSO engagement varied substantially among countries represented in the meeting. This was reflected in the range of challenges participants raised regarding CSO involvement in third party monitoring:

- political economy of the NGO sector, elite capture of NGOs
- sustainability of the approach when NGOs are paid to monitor
- questions of legitimacy of NGOs in representing the voice of local communities
- opportunities to connect global dialogue between the Bank and international and umbrella CSOs with country level initiatives (e.g., global Bank-CSO dialogue on the water sector, CoST, dialogue with Consumers International on Energy and Water sectors) in certain countries governments resist involving CSOs in monitoring
- the risk of driving a wedge between government and civil society and creating greater tensions if the process is not well managed.
- recognized need to build capacity of civil society but in some countries (Nigeria) challenging to do this if government is not open to working with this sector

Other issues

LINKING THE SUPPLY AND DEMAND SIDES OF ACCOUNTABILITY: While building capacity and supporting civil society groups is important, it is also necessary to understand how the responsiveness of public officials to citizen demand can be enhanced. For example, participants noted the importance of disaggregating budget information so it is useful and internalizing reporting back into government processes (Uganda)

Several issues emerged around the “demand” side of DFGG including:

- Getting communities sensitized to use information is still a challenge even where budget information is available (Uganda).
- EITI—beyond developing transparency in contracts, there is a need to build capacity on demand side (CSOs) to build understanding of the issues.
- Building capacity at local level: Support for building capacity among communities is necessary for interventions such as participatory budgeting to succeed. Capacity building efforts should focus also on investing in long-term education — “better governance becomes part of the DNA of societies”. 
MANAGEMENT FEEDBACK: The representative for the Africa Region VP (Colin Bruce), noted three areas to reflect upon on looking forward; (1) Our approach is often opportunistic and possibly too modest about what we already know - if we were prepared to invest without certainty, and could stand ready with a body of knowledge and the tools we could be bolder; (2) We should consider what investments are needed today to lead to substantial behavioral change in 5 or 10 years time – for example, investing in civic education at the primary school level which could lead to behavioral change down the line; and (3) we should explore how the Bank can work more closely with regional institutions (for example, the African Union) to press for better governance.

During the plenary sessions, SDN East Asia Director, John Roome, also noted the importance of bringing a broader circle of task managers into the discussion, particularly sectors where the majority of Bank lending is concentrated.

Looking forward, what do Window 1 TTLs need?

- Increase just-in time sharing of knowledge between experienced practitioners on scaling up DFGG mechanisms and Window 1/Sector TTLs. The SDV DFGG CoP could facilitate inter-regional knowledge sharing. In addition, within the Africa Region there are specific groups of TTLs and practice areas being formed (DFGG in local governance, DFGG in CDD operations etc.) . Nonetheless, the absence of new technical DFGG staff (in Africa) will continue to pose some constraints.

- Stock-taking of Window 1 DFGG needs and looking at synergies/economies of scale across countries, i.e., pooling Window 1 resources to recruit staff/experts on operationalizing DFGG in operations, diagnosing appropriate approaches.

- Find a way to better link up with WBI in supporting technical capacity of CSOs, parliamentarians, media, etc. in support of Window 1 DFGG interventions.

- Need to continue this conversation as part of GAC II companion piece on DFGG and perhaps have a separate session on CSOs given the number of issues arising.

- Differences between regions not just in context but level of experience and knowledge (Africa is scaling up in DFGG. How can it learn from other regions and increase number of technical experts?).

- Consider providing training on how to work with the Bank to DFGG consultants (akin to the training organized for political economy CoP consultants).
The first phase of GAC implementation focused primarily on identifying and facilitating changes in the way governance and anti-corruption concerns are used to frame development effectiveness. One area of focus was to strengthen how GAC was integrated in the processes and systems that underpin the planning, design and implementation of projects. For example, Phase I focused on GAC in Country Assistance Strategies (CAS), country-level GAC work, political economy analysis and implementation arrangements, and on developing appropriate tools, instruments and incentives for staff such as the GAC online portal and various toolkits. While lessons learned from Phase I will be deepened and broadened in the upcoming Phase II (2011-2014), Phase II will be designed to prioritize results and development impact. The objective of this session was to initiate discussion and obtain feedback on measuring GAC results during Phase II of the GAC strategy.

Measuring results from GAC interventions is difficult because final outcomes (for example, better service delivery, better infrastructure, less corruption) are often long-term, subject to non-Bank influence, and fall at the end of a complex web of systems and sub-systems that dictate public sector management (PSM) outcomes. The quality of final outcomes depends on both the Bank and Country Clients’ (Clients, hereafter) performance and, thus, all the elements need to be working together toward improved outcomes. Additionally, Bank projects cannot address all aspects of PSM at once, and it is clear that the success of any given project depends on their interplay. Some sector experts have estimated that it could take upwards of 10 years to fully assess the impact of governance interventions.

Until this point, GAC Phase I has encouraged Bank teams to focus on doing the right things and doing them right. Analysis to understand political economy and GAC constraints helps identify focus areas, and improved project design and control mechanisms such as the ORAF help ensure that efforts are successful. Even if we do the right things and do them right, a key link in the results chain is the governance and institutional environment in the country. Recognizing that “best fit” rather than “best practice” is appropriate for evaluating these contextual factors, it is widely accepted that a set of well functioning institutions is required for attaining desired outcomes. These “intermediate” outcomes are “final” outcomes for the Project Status Reports (PSR) and the governance agenda and critical for development effectiveness. Thus, improving the country governance environment and learning to work better within the existing environment have been central to the strategy. Efforts to change the environment through CGAC pilots, Public Sector Management (PSM) interventions and a focus on enhancing accountability are complemented by encouragement of GAC-cognizant strategic choices and project design (GAC in projects) that takes local realities into account in the interest of better immediate outcomes.

Institutional quality is more measurable and can be influenced more on some dimensions than on others. The availability of Actionable Governance Indicators (AGIs) enables the measurement of quality for Core PSM Institutions. At the sector level the quality of the accountability relationships can be evaluated (e.g,
using the World Development Report 2004 framework). The measurement of check and balance institutions is harder, although there are good examples of where these have been carried out to good effect in project design (see cases on the GAC Knowledge Platform; see also the vast literature on randomized evaluations). The broader “governance” environment is harder to measure along any acceptable metric and is also more difficult to influence.

**Slicing the results chain**

Instead of working towards end-of-line outcomes, focus for today’s GAC work needs to be on segments of the results chain that reflect short- and medium-term successes. For example: (i) the link from changes in the Bank’s processes system to better design and implementation; (ii) the link from the Bank’s changed approach to changes in intermediate/final outcomes; or (iii) from changes in project design to changes intermediate/final outcomes. A related set of questions revolves around what aspects of the results chain are relevant for GAC at the country level, GAC in sectors and GAC in projects?

Thus, two levels of objectives can be identified:

*Objective 1 (External — Development effectiveness): Improved development outcomes — intermediate outcomes (i.e., a basic set of well-functioning institutions) and final outcomes (e.g., growth, equity, poverty, better services/infrastructure)*

*Objective 2 (Internal — Organizational effectiveness): Internal (re) organization for GAC — processes, systems, staffing leading to changed approaches being designed, approved and implemented.*

**Discussion notes from Cape Town**

The primary objective of this session was to initiate discussion and obtain feedback on measuring GAC results for Phase II (2011-2014) implementation. The session focused on the following questions:

- Is the logic of the suggested GAC results chain convincing?
- What should we be tracking/measuring and how?
- To what extent are ‘intermediate outcomes’ intended to be ‘final outcomes’?
- What changes can we reasonably expect within this time frame?
- What aspects of the results chain are relevant for GAC at the country level, GAC in sectors and GAC in projects?

There was general agreement among the participants that the need to move beyond ‘internal’ measures of success and the idea of starting to focus on ‘external outcomes’ makes sense and should become a key concern for GAC Phase II. Consensus also emerged with regard to the difficulty of linking intermediate outcomes to final outcomes (i.e., service delivery). In this context, however, several challenges and measurement problems were discussed:

- We need to be realistic about ‘outcomes’ and consider that the levels of development and contextual particularities of the many countries in which we work differ significantly. The baseline is different; hence a general model might fail to give adequate attention to such differences.
- We need to consider the need for a simple/parsimonious reporting structure in light of the understanding that different results frameworks are required for different environments. It is hard to think about a one-size fits all solution, and indicators should reflect specific
contexts. A good starting point could be to think what ‘success’ looks like in a given country context (build narratives of institutional change) and then think about what/how to aggregate the stories.

- Be aware that the ‘Governance Agenda’ still needs to be fully mainstreamed within the Bank. Organizational change is ongoing but a ‘new governance environment’ has not yet been fully achieved. This often includes limited awareness of governance constraints by staff and country teams. Therefore, while moving towards more ‘external’ objectives, GAC Phase II should continue to keep track of progress against ‘internal’ objectives.
- We need to be realistic about what we can achieve within 3 to 5 years and make sure we do not set ourselves up for failure. In difficult environments (low-income and fragile states) progress in governance is slow, as the ‘enabling environment’ has yet to be created.
- We need to be clear about what we can take credit for -- as results of our GAC interventions. Carefully designing the GAC Results Framework is crucial to this end. In particular, service delivery is the ultimate goal, but additional factors (other than ‘just’ 6-7-8; intermediate outcomes) account for the final outcome. This generates an ‘attribution problem’ with regard to GAC interventions.
- Donor representatives shared views that it is hard to claim success in final outcomes, and that measures of success in the interim must be considered positive. Challenges remain, however, as it is difficult to assess performance in intermediate outcomes (especially at institutional level) without linkage to final outcomes (functional approaches required).
- Senior management and corporate level actions are required to ensure that budget planning and priorities reflect the growing role of governance within country/sector portfolios. In this regard, the traditional cash-based one year budget cycle might not work properly, as a 2-3 year planning cycle within the Bank’s budget process is required (consider, for example, the GPF trust fund).
- Another challenge pertains to the types of data used to assess progress in governance. Often, these data are perception based (household and individual surveys), and can therefore be misleading. The experience of Afghanistan is indicative: sector-level indicators are improving, yet perceptions regarding performance in governance have deteriorated. This suggests that it is difficult to link inputs to outcomes from the perspective of members of the general population, as it takes time for them to perceive changes in the environment.
- The ‘learning’ aspects should be a measure of success in the GAC Phase II agenda. This also includes learning from mistakes. Feedback loops and other evaluation tools might be required in the results chain to take this issue into account.
- How do we measure ‘good institutions’? Shall we look at ‘best practices’ and measure country performance against that? Or shall we look at ‘best fit’, which takes into account country-context but makes measurable outcomes harder?
Session 5, Group 1
Governance in Infrastructure

Infrastructure is the backbone of an economy, and improving it increases access to basic services, facilitates commerce, and encourages both poverty reduction and economic growth. Strong, well-managed infrastructure improvement projects that systematically address governance and corruption concerns can enable countries to attract the investment necessary to make infrastructure improvements worthwhile. The infrastructure sectors – energy, transport, water, and information and communications technology – represent close to 40 percent of the Bank’s lending portfolio. Governance and Anti-Corruption (GAC) initiatives in the Bank’s infrastructure sector have primarily focused on improving the overall enabling environment, fiduciary systems and accountability mechanisms at the country level as a means to combat corruption. These initiatives need to be complemented with sector-level work designed to mainstream accountability, transparency, and participation in policies, institutions, and practices.

Overview of approaches taken
Most of the eighteen GPF Window 1 countries have carried out analytical work to start discussions on changes that can and should take place in the infrastructure sectors. Half of these countries have conducted a governance assessment, review, diagnostic or political economy analysis in the energy, transport and/or water sectors. These analyses have generally set out to: i) increase understanding of the sector and the way it functions; ii) identify obstacles to improved access and service delivery, focusing in particular on incentive structures and accountability; iii) analyze what has been tried in the past, what has worked, what has not worked and why; and iv) recommend actions that are context specific and feasible.

Window 1 Infrastructure sector analyses

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Water</td>
<td>Governance review</td>
</tr>
<tr>
<td>DAC</td>
<td>Transport</td>
<td>Governance diagnostic</td>
</tr>
<tr>
<td>Kenya</td>
<td>Transport</td>
<td>Political economy review</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
<td>Political economy study (not yet initiated)</td>
</tr>
<tr>
<td>Nepal</td>
<td>Transport/roads</td>
<td>Governance, peace and security</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
<td>assessment</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Water</td>
<td></td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Transport</td>
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<tr>
<td></td>
<td>Energy</td>
<td></td>
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<tr>
<td>Tajikistan</td>
<td>Energy</td>
<td>(not yet initiated)</td>
</tr>
<tr>
<td>Uganda</td>
<td>Transport</td>
<td>Governance diagnostic</td>
</tr>
<tr>
<td>Zambia</td>
<td>Transport/roads</td>
<td>Construction Sector Transparency (CoST)</td>
</tr>
</tbody>
</table>

Additionally, infrastructure sector projects have been among the first to pilot good governance frameworks, governance action plans, governance filters and to incorporate demand for good governance, social accountability, and participatory approaches.
Discussion questions from Cape Town

The objective of this session was to initiate discussion and explore common themes that emerged in different countries. The breakout session included lively discussion among Window 1 teams about the entry points, opportunities, and bottlenecks for engagement on governance in infrastructure sectors. The following questions were introduced to frame the discussion:

*Connecting between country level analysis and sector analysis*

- Linking higher level governance issues and sector-level initiatives
- Balance in the teams working on these analyses between PREM/PE specialists and sector specialists

*Quality of analysis*

- Striking the right balance between focus on anti-corruption and governance issues
- Trade-offs between broad stakeholder engagement and quality of analysis that is treated more confidentially
- Potential of such analyses to increase understanding of the sector issues and challenges
- Need to consider what has been tried before and why it may have

*Moving from analysis to action*

- Practicality of recommendations
- Tendency to fall back on textbook recommendations ("best practice"), rather than what is appropriate in the specific circumstances
- Need to move away from full laundry list of recommendations to what is feasible and properly timed to move things in the right direction
- Challenges that have arisen in incorporating learning from the studies into projects, programs and advisory engagements

*Case studies*

Three case studies were presented to illustrate experience in conducting governance and political economy studies:

The **Sierra Leone** sector assessments for energy and transport sectors were nested in country level PE assessment. These two sectors are acknowledged to be large, and difficult, with national level issues impacting sector performance. The Bank team started with macro-level PE analysis, and then moved towards PE on sub-national level. The team used the WDR 2004 framework and PE framework to identify opportunities to move out of a low level of equilibrium at the sector level. The study was led by PREM; the sector team became engaged only later in the process; in particular, by to provide inputs on scenarios of calibrating lending based on sector reform. The studies recommended doing more at the sub-national level, encouraging support for devolution of feeder roads to the sub-national level, and exploring the potential for off-grid energy access. The importance of the swing vote and possible opportunities to use service delivery as a political issue were identified. Because of the sensitivity of the analysis, clients were not directly involved or informed of the studies, and teams experienced some difficulty in getting information, especially on the power sector.

In **Albania**, the country team decided that a review of water sector governance would be conducted as part of a macro-level governance analysis to feed into the CPS. The water sector was chosen as sub-sector because of the Bank’s long term engagement in the sector, and because incomplete decentralization has resulted in only modest improvements in service delivery, but
sector performance lags behind regional and international standards. The study noted lack of cooperation between two levels of government, reluctance of Local Governments to take responsibility for water utilities, and lack of accountability of service providers. Specifically, regional utilities, where several municipalities are supposed to share responsibility, have experienced a breakdown in collective responsibility and there has been concern that larger municipalities pay while the smaller ones benefit as “free riders.” Subsidies provided by the central government have enabled utilities to remain afloat, but there is little or no incentive to improve performance. Demand for change at the municipal level remains low. Some CSOs are interested, but the media is neither interested nor influential at the municipal level. The study identified corruption as a symptom of the dysfunctional relations between the parties responsible for policy making, regulation and service provision, and lack of accountability and incentives for performance, rather than the cause of these problems.

The study was managed by PREM with full engagement of a sector specialist (consultant) and the water team from the outset. Challenges arose due to the sensitivity to PE analysis. However, the team noted that chances for higher impact may be increased by being more discreet. The results of this study will be published as a policy note and will serve as input into design of a municipal project. A similar study may be carried out for the power sector.

In Nigeria, a number of sector-level diagnostics were carried out: natural resources management, energy, water. The CPS identifies water sector governance as a key issue. The Bank has financed US$1.4 billion in the water sector in recent years, but progress on reform has been unsatisfactory. The main findings of the governance assessment to date is a absence of M&E systems and accountability mechanisms such as service delivery standards, benchmarking, and performance contracts for holding operators accountable for service delivery. The country faces a major financing gap (in the range of US$10 billion) to expand coverage to 80% from 50%, and the government is considering using public-private-partnership arrangements and piloting of demand-based approaches to forward sector reform in two states. The study has provided key information to the Bank team, which will prove useful in taking forward discussions on these proposed approaches to water sector reform.

The water sector governance study was led by PREM, with sector colleagues engaged from the outset. The WDR 2004 framework was used to look at relationships between the policy maker, users and service providers. The team noted that such studies would benefit from earlier engagement of a broader range of sector colleagues, especially those who are DC-based, to build understanding of what may be feasible and appropriate for the sector in this particular country rather than what is considered international “best practice.”

Key points emerging from the discussion

The group noted that PE work needs to be mainstreamed into the work of all teams – sectoral, poverty reduction, and economic management – with a more integrated team-based approach taken to GAC. In particular, a better understanding is needed on the relationship between governance issues and the overall public sector budgeting process, as well as sectoral allocations and accountability.

While infrastructure task team leaders (TTLs) are concerned with GAC issues beyond fiduciary requirements, they may not have time or funding to participate in governance studies. The Bank’s internal incentive structure may need to be adapted to encourage active engagement of infrastructure sector teams in governance and political economy analyses. Management will need to take responsibility for providing appropriate incentives to ensure active engagement by strong cross-sectoral teams in sector GAC studies.

Sector dialogue should be the starting point for governance diagnostics, which can provide an understanding of the challenges encountered in implementation and how to bring about change.

Project implementation experience should be factored into assessments and the ways teams
adapt to challenges and respond to project implementation changes. In particular, Institutional Integrity (INT) experience from project investigations could feed into assessments.

Staff, clients and development partners need to understand the benefits such analytical work offers in informing sector reform dialogue and program design. It is important to consider how assessments prioritize and change what we do. Analytics are needed to build options for solutions/change.

Conclusions
In the second phase of GAC implementation, Bank engagement needs to:

- Mainstream Political Economy into the work of all teams, taking a more integrated team-based approach to GAC
- Explore incentives as a means to motivate sector teams to actively engage in systematic governance and political economy analysis
- Document the benefits offered by such assessments to make the case both internally and externally for their utility

Finally, the importance of strong, committed management to conducting and ensuring engagement by specialists across the country team is essential.

Resources
GAC in Infrastructure webpage: http://www.gacknowledge.worldbank.org/in

Kenny et al., Deterring Corruption and Improving Governance in Road Construction and Maintenance. World Bank, September 2009.


Contacts
Cathy Revels, Lead Water and Sanitation Specialist Energy, Transport and Water (ETW) crevels@worldbank.org

Gouthami Padam, Consultant Energy, Transport and Water (ETW) gpadam@worldbank.org
The Governance and Anti-Corruption (GAC) agenda is at the core of the HD network's goal of improving outcomes by raising the quality of health, education and social protection services at the country level. In the Human Development (HD) sectors, strengthening governance is about improving service delivery to reach better outcomes. In both low- and middle-income countries, the World Bank is engaged, through operational work, policy advice and analytical activities, in efforts to reform service delivery. There is a growing recognition at both the country and international levels that more spending is not enough to achieve HD outcomes. Rather, outcomes from service delivery require better governance, which can be understood as incentives for performance and institutional arrangements for holding service providers accountable.

The governance and service delivery agenda in HD has been shaped by the influential World Development Report 2004: Making Services Work for Poor People, which defined a framework for thinking about the accountability relationships between policy makers, providers and citizens. The report contributed to operational and analytical work on governance and service delivery inside and outside of the Bank, particularly in health and education. Most importantly, this momentum has been driven by increased pressure from country clients and donor partners for results and a better understanding of how governance can contribute to improvements in service delivery, and ultimately outcomes.

Policy makers, service providers, and citizens

The main channels for improving governance are the accountability relationships between three groups of actors: politicians and policy makers, service providers, and citizens.

The compact between policy makers and service providers depends on the quality of institutions, rules, regulations and incentive arrangements through such channels as intergovernmental institutional relations; civil service arrangements; human resources management; budget planning and execution; public financial management; transparency and information mechanisms; regulatory systems; monitoring and evaluation; and formal controls, such as external audits.

The interaction of citizens and policy makers takes place through channels for expressing political voice including voting, taxes, representation in parliament and other political bodies (e.g., provinces in a federal system), often facilitated through access to information (e.g., citizen scorecards, right-to-information acts, etc.).

The direct influence of citizens on service providers can be expressed through various social accountability mechanisms including: scorecards, choice in service delivery (e.g., vouchers in education), beneficiary satisfaction surveys, participatory monitoring and evaluation, access to information mechanisms and direct participation.
Accountability for service delivery is therefore a function of the behavior of service providers and citizens. Many Window 1 countries include policy strategies to both improve the motivation of providers on one hand, and increase the agency of users on the other. Governance activities in the GPF Window 1 countries illustrate multiple entry points and opportunities for improving the ways in which the main stakeholders – policy makers, service providers and citizens – interact to achieve results.

**Issues addressed by the Window 1 projects**

Even when governance itself may be contentious, Human Development teams and their counterparts in governments and civil society in Window 1 countries find innovative ways to improve governance at the sector level. Because of sensitivities around the issue, however, have found service delivery and results more constructive entry points than direct dialogue on ‘corruption’.

There are a number of opportunities for dialogue and action to improve governance in human development. As examples, teams are focusing on decentralized authorities, strengthening accountability, measuring results and incorporating political economy analytical work into project design and implementation.

**Decentralization**

Plans for decentralization and dialogue surrounding the division of responsibilities across levels of government provide an entry point for dialogue on how to structure institutional arrangements and incentives for service delivery in the HD sectors (WOW examples are Mongolia, Cambodia, Burkina Faso and the Democratic Republic of the Congo).

**Strengthening accountability**

A common entry point for governance work in HD involves efforts to strengthen incentives for providers and creating accountability for results. This is complicated in the HD sectors because outcomes are long-term and the time lag between inputs, outputs, and outcomes means that measurements can record intermediate outputs but final quality of services outcomes are not measurable in the short term. This implies that the incentives for actual delivery of service are poor.

On the provider side absenteeism and weak accountability of doctors and teachers are identified as critical issues across countries. In Nigeria, the GPF is piloting service contracts in health clinics and hospitals.

On the demand-side, WOW countries are experimenting with social accountability mechanisms, especially scorecards and social audits, to inform and involve citizens in holding providers accountable. In Burkina Faso and Cambodia, teams are designing impact evaluations for social accountability experiments in order to build a knowledge base on what approaches are most effective. In Mongolia the Bank is piloting a training program that uses social

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1 This section is based on a survey of HD teams in Window 1 countries that was conducted in August 2010. Responses were received from teams in Albania, Burkina Faso, Cambodia, Nepal, Nigeria, Mongolia, Philippines.
accountability tools in social protection and education. Efforts to equip citizens with information about service delivery include publication of school exam results in newspapers in Burkina Faso.

Measurement of results

Teams are focusing on improving tools for monitoring and evaluation of service delivery. This includes support for use of Public Expenditure Tracking Surveys (PETS), Public Expenditure Reviews (PERs), absenteeism surveys, and impact evaluation. In Albania, the GPF financed a Living Standards Measurement Survey (LSMS) module and school-level survey that, among other dimensions, assess parents’ demand for accountability and experience with service delivery.

Political economy analysis and upstream policy dialogue on GAC issues

Political economy analysis can uncover incentive structures. Examples are emerging of political economy analysis influencing the design of programs - for instance, in Nepal political economy analysis of service delivery has influenced the way that Sector Wide Approaches/Program Based Approaches (SWAPs) are designed. In the Philippines political economy diagnostics provided the basis for policy dialogue with senior government officials in the education sector.

The design and roll-out of a major new conditional cash transfer program in the Philippines was influenced by a World Bank and Australian Agency for International Development (AusAID) GAC diagnostic. This included work on (i) targeting; (ii) management of information systems; (iii) grievance redress; (iv) monitoring and spot checks; (v) strategic communications; and (vi) an agency-wide corruption diagnostic. This led to the introduction of a National Household Targeting System to address significant problems with leakage of social protection programs to ineligible beneficiaries.

Recommendations emerging From W1 experiences

Going beyond public sector providers: Bank engagement has tended to focus on public sector service providers. But there are other stakeholders, such as unions, that need to be taken into account. The private sector also plays a significant role in service delivery in many contexts. However, it is difficult to create mechanisms of accountability for private service providers under the umbrella of the Bank’s engagement. Mechanisms are needed to engage with these multiple stakeholders in the service delivery chain.

Collaborating effectively within WB country teams: A key issue that emerged on the effectiveness of the Bank’s engagement on service delivery issues is the need to collaborate across World Bank silos. In some cases GAC work in the Window 1 countries has provided opportunities for working on cross-cutting issues across Bank boundaries; for example, on themes such as human resource management, decentralization, public expenditure management. There are some venues within the Bank that can support this; for instance, sectoral Global Expert Teams (GETs). However, the way the Bank and GAC are organized – e.g., GAC in Sectors, GAC in Projects, as well as internal incentive structures – can reinforce the silos. This should be one of the discussion points of GAC Phase II. The group suggested that a secondment program across Networks for staff working on governance could be a useful for supporting horizontal collaboration and learning – for example between staff working in PREM Public Sector and HD. An additional outcome of the focused work on governance through GPF activities is greater coordination within country teams. As a member of the Burkina Faso, team
put it: “We shifted from a traditionally vertical approach which supported
discrete HD operations (e.g., education, health) to a horizontal approach which
is developing multi-sectoral support for decentralized service delivery. The
different HD specialists are working together with the public sector specialists
to discuss broader institutional questions related to fiscal management;
planning & coordination; human resources; service delivery modalities (e.g.,
community-based management) and social accountability measures.”

Capturing the knowledge from innovations: There is a lot of innovation in
the HD sectors on results, and scaling up accountability mechanisms. There
continues to be a need for capturing and sharing lessons learnt. The knowledge
agenda should also include results measurement and impact evaluation to
understand what works in effectively in delivering services. There was interest
from the Window 1 workshop (WOW) teams for more active and broad based
knowledge sharing of analytical techniques such as community consultations,
using 'vignettes' in the health sector - on how doctors provide services.

Being strategic about tools and methods: A related point on the knowledge
agenda was the need for more guidance on when and where to apply certain
analytical tools. GAC Phase I has been successful in supporting innovations
in analysis – through the application of political economy analysis, PETS,
Quantitative Service Delivery Surveys (QSDS), impact evaluation, social
accountability tools such as score cards, etc. However there is a need to be more
strategic about the "toolbox", especially in a resource constrained environment.
Teams need more guidance on when to use what tools and why. This should be a
priority for Phase II.

Implications for Phase II: A larger question from the Phase II perspective is
whether the main benefit from GAC has been the availability of additional
funding to undertake many of the innovations and programs discussed, or if
GAC has more broadly spurred thinking and action in directions that are new
and innovative - that is, if the GAC authorizing environment provides a means of
designing things in a different way. There is a pending question of the extent to
which the knowledge initiatives under GAC have influenced operations and work
in Regions.

Resources

The HD Network’s knowledge and learning program on governance and service
delivery focuses on: support for measurement of governance policies and
performance through development of indicators and toolkits; impact evaluation of
innovations to find out what works, and support for the community of practice of
staff working on governance and HD. More information can be found at:

www.worldbank.org/hdchiefeconomist
www.gacknowledge.worldbank.org/hd

Contacts

Ariel Fiszbein, Chief Economist
Human Development
afiszbein@worldbank.org

Dena Ringold, Senior Economist
Human Development
dringold@worldbank.org
In developing country contexts, natural resources represent important opportunities but also signal risks that are too often ignored. Natural resources represent a driver of growth that would suggest strong prospects for poverty reduction, but natural resources have often been poorly exploited, thus, sabotaging hopeful developmental impacts. Poor choices in resource-rich countries result in poor development outcomes for society at large. Good governance is critical to minimizing the negative impacts of mismanagement of natural resources, but governance is itself a complex issue: governance by whom, for whose benefit and to whose standards? Finding answers to these questions is crucial, given that resource exploitation is likely to become more important in the coming years for developing economies, such as GPF project countries Afghanistan, Sierra Leone, and Uganda. The increasing diversity of the sector only adds to the complexity of the picture.

Not surprisingly, natural resource management and the governance aspects of EIs have emerged as a core theme in many of the GPF Window 1 funded projects, ranging from countries where the impacts of the “resource curse” are sadly all too evident, such as Nigeria and DRC, and countries actively seeking to develop well-managed extractive industries, such as Mongolia, Ghana, Afghanistan, Sierra Leone and Uganda, to countries at the relative outset of scaling up their extractive sector initiatives, such as Burkina Faso.

Overview of approaches taken

The Bank’s engagement in the extractive sector, on the whole, has been largely framed by the recommendations of the Extractive Industries Review (EIR), Striking a Better Balance (Jan 2004). The EIR recommends that the Bank focus on promoting “pro-poor public and corporate governance” of extractives and should “vigorously pursue countrywide and industry-wide disclosure of government revenues from extractive industries”. In line with this recommendation, the Bank has been an active supporter of the Extractive Industries Transparency Initiative (EITI) since its launch in 2002.

Participation in EITI prompted a comprehensive review within the Bank of points of engagement, recognizing that disclosure of revenues alone does not convey whether countries are receiving a fair share of rents or spending or investing revenues for development outcomes. Bank management recognized that the entire value chain of managing extractive industry resources is important. This resulted in the Extractive Industries Transparency Initiative Plus Plus (EITI++) in April 2008.

Since the launch of EITI++, the Bank, in coordination with donor partners, has made progress on developing and implementing a comprehensive value chain approach on translating wealth from extractive industries into growth and development impact. The approach recognizes that governance weaknesses at any one stage of the decision making chain undermine development impacts overall. This has prompted growing appreciation of the need to use a broader definition of governance encompassing consideration of incentive structures, legal and regulatory frameworks, policy, political and institutional frameworks, institutional capacity, and transparency and accountability dimensions.

Innovation for results

With the support of the GPF, Country Management Units (CMUs) have been more able to take innovative approaches toward promoting better governance in natural resource management and extractive industries. This has helped bridge the gap between the recognition that governance of the sector is crucial to its development impact, and the reality of limited project budgets and finding appropriate instruments to support better governance outcomes.

The integrated approach to governance and this sector has enhanced innovation across the Bank and has resulted in a number of new initiatives. These are outlined below.

- the EI Sourcebook initiative of the Bank's Oil, Gas, and Mining Policy Division (COCPO) to create an open-source knowledge platform using policy think tanks within institutional centers of excellence in the oil, gas and mining area
- the Africa region and Sustainable Development Network EITI++ Task Force management level coordination group to advance implementation in priority countries
- SD’s launch of the second phase of its Wealth of Nations initiative, which focuses heavily on natural resources (including forestry and fisheries)
- the recently completed Growth Commission that highlighted particular challenges for natural resource-led development
- the World Bank Institute’s prioritization of extractive industries governance, building a wide-ranging network with global and selected country level non-state actors, supported by an online community platform (GOXI.org)

There are also important initiatives led by donor partners and stakeholders, such as the Norwegian Agency for International Development’s (Norad) Oil for Development program and the Natural Resource Charter, that also offer important learning resources. In recognition of these developments, the Poverty Reduction and Economic Management (PREM) Network proposed a Knowledge Platform to integrate internal knowledge work and coordinate effectively with external initiatives.

Several Bank programs, including those in Mongolia, DRC and Zambia, have conducted political economy studies on EI. These studies helped project teams to determine entry points for the projects and helped prompt revisions to project design and policy discussions. They are also serving as a basis for sector and/or government dialogues. Another common approach across countries is the inclusion of demand side governance aspects in the projects (e.g., Mongolia, Cambodia, Ghana, Zambia and Nigeria). Activities to increase public awareness and debate on key EI issues and strengthening the capacity of civil society organizations to hold government agencies accountable are included in several projects, including support of national EITI processes.

Analytical work has shown progress to be slower than expected in most countries studied. Projects cite difficult operating environments and implementation constraints as main obstacles to progress. Several reports also mention staffing issues as a constraint. These country level projects are complemented by the new book, “Rents to Riches? The Political Economy of Resource-led Development”, developed by PREM with GPF support. This publication synthesizes political economy perspectives, drawing on a range of country case studies.

Governance within the extractive industries context

During the discussion, participants were asked to consider what has been learned about key governance considerations and possible entry points in recent years. The value chain is a useful diagnostic tool for understanding and identifying critical contextual factors, but it cannot provide a general recipe for policy dialogue, engagement, and intervention strategies. The challenge of
identifying where and how to intervene along the value chain remains critical, recognizing that governance along the chain is only as strong as its weakest link.

Hard to single out key actions: any step of value chain is essential and attention is due at each stage. In order to succeed, the value chain needs to be functioning as a whole. Specific country contexts can help identify which points of value chains are most vulnerable; hence, requiring more attention.

Upstream contracting and licensing is critical – contracts set the path for the development impact of natural resources and there is concern over how to help countries navigate concerns over whether they have obtained a “fair” deal. Such concerns are reflective of country capacity to negotiate and implement agreements, and the transparency and integrity of the process, which can be critical to sustainability of any deal.

Revenue and expenditure management is at the core of any debate on natural resource led development and critical to addressing the resource curse and potential for ‘Dutch disease’ (stability function of fiscal rules plays a key role in public financial management). There are general patterns across all developing countries. However, the case of low-income countries (dependency trap, weak capacity and state infrastructure; state-building) is different from the case of middle-income countries (state-decay; loss of economic diversity and capital accumulation), meaning different sets of interventions are required.

The legal framework is relevant, including implementation of laws and regulations.

Transparency is critical -- access to information is essential in the face of pervasive opacity in dealings in natural resources, be it securing accurate data on available assets to contract and revenue disclosure. The case of one developing country is telling: here, even the government still fails to get access to geological data and does not have information on the natural resources potential within the national territory (a key public administration challenge).

In many resource rich settings, the Bank has limited leverage as our lending in the sector is relatively small compared to private and state actors. We therefore need to be emphasizing areas where we can truly demonstrate a competitive advantage; understanding governance impacts could be one such area.

Engagement is risky as government might not comply with ‘standard practices’ and ‘technical advice’ and then play the game to use the ‘Bank’s advisory role’ to justify contracts and licenses to the public at large (something to take into consideration when getting involved).

**Takeaways for future engagement**

- **Country context matters and affects Bank leverage**: In one particular country discussed, 50% of GDP is foreign aid, which provides a lot of room for maneuver. In a context of a weak state, a challenge is how to enable the state to use effectively the windfall of resources generated by sudden discovery of minerals and other natural resources, e.g. how much should be directed to public investment versus how much is protected for future generations.

- **Understanding the political context matters**: The GPF-supported political economy work, to date, has been highly valuable. Essentially, natural resource-related decisions are political ones and we need to look at and understand the contexts in which they are made. If the underlying political constraints are not well accounted for; then technical solutions are of limited value. This is important when we find ourselves needing to help undo existing bad policy as much as shaping new policy. Process matters for ensuring good governance.

- **There needs to be more knowledge sharing across the Bank on these issues, and among donors.** The opportunity to compare experiences at the Window 1 Workshop was recognized as highly valuable but we should not rely on such one-off opportunities. Better use of online platforms – perhaps including a dedicated section on the GAC portal and the WBI-led Governance of Extractive Industries site – would help, as would a more systematic structure for ongoing exchange.
• The Bank needs to be opportunistic in deciding where and when to engage along the value chain; to be selective and move where we find an appropriate entry point. While engagement in the sector is risky, the benefits of engagement are justifiable, given that governance failures in resource-dependent economies are typically so pervasive that undermine the effectiveness of Bank projects in other sectors.

• Historical legacies often create obstacles for credible Bank engagement with the government and other partners, due to enduring perceptions of the Bank from the structural adjustment period, and from perceived conflicts of interest with IFCD investments in the sector.

• A partnership approach is critical to success; building trust and finding the right partners, including donor coordination is crucial (as best illustrated in Mongolia GPF-supported engagement). Where bilaterals have competing interests, the opportunities for effective engagement and dialogue are undermined, so there is a need to be open and creative to get donors on board.

• The Bank can play an important role in framing and outlining the importance of good governance in the sector. A governance diagnostic along the value chain is a crucial step prior to deciding points where the Bank has most value to add. Such framing, coupled with strategic partnerships, can allow the Bank to play a leading role in the policy dialogue with Government and be an influential player in getting the policy issues out (i.e., joint donors-government advisory group on mining in Mongolia). This creates opportunities for deeper engagement to address critical stages of the value chain.

• A coalition-building approach with country stakeholders can be highly effective. Coalitions — including non-state actors — can be important in helping address a lack of transparency and in pushing for greater accountability of decision making. Strengthening the capacities of such coalitions is important to enable them to shift governance and anti-corruption dynamics when opportunities arise, and is part of necessary long term institutional strengthening, where the Bank can play a role.

• Dialogue at the country-level needs to be accompanied by Bank engagement at the global level, particularly in the context of the rise of emerging market players and large state-owned and international companies operating in often weak states. There is concern over the role of global norms and standards for the sector and their impact on country level processes, and vice versa. There is similarly a need to monitor the impact of home market rules that impact investment globally, such as recent United States legislation on transparency of payments and sourcing of minerals from conflict-affected settings.

• We need to ask ourselves what a sustainable model for managing natural resources will look like in Africa, moving beyond the value chain to broader development questions and cross-sectoral impacts. It is clear that such a discussion would be enhanced by involving expertise from across the different Bank networks, including PREM, Sustainable Development (SDN), Financial and Private Sector Development (FPD), and WBI.
Resources
Oil, Gas, Mining and Chemicals Group: http://ifcnet.ifc.org/intranet/coc.nsf/Content/Home
Governance of Extractive Industries collaboration platform: www.goxi.org
Revenue Watch Institute resource center: http://resources.revenuewatch.org/
Norad Oil for Development: http://www.norad.no/en/Thematic+areas/Energy/Oil+for+Development

Contacts
Relevant contacts include:

Stanley, Michael
Lead Mining Specialist, COCP
mstanley@worldbank.org

Kaiser, Kai
Senior Economist, PRMPS
kkaiser@worldbank.org

Kingsmill, William
Senior Advisor, AFRVP
wkingsmill@worldbank.org

de Sa, Paulo
Sector Manager, COCP
pdesa@worldbank.org

Jarvis, Michael
Senior Private Sector Development Specialist,
WBIGV
mjarvis@worldbank.org
The World Bank’s GAC Strategy places a high premium on using governance analysis as the foundation for country, sector and project level support. It is now widely recognized that by seeking to understand the political context of reform and anticipating political and institutional challenges, policy reform processes can be more successful. Over the past years, focus on governance analysis and political economy has been growing, but confusion still surrounds the linkages between analysis, on one hand, and implementation on the other. Those linkages were the subject of this group discussion.

The various uses of analytical work on governance and political economy is exemplified by the ways in which W1 countries have designated GPF supplementary funding. Some W1 countries are using GPF resources to enhance the previous stock of limited or outdated analytical governance work, while others are able to use GPF resources to build towards a deeper understanding of key sector- or project-level challenges or to implement recommendations of recent analytical work. Some examples are noted in the table below.

<table>
<thead>
<tr>
<th>Inform CAS preparation</th>
<th>Albania: country governance review to support the Country Partnership Strategy FY10-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-orient existing CAS/ISNs</td>
<td>Liberia: country political economy assessment will be used to update the CAS during mid-term review</td>
</tr>
<tr>
<td>Identify future programmatic engagements in specific sectors</td>
<td>Burkina Faso: upcoming Extractive Industries Transparency Initiative ++1 (EITI++) political economy analysis to identify space for reform and engagement in the mining sector</td>
</tr>
<tr>
<td>Drill down to more specific problem-driven analysis to inform sectoral and project interventions</td>
<td>Philippines: detailed analysis on specific issues in the health and education sectors, which have been drawn from broader existing sectoral analyses</td>
</tr>
<tr>
<td>Implement specific recommendations made in the existing analytical work</td>
<td>Mongolia: findings of a Country GAC (CGAC) governance assessment used to support engagement of civil society, parliament, and the general public in debates on extractive industry reform policies</td>
</tr>
<tr>
<td>Using GAC Research to engage stakeholders</td>
<td>Kenya: seeking to work in partnership with research institutions to detect corruption in specific contexts</td>
</tr>
</tbody>
</table>

Major challenges that arise when making the link between analysis and action are (i) the relevance of commissioned research, (ii) the engagement and buy-in of country, sector and project teams, (iii) the sensitivities of dissemination and client engagement, and (iv) the complexities of an ever-evolving political landscape. Each of these challenges is addressed below.
Sensitivities of dissemination and client engagement

Engaging the client in the preparation and dissemination of analytical work is essential to ensure ownership and to lay the groundwork for implementation. However, this is particularly challenging since the growing body of political economy analysis conducted by country teams does not end up being disseminated to or accepted by country partners, often because of the sensitive nature of the information contained in the analysis. Given the resources invested by Bank teams in GAC analysis, the critical issues that are being explored and the importance of governance considerations for project implementation, the difficulties in engaging the Client in the preparation and dissemination of political economy work could result in lost opportunities to use the analysis to address important issues or to ensure effective project design and implementation.

An up-front distinction should be made between analysis that is designed for internal use to inform project design, and research that is designed for external consumption such as Economic Sector Work (ESW). While client engagement, when it is possible, can enhance the quality of internal-use research, if sensitivities make such engagement not possible, this should not prevent potentially controversial research from being pursued with discretion. While sensitive research may not always be suitable for dissemination, other GAC-focused analyses (e.g., Public Expenditure Reviews [PERs]) are appropriate for broader consumption and can be central to enhancing Client engagement in GAC issues.

Project teams regularly face the question of how and when to engage with the Government and whether and how to disseminate analytical findings. Approaches used in W1 countries have included the following.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshops on the design of analytical work with experienced practitioners from the Bank and other development agencies</td>
<td>Hali</td>
</tr>
<tr>
<td>Development and dissemination of analysis through informal out-of-country seminars</td>
<td>ORC</td>
</tr>
<tr>
<td>Sharing of recommendations with selected government officials engaged in project preparation or governance task forces</td>
<td>Burkina Faso, Nepal</td>
</tr>
<tr>
<td>Sharing of recommendations with selected government officials engaged in project preparation or governance task forces</td>
<td>ORC</td>
</tr>
<tr>
<td>Dissemination of strategic note to follow through on PE work and to support stakeholder buy-in</td>
<td>ORC</td>
</tr>
</tbody>
</table>

Other non-country-specific recommendations include:

- Use of ‘policy notes’: Analysis can be generalized and made anonymous to improve possibilities for dissemination.
- ‘Quiet engagement’: Raising matters of concern with senior government counterparts before dissemination can help country teams avoid problems in dissemination, giving the client the political space to determine how to address issues raised in the analysis.
- Engaging development partners: Leverage support and building coalitions for reform – either prior to government engagement or in the wake of client resistance to dissemination.
- Negotiation with INT: Where an immediate fiduciary concern is raised related to a Bank operation, some country teams have negotiated with INT for the CMU to be kept informed and for INT to engage directly with the client to explain the process.
- Informal information sharing: Unpublished or restricted access work is often lost in ‘the system’ and new team members cannot draw on and benefit from the analysis. Governance specialists have an important role to play in ensuring continuity and internal access to GAC analyses.

Engagement and buy-in of country, sector and project teams

Governance analytics require investments in time and resources. Country, sector and project teams are often faced with delicate client relations, tight preparation timelines, re-structuring complexities and disbursement imperatives: which give them limited immediate incentive to substantively engage in commissioning or
incorporating governance analysis for on-going work. Even when teams are willing to engage in and consider governance analysis, the stumbling block comes when analysis needs to concretely influence action.

**W1 project teams are addressing the challenge of Bank team engagement with a variety of approaches.**

<table>
<thead>
<tr>
<th>Engagement of project and sector teams in informal brainstorming, design of TORs, selection of consultants, and review of drafts.</th>
<th>Burkina Faso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector and project teams are asked to submit expressions of interest for GPF-financed PE work</td>
<td>Nepal</td>
</tr>
<tr>
<td>Focus put on conducting analytical work prior to developing sectoral strategies or PCNs</td>
<td>Philippines</td>
</tr>
<tr>
<td>Focus put on analysis further downstream – during project preparation</td>
<td>Burkina Faso</td>
</tr>
<tr>
<td>Some project teams have focused upon delivering a robust, peer-reviewed final product, and others have focused on using the analytical process to stimulate team reflection and debate by including political economists in project preparation</td>
<td>Burkina Faso</td>
</tr>
<tr>
<td>Dedicated staff have been recruited to ensure sufficient capacity to monitor and ensure timely delivery of analytical products</td>
<td>Zambia, Afghanistan</td>
</tr>
</tbody>
</table>

**Relevance of commissioned research**

The applicability of governance analysis depends largely on the methodology and expertise lined up at the outset of the project.

A range of methodological choices made in W1 country programs is outlined below.

<table>
<thead>
<tr>
<th>Broad country level diagnostics</th>
<th>Liberia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectoral scoping studies and governance diagnostics</td>
<td>Zambia: EITI scoping study</td>
</tr>
<tr>
<td>Issue-specific political economy (PE) analyses</td>
<td>Burkina Faso: using PE to select Growth Poles, Albania: using PE to design program on artisanal mining</td>
</tr>
<tr>
<td>Assessments of governance related work</td>
<td>Nepal: community-based school management review</td>
</tr>
</tbody>
</table>

The selection of experts to conduct governance analysis has varied within the W1 projects.

<table>
<thead>
<tr>
<th>External expertise brought in to design methodology for PE work in sensitive sectors</th>
<th>DRC: utilities and energy sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using academic institutions or think tanks to produce and independently publish / share analytical work</td>
<td>Sierra Leone</td>
</tr>
<tr>
<td>Using high-profile academics as spokespersons for analytical work, and establishing twinning arrangements to combine local expertise and local operations specialists with international academic guidance</td>
<td>DRC</td>
</tr>
<tr>
<td>Collaborating with other donors to prepare governance analysis</td>
<td>Uganda: oil sector work with DFID, Albania: Strategic Governance and Corruption Assessment working with the Netherlands</td>
</tr>
<tr>
<td>Establishing a pool of strong local consultants in coordination with other development partners</td>
<td>Nepal: working with DFID to identify and train strong locally-based and bi-lingual consultants</td>
</tr>
</tbody>
</table>
The complexities of an ever-evolving political landscape

Political economy environments are prone to change. A challenge faced by all of the project teams is how to up-date governance analysis over time. Approaches being adopted under Window 1 include the following.

<table>
<thead>
<tr>
<th>Ongoing internal GAC analysis to keep track of big-picture changes</th>
<th>Cambodia, Burkina Faso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance diagnostics updated every year</td>
<td>Nepal</td>
</tr>
<tr>
<td>Think tanks and governance observatories tapped to help Bank team monitor specific sectors or issues</td>
<td>Kenya</td>
</tr>
</tbody>
</table>

Resources

The GAC Knowledge Platform web-site includes a site dedicated to political economy work with guidance and good practice on operationalizing GAC analysis (expected).


*Principles for the Political Economy Community of Practice and the Community of Practice Menu of Political Economy Products*. World Bank, 2010.


Political economy CoP on SCOOP.

Contacts:

**Campos, Jose Edgardo**
Adviser, World Bank Institute
jcamos@worldbank.org

**Levy, Brian**
Adviser, PRMPS
blevy@worldbank.org

**Fritz, Verena**
Governance Specialist, PRMPS
vfritz@worldbank.org

**Kpundeh, Sahr**
Senior Public Sector Analyst, AFTPR
Skpundeh1@worldbank.org

**Poole, Alice**
Consultant, PRMPS
apoole@worldbank.org

**Al-Dahdah, Edouard**
Economist, World Bank Institute
ealdahdah@worldbank.org

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1 The World Bank Group has been an active supporter of the Extractive Industries Transparency Initiative (EITI) since its launch in 2002. Bank management recognized that the entire value chain of managing extractive industry resources is important. This resulted in the Extractive Industries Transparency Initiative ++ (EITI++) in April 2008.
Session 8, Group 2
Using DPLs to Support Governance Reforms

Development policy operations, also known as development policy loans, allow the World Bank to lend large sums of money to client governments as direct budget support. This instrument is well suited to address country-wide systemic governance weaknesses. Nearly 100 percent of IDA DPOs include governance-related policy actions such as budget management/transparency, financial management, procurement and performance management and accountability all of which reduce opportunities for corruption. DPLs are a Special Circumstances instrument under the World Bank's articles of agreement, and thus they come with greater scrutiny and management attention. For example, all DPLs require a corporate-level review, and every 2–3 years, Bank management carries out a full assessment of ALL DPLs — known as the Development Policy Lending Retrospective.

From a risk management perspective, DPLs provide an opportunity for the country team to develop and follow through with a systematic and holistic approach to lending. This approach requires the following: multidisciplinary team work, a well-maintained ORAF throughout the project cycle, standard definitions, guidelines, and direct linkages to project development objectives. Clarified governance and accountability structures that include clear roles of project teams, CMUs and SMUs, as well as monitoring and management at the country and regional levels are also factors that enhance stability. DPLs are designed at a macro level, allowing an ability to assess Bank-wide portfolio risks, an advantage that is not possible when designing sector or project based loans.

The responsibilities for ensuring a successfully designed and implemented DPL fall to a wide spectrum of Bank colleagues. The task team evaluates stakeholder risk, and the CMU evaluates country risk. The project team, which usually includes a safeguard specialist, a fiduciary specialist, a lawyer, and a disbursement officer among others, evaluates the risks associated with the implementing agency and the projects that will be funded. Sector specialists evaluate the Bank's institutional risk. During project preparation, the task team is responsible for reporting new risks that come to light and ensuring that new information affecting risks ratings is taken into account, usually by moving the project out of the low-risk category. During project implementation, the task team is responsible for updating the risk rating and reviewing progress made by the country in implementing mitigation measures as part of ISR reporting. The sector manager confirms the overall risk rating at least once a year through the ISR.

It is important that effective dialogue with other development partners (DPs), the public and civil society and the government be established around what DPLs should fund and what mutually beneficial actions need to be undertaken to maximize benefits. This level of collaboration and dialogue on the role of DPOs is most important in situations where the Bank’s leverage is reduced as a result of the size of its support in relation to that of the government and other DPs.
Critical issues for consideration in using DPLs to support GAC reforms relate to: a) the need to ensure that certain indicators be met before funds are released as a way for the Bank of confirming that possible governance bottlenecks to the effective use of the funds are dealt with; b) confirming support to the achievement of long term institutional reforms; and c) the cyclical nature of DPLs, which allows for the tracking of specific reform agenda actions.

Important questions for implementing teams discussed during this breakout session were:

- How to balance Paris Declaration agreements on aid predictability and resulting donor pressure to disburse with need to ensure reform progress on the ground?
- Engaging at the sector level: how can we be more governance-savvy without closing the door on our sector counterpart institutions?
- How do we clearly define the causal links between DPO reforms and improved governance? Do we have the right metrics and indicators to measure the expected results?
- Given that most institutional reforms take time to materialize, is evaluation of results at the time of ICR done at the right time?
- How do we best engage with potential champions at Country and sector level and support them to understand the challenges of a changing political environment and how to operate within it?

Challenges arise when government’s unwillingness or inability to meet the agreed prior actions results in Bank’s decision to disengage as a way of showing the government and the other partners how seriously they take these agreed commitments. When disengagement does not provide the best solution, the Bank may use alternate routes like supporting sector specific projects if that is seen to be a better alternative. A unified position among DPs in cases of this nature becomes very important. A pertinent question becomes: are the details of governance still important if development results are being achieved? DPLs will only have a role in supporting governance reform if there is effective dialogue at all levels to ensure that policy change is seen as a commitment from government rather than a condition imposed by the Bank.
Session 8, Group 3

Addressing Governance and Risk in Investment Lending
(GAC at the Project and Sector Level)

Projects are where some of the real benefits of addressing the GAC issues are visible — more essential drugs reaching clinics, better schools and roads, and so forth. It’s also where we feel pain when fraud and corruption is uncovered — disruption to the project, strained relationships with government, and damaged reputations. Within the Bank there is now a consensus that GAC at the project and sector levels are key to development effectiveness. Experience also suggests that using the perspective of improving project/program effectiveness is a good entry point for dialogue with governments on GAC issues.

Considerable efforts have been made to identify good practices, develop toolkits, and to share this knowledge with staff through training and communities of practice. But acceptance of ideas is patchy, and skills and resource gaps remain. At the same time, policy changes are helping to create a better enabling environment: IL reform requires task teams to focus on fraud and corruption risks (ORAF) and directs more resources to implementation support for high-risk projects; improved access to information helps promote transparency and INT’s Preventive Services Unit is providing practical help to task teams. But these initiatives need time to become effective and face implementation challenges.

Overview of approaches and issues being addressed by the Window One projects

Window One GPF grants are being used across regions to pursue governance initiatives at the national, sector, and project levels. Project-level work undertaken with GPF funds largely involves improving project design and use of social accountability tools to strengthen project planning and oversight. In Albania, planned project-level interventions include use of community score cards, community monitoring, the involvement of civil society, and the use of e-procurement systems. In Nepal, GPF funds are being used to mainstream governance in Bank-supported projects through Governance and Accountability Action Plans (GAAPs), the use of sector-corruption mapping in projects, and an expanded social accountability tool kit. Other project-level efforts include the creation of a governance adviser position in the Philippines (to advise TTLs on design and implementation), the mainstreaming of GAAPs in the Democratic Republic of Congo, and the use of community scorecards in Cambodia. Nearly all these activities are under implementation and only one has been cancelled.

Issues being addressed by the Window One projects

This following is a summary of the work being funded in GPF Window One focusing on activities at the project and sectors. At the sector level, GPF is being used mainly to support sector governance and political economy analysis. Overall, five out of the ten countries have sector-level work as part of the Window One program. In Albania, governance analyses of selected sectors are ongoing with work on mining, water, and property rights already completed. In Philippines, upstream sector governance assessments are being mainstreamed through the GPF. In the Democratic Republic of Congo, the GPF supports political economy analyses in sensitive sectors (among them energy and forestry) as well as research that focuses on governance in the transport and sanitation sectors. Mongolia stands out as the only GPF that is exclusively focused on sector governance issues. Efforts in Mongolia
are wide ranging and include high-level policy forums, outreach that targets global good
practice experiences in mineral policy, strengthening the monitoring capacity of civil society
organizations, and improving parliamentary capacity to produce high-quality research on mining.

Since, overall, Window One GPF activities are more heavily weighted towards governance
activities at the country level, work in sectors features political economy analysis, access to
information, decentralization, and PFM, which have repercussions that are not limited to the
pilot sector only. Interestingly, there is only one example of work on procurement (Albania),
and there are no examples of work to strengthen national anti-corruption institutions.

In terms of balance of activities, Albania, DRC, Philippines, and Uganda have GPF activities
spread fairly evenly across all three levels — project, sector, and country. In contrast to all the
other countries, Mongolia’s GPF is focused exclusively on one sector, mining.

Guiding discussion questions include:

- How well do sector, project, and country activities support each other? Could more
impact be achieved by linking activities across the three levels?

- What activities/approaches at sector/project level have the most traction with
government, and why?

- What changes/actions by regions, sectors, or corporate units (OPCS, etc.) would most
help you in meeting GAC objectives at the project/sector level?

- What concrete issues are being addressed by different tools and what prospects are
there for scaling up good examples in Phase II?

- How do PE assessments get disclosed with clients and partners to build support, and how?

Resources

GAC-in-Projects Website: http://gacinprojects


Annex 2

Workshop Program

Implementing Effective Country Level Governance Programs

Westin Grand
Cape Town, South Africa
September 13-16, 2010

MONDAY, SEPTEMBER 13 EVENING

19:00 – 21:00 OPENING RECEPTION AND WELCOME REMARKS / WORKSHOP OBJECTIVES

Otaviano Canuto, Vice-President and Head of Network, PREM

James Brumby, Acting Director, PRMPS

Team assignments

Piet Hein van Heesewijk, Senior Program Officer, Governance Partnership Facility

TUESDAY, SEPTEMBER 14

8:30-10:00 SESSION 1: SETTING THE SCENE

Plenary Panel with Q&A

Opening Statement

Sri Mulyani Indrawati, Managing Director

Why GAC Matters

Otaviano Canuto, Vice President and Head of Network, PREM

What are we learning from implementing country-level governance programs and how does this fit into the Bank’s policies and operations at country level?

Joachim von Amsberg, Vice President, OPCVP

The session will aim to set the stage for the workshop, and will provide an overview of progress with the implementation of country-level governance programs across the Bank. The sessions will also provide an update on GAC implementation, preparation of GAC Phase II, and the connection with country-level GAC strategies.

10:00 – 10:30 COFFEE BREAK
10:30 – 12:30 SESSION 2: IMPROVING IMPLEMENTATION OF COUNTRY LEVEL GOVERNANCE PROGRAMS

Plenary

Chair: Susan Goldmark, Country Director

PANEL

GAC in Fragile and Post Conflict States: Marie-Francoise Marie-Nelly, Country Director

GAC in MICs: Bert Hofman, Country Director

GAC in LICs: Ishac Diwan, Country Director

The panel members will drill down into some of the areas where the Bank is gaining traction in the implementation of the GAC strategy at the country level in different contexts. The panel of Country Directors will share their experiences implementing CGACs in fragile, middle income and low income countries and highlight examples of what is and is not working, and why. The participants will discuss the headline conclusions presented by the panel and the session will also set the stage for the afternoon sessions when teams will split into break out groups and discuss a select range of operationally relevant issues related to GAC implementation.

12:30 – 14:00 LUNCH

14:00 – 16:30 SESSION 3: LINKING COUNTRY, SECTOR AND PROJECT ANALYSIS IN BANK OPERATIONS.

Breakout Groups

Each breakout group will be presented with a short, three-page issue note for their topic. The note will be based on examples of country team experience in implementing CGACs, and raise specific questions for discussion. A coffee break will take place from 15:00-15:30.

Group 1: Diagnostics matter for development effectiveness: upstream diagnostics, sector analysis and resourcing the GAC analytics
Organizer: Verena Fritz, Governance Specialist: PRMPS

Group 2: Managing, organizing and resourcing country teams to implement governance activities
Organizer: Kapil Kapoor, Country Manager: Zambia, Matt Stephens, Project Officer: Philippines

Group 3: More than just safeguards: Integrating social accountability and demand side tools to increase development effectiveness, and minimize risk
Organizer: Sarah Keener, Senior Social Development Specialist: AFTCS (with inputs from Demand For Good Governance Group/SDV, and GAC in Projects Team)

Group 4: Measuring governance for development effectiveness
Organizer: Vivek Srivastava, Senior Public Sector Specialist: PRMPS

16:30 – 17:30 TEAM MEETINGS

Six teams (comprised of three W1 country teams each) will meet to discuss GAC-related operational priorities for what needs to be done and what resources and support are needed to scale up GAC implementation going forward. Teams will present these to senior management during Session 9. Presentations should be limited to 10 minutes per team.

EVENING: OFF-SITE SOCIAL PROGRAM
WEDNESDAY, SEPTEMBER 15

08:30 – 10:00 SESSION 4: GAC IN SECTORS: WHAT FACTORS ARE AFFECTING SECTOR ENGAGEMENT IN GAC IMPLEMENTATION AT COUNTRY LEVEL?

Plenary

Chair: Jim Brumby, Acting Director PRMPS

PANEL

Ariel Fiszein, Chief Economist, HDN
John Roome, Sector Director, EASSD
Onno Ruhi, Country Director, Nigeria

The panel will set the stage for day 2 by presenting country and sector experiences of applying governance in Bank sector operations at country level.

10:00 – 10:30 COFFEE BREAK

10:30 – 12:30 SESSION 5: IMPLEMENTATION OF SECTOR GOVERNANCE ACTIVITIES IN SECTORS IN COUNTRY PROGRAMS

Breakout Groups

Each break out group will be presented with a short issue paper that outlines issues affecting GAC implementation at the sector level - in infrastructure, health and education, and NRM and extractive industries. The issue papers will also pose a series of questions to guide the small group discussions on points such as engaging clients on governance, incentives for including GAC in operations, and effective skills and knowledge for GAC engagement at the country level.

Group 1: Infrastructure
Organizer: Cathy Revels, Lead Water & Sanitation Specialist, ETW

Group 2: Health, Education, Social Protection
Organizer: Dena Ringold, Senior Economist: HDN

Group 3: Natural Resource Management and Extractive Industries
Organizer: Michael Jarvis, EITI++ Task Force + Norway
13:30 – 15:00 SESSION 6: ADDRESSING THE CHALLENGES OF IMPLEMENTING GOVERNANCE AT COUNTRY LEVEL

Chair: Mary Barton-Dock, Country Director: Cameroon

PANEL

Moving from GAC Analysis to Implementation
Galina Sotirova, Country Manager: Burkina Faso

Governance and Risk in Country Operations: CASs and DPLs
Manuela Ferro, Manager, OPCS Country Economics

ORAF and Investment Lending
Denyse Morin, Senior Operations Officer (Governance)

GAC in Project Implementation and Supervision
Kundhavi Kadiresan, Country Manager Uganda

A series of short (10-15 min.) panel presentations will share experiences of various approaches to addressing GAC issues throughout the World Bank project cycle, and with differing types of operations. Breakout groups will follow from the plenary where groups will be tasked with considering these issues in greater detail, drawing on and sharing, their country experiences.

15:00 – 16:30 SESSION 7: RECONCILING GOVERNANCE, DEVELOPMENT RESULTS AND RISK MANAGEMENT

PLENARY WITH Q&A

Chair: Ruth Kagia, Country Director Southern Africa

Sri Mulyani Indrawati, Managing Director

Joachim von Amsberg, Vice President OPCS

16:30 – 18:00 SESSION 8: ADDRESSING SPECIFIC GOVERNANCE CHALLENGES IN BANK PROJECTS

BREAKOUT GROUPS

Group 1: Moving from GAC Analysis to Implementation
Organizer: Galina Sotirova

Group 2: Using DPLs to Support Governance Reforms
Organizers: Barbara Kasura Magezi / Manuela Ferro
19:30 – OFF-SITE DINNER

THURSDAY, SEPTEMBER 16

08:30 – 10:00 TEAM MEETINGS (CON’T)

THE 6 TEAMS REASSEMBLE TO CONCLUDE AND DOCUMENT CONCLUSIONS OF DISCUSSIONS REGARDING WHAT RESOURCES AND SUPPORT ARE NEEDED TO SCALE UP GAC IMPLEMENTATION GOING FORWARD, AS WELL AS HOW THE GPF SUPPORT HAS AFFECTED COUNTRY-LEVEL GOVERNANCE WORK. TEAMS WILL PRESENT THESE TO SENIOR MANAGEMENT DURING SESSION 9, THURSDAY MORNING. PRESENTATIONS SHOULD BE LIMITED TO 10 MINUTES PER TEAM.

10:00-11:30 SESSION 9: A DIALOGUE ON GAC IMPLEMENTATION BETWEEN COUNTRY TEAMS AND SENIOR MANAGEMENT

THE SIX TEAMS PRESENT TO A BANK MANAGEMENT PANEL THEIR OPERATIONAL PRIORITIES FOR WHAT NEEDS TO BE DONE AND WHAT RESOURCES AND SUPPORT ARE NEEDED TO SCALE UP GAC IMPLEMENTATION GOING FORWARD. BANK MANAGEMENT RESPONDS TO THESE CONCERNS, INCLUDING HOW THEY MAY RELATE TO THE PLANNED GAC PHASE II.

PANEL WITH Q&A:

Chair: Ishac Diwan, Country Director

Otaviano Canuto, Vice President and Head of Network: PREM
Colin Bruce, Director: AFRVP
Galina Mikhlin-Oliver, Director, INT
Ariel Fiszbein, Chief Economist, HDN
John Roome, Sector Director, EASSD
James Brumby, Acting Director: PRMPS
Anand Rajaram, Sector Manager AFTPR

11:30-12:00 DONOR COMMENTS
GPF DONORS (UK, NORWAY, AND NETHERLANDS) WILL BE INVITED TO REACT TO THE COMMENTS FROM THE COUNTRY TEAMS AND BANK MANAGEMENT

12:00-12:30 WRAP UP AND KEY ISSUES GOING FORWARD

Piet Hein Van Heesewijk, Senior Program Officer, Governance Partnership Facility

Brian Levy and Graham Teskey, GAC Secretariat

12:30-14:30 LUNCH

AFTERNOON — OPTIONAL PROGRAM

INTERACTIONS BETWEEN COUNTRY TEAMS, NETWORKS, AND THE GPF SECRETARIAT TO ADDRESS ADMINISTRATIVE AND OTHER ISSUES, TO FINALIZE AGREEMENTS ON IMPLEMENTATION SUPPORT, MISSIONS AND TRAINING ACTIVITIES AND TO ANSWER QUESTIONS REGARDING CHANGES IN GPF PROJECTS.

PARTICIPANTS DEPART