BUSINESS MODERNIZATION FOR BETTER RESULTS
UPDATE ON DECENTRALIZATION, MATRIX, AND
KNOWLEDGE PARTNERSHIPS

Operations Policy and Country Services
Reform Secretariat

January 25, 2011
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAA</td>
<td>Analytical and Advisory Activities</td>
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<tr>
<td>AFR</td>
<td>Africa Region</td>
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<td>CFR</td>
<td>Corporate Finance and Risk Management</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>COs</td>
<td>Country Offices</td>
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<td>CTO</td>
<td>Chief Technical Officer</td>
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<td>CODE</td>
<td>Committee on Development Effectiveness</td>
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<td>DEC</td>
<td>Development Economics Vice Presidency</td>
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<td>EAP</td>
<td>East Asia and the Pacific</td>
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<td>ECA</td>
<td>Europe and Central Asia</td>
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<td>ESW</td>
<td>Economic and Sector Work</td>
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<td>FCS</td>
<td>Fragile and Conflict-Affected States</td>
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<td>FPD</td>
<td>Central Vice Presidency for Finance and Private Sector Development</td>
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<td>GETs</td>
<td>Global Expert Teams</td>
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<td>GPG</td>
<td>Global Public Goods</td>
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<td>GPP</td>
<td>Global Partnership Programs</td>
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<td>GTP</td>
<td>Global Technical Practices</td>
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<td>HRS</td>
<td>Human Resources</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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<td>IMT</td>
<td>Information Management Technology</td>
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<td>IRS</td>
<td>Internationally Recruited Staff</td>
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<td>KLC</td>
<td>Knowledge and Learning Council</td>
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<td>LCR</td>
<td>Latin America and the Caribbean</td>
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<td>LRS</td>
<td>Locally Recruited Staff</td>
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<td>MD</td>
<td>Managing Director</td>
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<td>MLT</td>
<td>Matrix Leadership Team</td>
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<td>MNA</td>
<td>Middle East and North America</td>
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<td>NVP</td>
<td>Network Vice President</td>
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<td>OKSP</td>
<td>Operations and Knowledge Systems Program</td>
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<td>OPCS</td>
<td>Operations Policy and Country Services</td>
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<td>PCD</td>
<td>Post Crisis Directions</td>
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<td>RBL</td>
<td>Results-Based Lending</td>
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<td>RVP</td>
<td>Regional Vice President</td>
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<td>SAR</td>
<td>South Asia Region</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>WBI</td>
<td>World Bank Institute</td>
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</table>
Executive Summary .................................................................................................................. i

I. Introduction ................................................................................................................................ 1
II. Strengthening the Matrix ........................................................................................................ 3
III. More Effective Decentralization ........................................................................................... 7
IV. Strengthening Knowledge Partnerships .................................................................................. 13
V. Conclusions ................................................................................................................................ 19

Figures

Figure 1. Modernization of the Bank .............................................................................................. 2
Figure 2. Delegation of Authority and Decentralization ............................................................... 8

Boxes

Box 1. FPD Global Technical Practices Pilot .................................................................................. 5
Box 2. Nairobi Fragile and Conflict States Hub ............................................................................ 10
Business Modernization for Better Results

Executive Summary

i. Modernization Effort. Building on the framework set out in the April 2010 paper, New World, New World Bank Group (I) Post-Crisis Direction, Management has undertaken a major program to modernize the World Bank across all its activities (Figure 1):
   - governance and voting power
   - finances
   - strategic priorities (post-crisis directions)
   - business modernization (internal reforms) to refine the institution’s products, organization, and processes

Figure 1: Modernization of the Bank

ii. The vision driving business modernization is a results-oriented World Bank that is dedicated to poverty reduction, whose staff excel in delivering real-time global customized knowledge and financial services; is the preeminent global convener on development issues; serves the full range of clients; is globally connected and locally responsive; and is accountable and open.

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1 New World, New World Bank Group (I) Post-Crisis Direction (SecM2010-0034), February 2, 2010.
iii. **Focus of the Paper.** The Board had previously requested an update on the Bank’s decentralization effort. However, in a recent Board Steering Committee meeting, it was agreed that a more comprehensive update of the internal reforms would be more useful. Because decentralization is not an end itself, this update focuses on one goal of the Bank’s business modernization effort, i.e. strengthening the organization through a stronger matrix, more effective decentralization, and stronger knowledge partnerships. Modernizing the organization involves strengthening the way Bank staff work with our clients, with each other, and with our partners. This means improving the way our matrix structure operates so that our teams and work are better integrated and knowledge and expertise flow more freely; developing a customized approach to enhancing our already decentralized structure with the overall aim of getting cutting-edge skills closer to the clients while gathering, customizing, and spreading knowledge and experience more effectively; and building more open and effective knowledge partnerships to deliver the best knowledge and expertise, from whatever source, to help clients achieve better results. These efforts to strengthen the way we work are interlinked with the other two objectives of the business modernization program: strengthening the products and services we deliver, and modernizing our processes and systems so we are more flexible and efficient.

iv. **Progress.** Since our last update, the Bank has made progress in several key areas. The Reform Secretariat is now staffed to monitor, coordinate and communicate the business modernization effort. The Reform Secretariat is also serving as the coordinator for the Knowledge and Learning Council (KLC), Matrix Leadership Team (MLT), and the MDs-CFO on the internal reform agenda. The MLT is working to improve the functioning of the matrix. The KLC has moved forward on key programs to improve the flow of knowledge inside and outside the Bank. Management has also taken steps to strengthen our decentralized structure to ensure that quality services are delivered more effectively and efficiently to our clients. Specific progress includes:

- **Matrix.** The Finance and Private Sector Development (FPD) global technical practice pilot has been approved for funding and implementation. Several Sector Boards have moved to clustered recruitment processes.
- **Decentralization.** Management has confirmed its business strategy for decentralization which includes building on the success of the current system of country-office based decentralization and complementing this by customizing our approach to meet specific needs. In this regard, a fragile and conflict states hub has been approved for implementation.
- **Knowledge Partnerships.** The first Chief Technical Officer (Technical GI) has been recruited and four additional Chief Technical Officers are now being recruited. Three Knowledge Platforms have been selected for multiyear funding. The Open Data initiative, launched in April 2010, has achieved 2 million hits on the Bank’s data website. The Bank’s Social Networking platform (Scoop) now has over 10,000 users, and the internal/external networking platform, eScoop, has been launched. Thirteen frontline teams have been selected for funding through the Innovation Fund.

v. The business modernization program covers a broad agenda with intersecting activities that need to be sequenced and managed properly. We are learning as we go and taking early lessons onboard to adapt to changing circumstances. We also recognize that there are risks to
effectively implementing this broad agenda, especially since many of the initiatives are inter-linked and dependent upon one another. In addition to using the Corporate Scorecard, we are developing a framework for monitoring the implementation of the program which will help us to mitigate risks.

vi. **Future Reporting.** In our next report to the Executive Directors, in March 2011, we will provide an update on the Bank’s post-crisis directions and on progress on the overall business modernization program (internal reforms).
BUSINESS MODERNIZATION FOR BETTER RESULTS

UPDATE ON DECENTRALIZATION, MATRIX, AND KNOWLEDGE PARTNERSHIPS

I. INTRODUCTION

1. The business modernization agenda (internal reforms) is grounded in a package of actions presented to the Board of Governors in April 2010, at the same time as the World Bank outlined its vision for post-crisis directions (PCD). In September 2010, the Board was updated on PCD and internal reforms; the next update to the Board in these areas will be in the Spring 2011.

2. Modernization Effort. Building on the framework set out in the April 2010 paper New World, New World Bank Group (I) Post-Crisis Direction, Management has undertaken a major program to modernize the World Bank across all its activities:

- governance and voting power
- finances
- strategic priorities (PCD)
- business modernization (internal reforms) to refine the institution’s products, organization, and processes

The vision driving business modernization is a results-oriented World Bank that is dedicated to poverty reduction, whose staff excel in delivering real-time global customized knowledge and financial services; is the preeminent global convener on development issues; serves the full range of clients; is globally connected and locally responsive; and is accountable and open.

3. Modernization Goals. Three goals drive the business modernization process:

- Modernize products and services, with a sharper focus on results.
- Modernize the organization for increased integration, openness, and accountability.
- Modernize processes and systems for more efficiency and flexibility.

4. Purpose of the Paper. The Board had previously requested an update on the Bank’s decentralization effort. However, in a recent Board Steering Committee meeting, it was agreed that a more comprehensive update of the internal reforms would be more useful. Because decentralization is not an end itself, this update focuses on one goal of the Bank’s business modernization effort, i.e. strengthening the organization through a stronger matrix, more effective decentralization, and stronger knowledge partnerships. (Figure 1 provides a schematic of the overall modernization effort of the Bank; the highlighted section is the focus of this paper.) Work toward this goal is based on the PCD paper, which noted that, to take advantage of the World Bank’s unique strengths—its local presence and global knowledge—the Bank would need to promote greater openness and accountability and enable seamless flows of knowledge internally and externally by making more Bank knowledge available outside; integrating and

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2 New World, New World Bank Group (I) Post-Crisis Direction (SecM2010-0034), February 2, 2010.
sharing knowledge more broadly within the Bank by breaking down silos; bringing more external views into the Bank and to our clients; strengthening partnerships with the broad range of development partners; and responding more quickly to clients with the right expertise and knowledge, from whatever source. Therefore, modernizing the organization for increased integration, accountability, and openness involves the following efforts:

- Strengthening the matrix to improve internal integration and break down sectoral and regional silos.
- Enhancing delivery of products and services to our clients through more effective decentralization.
- Strengthening knowledge partnerships through more open, ongoing exchanges of knowledge and new platforms for engagement with the outside world.

**Figure 1. Modernization of the Bank**

5. **Structure of Paper.** The paper provides an update on progress on the second goal of business modernization - modernization of the organization, i.e. matrix, decentralization and knowledge partnerships (Sections II, III, and IV), and draws conclusions (Section V). The accompanying powerpoint presentation on the overall World Bank business modernization effort provides details on the other two goals, i.e. modernization of products and services and modernization of processes and systems.
II. STRENGTHENING THE MATRIX

Summary: Changes to strengthen the Bank’s matrix structure are under way. The Matrix Leadership Team (MLT) is working to improve the functioning of the matrix, including defining roles, clarifying deliverables and accountability, and addressing issues including the span of control of sector managers. The MLT has outlined the steps to transform the sector boards to function as Global Technical Practices, and senior management has approved the funding for a pilot in the Finance and Private Sector Development (FPD) network. The pilot would transform FPD’s sector boards into global technical practices to better serve clients, foster collaboration, and improve staff satisfaction and growth.

A. Background

6. In 1997, the World Bank adopted a matrix organizational structure that is still operating today. In previous discussions with the Board, Management has identified the refinements needed to modernize our matrix structure. The Bank needs to strengthen our ability to both nurture and deliver cutting-edge global knowledge through increasing cross-support. Increasing staff mobility and better integrating global public goods activities with country programs are also key priorities. Experience has also pointed to the need to continuously manage and improve the workings of the matrix. These changes would allow the Bank to bring clients the best global knowledge—from whatever source—customized for their particular situation, and delivered in a timely, agile way.

7. In March 2010, Management presented to the Board the following recommendations on the Matrix:

- The focus of the Bank should be on balancing the successful country presence with a global brand and knowledge connectivity
- This balance requires clarification of accountability, strengthening corporate behavior and realigning incentives but does not rely on changing boxes
- The tensions within the matrix needs to be continuously managed at the senior level and throughout the organization
- Experimentation and learning should be the norm and the Bank should not wait for significant structural changes every decade

We are implementing these recommendations and progress is outlined below.

8. Matrix Leadership Team. To implement the above recommendations, a Matrix Leadership Team (MLT) was established to provide strong corporate management for the reforms. The MLT, established in March 2010, comprises the six Regional Vice Presidents (RVPs), four Network Vice Presidents (NVPs), and the Vice Presidents of OPCS and HR. Its role is to lead the effort to manage and improve the functioning of the matrix, develop a concrete action plan, and monitor implementation. The MLT operates under the principle of collective

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3 Towards a More Effective Matrix (SecM2010-0137), March 10, 2010.
leadership, working as a team with shared accountability for solving problems and achieving institutional goals; and it reports regularly to the MDs and CFO. The MLT works closely with the Knowledge and Learning Council to coordinate activities in improving the flow of knowledge. As secretariat to both the MLT and Knowledge and Learning Council, the Reform Secretariat plays a coordinating role between the two bodies. This section presents the progress the MLT has made in addressing the following core issues that affect the matrix:

- Stronger management of global technical practices to better connect knowledge across the Bank
- Improved management practices to nurture high performance, top talent and staff mobility
- Clear accountability across operational units (RVPs, NVPs)

B. Global Technical Practices

9. Strengthening the Bank’s global technical practices (GTPs) is a key priority of the Knowledge Strategy. Transforming the Sector Boards into Global technical practices would enable sectors (e.g., health, water) to operate as integrated, Bank-wide entities capable of recruiting and developing the best talent, enhancing the mobility of top experts, managing knowledge generation and circulation across the Bank, and strengthening networks with key knowledge centers across the world.

10. The MLT has identified actions that Sector Boards can take to function as global technical practices that would be responsible for the following areas.

- **Strategy.** The GTP would manage the preparation and implementation of the sector strategy and advocacy, and would exercise an advisory and monitoring role regarding global partnerships/programs.
- **Talent Management.** The GTP would be responsible for the development of sector staffing strategies including talent management review and mapping, cluster recruitment, managing staff rotation, launching core competencies, assessing actual and projected skills gaps, approving learning plan and deliverables, on-boarding new hires, and managing corporate staff assets.
- **Knowledge Management.** Responsibilities in this area would include monitoring an agreed benchmark level of inter-VPU cross-support, managing and monitoring globally significant knowledge products, and establishing mechanisms for “just-in-time” advice.
- **Quality Assurance.** The GTP would introduce quality assurance processes for knowledge deliverables of multi-regional and global significance.

11. **Progress.** The Finance and Private Sector network is the most advanced in developing a GTP model. An FPD Global Technical Practices has been approved for piloting in FY11 (Box 1). The MLT will closely monitor the implementation and impact of the FPD pilot, assess the applicability of elements of the pilot to other networks, and feed lessons learned from the pilot into the elaboration of a common framework to transition Sector Boards to global technical practices.
Box 1. FPD Global Technical Practices Pilot

The FPD Network was tasked with developing a global technical practice pilot to: (a) improve development impact for clients, and (b) improve staff quality, growth, and satisfaction through increased collaboration and innovation across Anchors/Regions and the World Bank Group. The Network has developed a comprehensive transformation program with six key initiatives.

- **Realign the strategic priorities of Anchors/Regions to address client demand and take advantage of innovative opportunities.** Focus on untapped client demand (e.g., industrial competitiveness) and much-needed collaboration on cross-Network topics (e.g., active participation in externally-facing knowledge platforms). A new country director advisory board and expanded dialogue with private sector companies will inform FPD’s views on trends in client demand and trade-offs. Already, FPD has launched an incubation center to develop new client solutions.

- **Create a strong intellectual home base for FPD practitioners.** All (Anchor and Regional) staff will be mapped to one of six GTPs, three each for financial sector and private sector development. Boutique operations, which at present are scattered across the Network, will be consolidated for critical mass. Targets for cross-support, knowledge creation, and sharing will be embedded in staff’s evaluation process, with a Practice Manager/Staffing Coordinator “clearing the market” and allocating the right people/expertise to the right assignment. FPD GTP-Directors will have a dual role, combining leadership and accountability for one functional area (e.g., Financial Inclusion Practice) with that for one of the six regions (e.g., FPD Africa); each will report jointly to and be funded by FPDVP and the RVPs to incentivize both knowledge and client delivery. FPD Country Sector Coordinators—deployed according to business needs—will be the Bank Group’s key client interface, working closely with the country directors and accountable for FPD country strategy and its delivery.

- **Establish a knowledge platform at the very core of the FPD Network, with the best available tools, support infrastructure, and incentives.** Critically, this capability will allow seamless collaboration between country-based and HQ staff, with direct, secure access for IFC colleagues who are operating on the same technology platform. The “FPD Knowledge Center” will combine access to a just-in-time client request system, a high-quality digital knowledge base on FPD-related topics, operational updates to broker connectivity across the GTPs and with other networks (e.g., on jobs or public-private partnerships), and a nimble governance structure to encourage wide adoption of these new working routines. FPD will also pilot collaboration initiatives with external clients and leverage external partnerships to tap into a broad array of analysis, expertise, and views.

- **Take an innovative approach to talent management for all FPD Network staff, focusing on strategic staffing, performance management, and career management.** Cross-support will direct expertise where it is needed, with a staffing coordinator to clear the market and identify skill gaps. A proactive approach to performance management will ensure frequent and better-quality feedback, identify and reward star performers, and identify and address performance issues. We will also experiment with the creation of an objective “performance advisor” to help promote an active culture of feedback and coaching. A career framework will provide clarity on career growth and mobility opportunities based on competencies. Training maps will be customized for grade level and practice area to develop leadership capacity and rebuild technical skills.

- **Use a programmatic approach to strategically manage separate funding sources.** The dual directorship model will foster a “one-budget” mindset across the FPD GTPs: for example, trust funds will be jointly managed and shared across the Network. Cross-support will be reimbursed in real-time to tear down barriers to collaboration.

- **Adopt an FPD scorecard that cascades down from the VPU level to track changes in organizational and operational performance and in contributions for client service and impact at the country level.** At the same time, a Network-wide quality control process will ensure the quality and relevance of flagship products and FPD’s global indicator work.
C. Managing Top Talent and High Performance

12. MLT members agreed to share collective accountability for managing high performance and for the effective deployment of the Bank’s key corporate knowledge assets to improve client responsiveness and increase development effectiveness. The MLT also agreed on the priority areas for expanding the corporate pool of global technical GIs and Global Expert Teams (GETs) over the next three years. Areas where we want to expand our pool of talent include renewable energy, climate change, finance for development, employment and labor. The MLT is monitoring the performance of the GIs and GETs and ensuring their balanced deployment across Regions, global programs, and other institutional priorities (the next section of this paper provides a fuller discussion of GETs and technical GIs). In addition to this work, several Sector Boards have moved to cluster-recruitment of internationally recruited staff, allowing for more strategic allocation of staff across the institution. Finally, the MLT is developing a strategy to set and monitor targets for inter-VPU cross-support and for staff rotation.

D. Clearer Accountability for RVP/NVP and Global Partnership Programs

13. The MLT has been working to tighten governance and accountability in a number of ways. It is working to clarify the role of sector leaders and country sector coordinators and delineating Network anchor deliverables and accountability. They are also benchmarking cross-Regional quality assurance and risk management practices and reviewing the span of control of sector managers as well as identifying options for reducing it. It has also been discussing accountability within the matrix for global partnership programs (GPPs). In this regard, the Sustainable Development Network has reviewed its GPPs and is developing a strategy. The MLT will review the IEG reports on GPPs and trust funds and will propose next steps.

14. **Evolving Work Program.** The MLT work program will continue to evolve as new challenges surface. The monthly MLT meetings provide an opportunity to take stock and monitor progress on the key reforms that are modernizing the matrix.
III. MORE EFFECTIVE DECENTRALIZATION

**Summary:** Building on the success of the current system of country-office based decentralization, including the growth in the share of tasks managed by staff located in country offices, the Bank is reviewing how to strengthen the current system. The Bank is proposing to pilot hubs, including the Nairobi Fragile and Conflict States hub to provide quality, sustained, focused support and advice to fragile states. Other hubs being considered include an Implementation Hub for West Africa and a Center of Excellence in Singapore. Work to increase staff mobility, strengthen technical practices, and strengthen the corporate center will also be important in ensuring our decentralized structure is effective in serving the evolving needs of clients. Given budgetary and operational limits, we will continue to diversify and customize our approach to meet specific needs. The overall aim will be to ensure that cutting-edge skills are closer to the clients and that we are gathering, customizing and spreading knowledge and experience more effectively.

A. Background

15. **The impact of decentralization has been positive.** Effective decentralization is one of our critical tools for improving responsiveness, openness, and accountability with clients. Over the last 15 years, the Bank has followed a country office-based decentralization model that has significantly increased responsiveness to clients. Clients, staff, and managers alike view decentralization of country directors and staff to the field as positive. As a result of decentralization, the conduct of country business has systemically changed to provide much greater client focus in the formulation of country strategies, the execution of country programs and portfolios, and coordination of development assistance. Increased staff presence on the ground also allows for much more face time with clients. Decentralization has promoted a more constant and consistent dialogue with clients that has helped to increase client ownership and the relevance of the Bank’s response. We have also shortened our response time and have been able to provide clients with global experience that is better adapted to local conditions.

16. **The majority of regional operational staff are decentralized.** Over the past several years, the Bank has significantly decentralized operational staff: 61 percent of all Regional staff and almost all country directors are now based in country offices. The share of internationally recruited staff (IRS) in country offices has grown from 17 percent in FY01 to 30 percent in FY10, and the share of staff at grade GE and above (both IRS and locally recruited staff, or LRS) in country offices has increased from 40 percent in FY01 to 54 percent in FY10. By any of these measurements, the Bank’s operational staff are quite decentralized already. However, each Region has decentralized staff differently, with AFR, EAP, and SAR having higher proportions of their staff in the field than ECA, LCR, and MNA (see Figure 2).

17. **A large share of task management is done by country office-based staff.** In addition, the share of tasks managed by staff located in the country offices is significant. For example, in EAP 64 percent of technical staff (those mapped to FPD, HDN, PREM, and SDN) are in country offices, and 58 percent of tasks are managed by country office-based staff. Currently, for the aggregate of all Regions, about 40 percent of task management is done in the field. As Figure 2 illustrates, the degree of field-based task management is correlated to and broadly consistent with the level of Regional decentralization of technical staff.
18. **The Country Office Model.** It has become increasingly clear; however, that expanding this country office-based model has reached some limits, and is constrained within the current budget environment. Currently, decentralized staff are located in roughly 120 country offices worldwide, 60 of which are co-located with IFC. Some of these offices are very small and are staffed mainly with LRS and one or two IRS; others are very large and carry a full complement of international and local staff. The higher levels of decentralized staff have created pockets of staff captured by a single country program and stranded staff skills in others when work programs shifted. In addition to the segmentation that already occurs between Regions and Networks and across Regions, fragmenting staff throughout so many country offices presents significant challenges to capturing and disseminating experience and knowledge to practitioners in need of such support. Consistently low levels of cross-support illustrate that silos remain difficult to penetrate. Moreover, such fragmentation presents significant management challenges. Finally, as Management has discussed with the Board, the country-based decentralization model is expensive. Expenses related to decentralization (local salaries, IRS field benefits, equipment/buildings and other costs) have grown from US$184 million in FY04 to about US$300 million in FY10. This increase is due in part to price escalation in country offices and in part to the increased numbers of IRSs being placed in country offices.

19. **Way Forward.** Management has periodically engaged the Board on decentralization progress and constraints. Building on this previous work and taking into account budgetary and

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4 The first discussion (Toward a Global Bank: Discussion Note, SecM2008-0428, October 8, 2008) took stock of decentralization over the past 10 years and confirmed its qualitative benefits with respect to relationship management and the delivery of country services. The first Board update (Toward a Global Bank: An Update, SecM2009-0326, June 25, 2009) essentially reported on staffing shifts to the field, noting in particular the Bank’s increased presence in fragile and IDA countries. Board discussion of this update expressed support for exploring alternatives to country office-based decentralization and emphasized the importance of ensuring that the organization’s core functions and global knowledge management not be compromised by decentralization. The second Board update (Toward a Global Bank: The Second Update, SecM2010-0051, February 3, 2010) discussed options for further decentralization.
operational limits, we will diversify and customize our approach, with the aim of improving the effectiveness of decentralization in five areas:

- Reinforcing the country office model
- Piloting a combination of hubs
- Increasing mobility
- Strengthening technical practices
- Strengthening the corporate enabling environment

B. Reinforcing the Country Office Model

To reinforce the country office model, we are adding four more country directors in Africa and moving more task management to country offices. In addition, we are working to increase the effectiveness and productivity of country offices and country-based staff. We are delegating more authority to the country offices, for example, higher internal procurement review thresholds are now being delegated to some country office procurement hub leaders. Human Resources has been working to ensure that the proper incentives are in place for staff to consider country office assignments as a critical part of their career development. For example, staff working in field-based FCS assignments will be automatically shortlisted for their next assignment. Human Resources are also making country office assignments more attractive to families and providing global mobility support to help families during the transition, including a family assistance allowance, overseas assignment benefit briefings using mobile technology, and decentralized medical emergency response plans. In order to enhance connectivity across the organization and facilitate knowledge capture and use from operations IMT has implemented, as part of the overall OKSP strategy, new servers in 106 country offices to ensure that the country offices are core part of the networked organization.

C. Piloting Hubs

20. To address the fragmentation of knowledge and further improve the quality of services to our clients, Management proposes a way forward that focuses on increasing the connectivity of our staff and mobility of knowledge through the experimentation with hubs. Specifically, while country offices will remain the foundation for client engagement, consolidating scarce technical skills in hubs that are logistically convenient offers the possibility of locating global expertise closer to clients with the potential for reducing the costs of decentralization. The lessons learned from the pilot hubs, as well as from IFC’s experience with hubs, will be gathered to provide sufficient learning to promote smooth implementation in the future should the hub pilots prove successful.

21. To complement country offices, we will pilot three hubs: a Fragile and Conflict States hub in Nairobi, an Implementation Support hub for West Africa, and a Center of Excellence in Singapore.
1. Fragile and Conflict States Hub, Nairobi

22. The Nairobi Fragile and Conflict States (FCS) Hub (Box 2) will provide the Bank with the opportunity to respond to several challenges with regard to its response to FCS. In FCS, it is particularly challenging to provide high-quality, consistent, sustained, and focused support and advice to clients where our engagement faces significant reputational risks. Bank advice to fragile states requires a high level of skill in communication and consensus building, as well as good judgment in identifying problems and sequencing reforms. It also often requires presence on the ground to ensure follow-through on basic actions required for the preparation and implementation of reform programs and projects.

23. Nairobi was chosen for the hub’s location due to the fact that it has the best flight connections to the greatest number of AFR FCS countries (13 of 21). Nairobi also scores well on a number of different criteria (security for bank staff, families and facilities, legal issues, office space, availability and cost of international schools, cost of compensation and benefits, availability and cost of residential housing, etc.).

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<th>Box 2. Nairobi Fragile and Conflict States Hub</th>
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<td><strong>Attracting Staff.</strong> It remains difficult to attract enough suitably experienced staff to these challenging assignments in all the countries that need our intervention. Thus, an alternative solution is to establish an FCS cluster housing a core group of highly experienced staff in a logistically suitable location in Africa. Their presence on the continent would allow them to be deployed quickly as needed in the sub-Region, and their brief would require them to make frequent visits to the countries to monitor developments and provide strategic advice and support as needed. They would be near enough to provide support as well in such countries as Yemen (MNA), Tajikistan and Kyrgyz (ECA), and Pakistan and Sri Lanka (SAR).</td>
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<td><strong>Hub Governance.</strong> To allow the hub to provide robust, seamless, and relevant policy/technical support to Bank Management and to the country offices and country teams that lead the programs with clients, the Nairobi hub will be a partnership between OPCS and AFRVP. This partnership reflects the fact that Africa contains two-thirds of FCS programs, but that other Regions in the Bank will also be able to reap the benefits of greater decentralization and cross-Regional experiences. In addition, it ensures that advice provided to Management and the Bank’s overall corporate response to FCS is anchored in real-time country experiences and that there is an immediate feedback loop between policy and practice. It is expected that as the hub gains experience, it will evolve into a global center of excellence serving multiple Regions.</td>
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<td><strong>Staffing.</strong> The hub will house a core group of highly experienced GG-GH staff to work across the range of fragile states in the Region. Initially, it is likely that two-thirds of the staff in the FCS Hub will be sourced from the Africa Region and, to strengthen the link to global knowledge and experience, one-third will be global experts from OPCFC. The FCS Hub will be headed by a director based in Nairobi (who, in addition to providing guidance to the unit, will also fulfill some of the key corporate responsibilities previously carried out by the Director, OPCFC). The director will be appointed by and report jointly to the VP OPCS and the VP AFR. By the end of FY12, key staff will be in place: 15-20 staff, with 12-15 from the AFR region and 5 from OPCFC, plus support staff.</td>
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<td><strong>Timing.</strong> The Nairobi hub will be ready for implementation in 2011, and its impact for client countries will be realized over time. The FCS Hub will begin to measure and monitor impact over the short run through client surveys and, over the longer term, through standard tools such as the CPIA ratings, portfolio indicators, and IEG evaluations. Key indicators of success will be (a) improved quality of services and products; (b) increased use of locally-adapted global knowledge; (c) faster response to client demands; (d) greater flexibility in adapting to changing circumstances; and (e) increased leveraging of partnerships. An evaluation of the hub is planned for 2012.</td>
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2. Implementation Hub, West Africa

24. At the request of many countries in the West Africa sub-region, AFR is proposing to establish a strategically located implementation hub. The purpose of the hub would be to consolidate operational support in a region of Africa where there are many small countries with weak institutional capacity for implementing Bank-supported projects and programs. The hub would ensure higher levels of sustained and consistent technical support to country programs (especially with regard to procurement and financial management skills), including “just in time” responses that are critical to improved program/project implementation; promote better knowledge sharing with country office staff and counterparts; and enhance quality assurance.

25. Detailed planning and costing of this hub is under way, but it is proposed that the hub would draw on staff currently dispersed across West Africa country offices with selective recruits from Washington. Clear measures for portfolio quality improvements and enhanced efficiency through productivity gains and appropriate learning feedback loops are also under development.

3. Center of Excellence Hub, Singapore

26. Since 1999, the World Bank’s Singapore Office has housed an Urban Hub focused on city management, city financing, urban design, and climate change. In November 2010, the World Bank Infrastructure Finance Center of Excellence was established. It is proposed that this Center of Excellence be expanded to include core World Bank Group functions.

27. Advantages of a Singapore Hub. A scaled-up Singapore office would leverage Singapore’s knowledge and expertise to advance the Bank Group’s global knowledge and investment agenda. We would propose to locate Regional and Network anchor staff in the same location to support operations and provide a coordinated approach to our dialogue and engagement with Singapore agencies. The hub would also provide administrative and logistical support to program management and visiting missions. The Bank Group’s proposed work program in Singapore includes expanding the present Bank office, creating an IFC office, and expanding MIGA’s regional office in Singapore. The additional staffing needs of the Bank and MIGA are expected to be met through reassignment of staff from Washington, DC.

28. Focus of the Singapore Hub. We would expect the expanded Bank office in Singapore to include operational units on urban development, infrastructure financing, ICT, and accounting and auditing. A Treasury representative would also be stationed in Singapore. The sectors selected are ones where we believe there are significant client demand and where Singapore is recognized as a global leader.

D. Increasing Staff Mobility

29. Increasing staff mobility is a core goal of the HR strategy. The accompanying powerpoint presentation provides greater detail on the HR reforms related to this topic. To date, financial incentives have been only partially successful in encouraging staff mobility. For the foreseeable future, as the family with two income-earning spouses becomes the norm, it is not likely that
monetary incentives could be increased sufficiently to offset the potential of lost spouse/partner income. In addition, enhanced global practice management (including increased cross-support), more active management of staff and their location, and creation of strategic hubs should help increase staff mobility.

E. Strengthening Technical Practices

30. As discussed in the previous section on strengthening the matrix (section II), efforts to increase the flow of global knowledge are critical for effective decentralization. A corporate decentralization approach that builds on the success of the country office-based model and complements it by the creation of modest hubs is a step toward reducing the physical fragmentation of staff that also impedes knowledge flows. Matrix reforms including, Global Technical Practices, the likely mandated higher levels of cross-support, and the establishment of Global Expert Teams (GETs) and technical GI positions to provide clearly identified global talent to support task teams working at the local level will help to address the issue of staff “ownership” that now tends to reinforce Regional and Network silos.

F. Strengthening the Corporate Center

31. A strong corporate enabling environment is the glue that holds a decentralized institution together. Shifting the corporate center into high-performance mode requires the following:

- Clarity of purpose and role for each corporate unit to ensure clear direction and accountability and to avoid bureaucratic growth or overlapping mandates.
- Discipline with regard to decision-making to ensure that the right decisions are taken quickly at acceptable costs and lead to intended outcomes, and that the decisions taken are implemented.
- Harmonized organizational structures across the institution to ensure clarity of roles and accountabilities for similar types of jobs.
- Light-touch periodic review of corporate functions and units to keep the center lean and focused on nurturing a positive corporate culture.

32. Measuring Results. Robust metrics will allow the Bank to evaluate the overall benefits of decentralization and further refine its decentralization approach. As part of the Knowledge Reform agenda, efforts are under way to develop impact measurements for the Bank’s substantial non-lending services: economic and sector work, technical assistance, policy advice, and convening activities and partnerships. In addition, regular client surveys of a broader segment of clients will be an important way to assess the effectiveness of decentralization.
Summary: To be on the cutting edge of development thinking and research, the Bank needs to strengthen our knowledge partnerships and increase the flow of data and knowledge inside and outside the Bank. The Knowledge and Learning Council is overseeing this effort with a series of activities under way to open connections and partnerships, including funding a set of knowledge platforms to foster partnerships on urbanization, ICT for accountability and development, and green development with actors from around the world. The KLC is supporting programs like World Bank Fellows, Global Expert Teams, and Chief Technical Specialists; and an Innovation Fund, which has just selected 13 winners; a South-South Learning Exchange, already under way; and efforts to open up the Bank’s information.

A. Background

33. The World Bank’s knowledge strategy is grounded in the vision for the knowledge agenda endorsed by the Board in March 2009.\(^5\) The vision identified knowledge as the Bank’s core strategic asset and highlighted three main goals: improve the Bank’s ability to capture, create, and deliver knowledge to its clients through global technical practices; make the vast amount of knowledge produced by the Bank more impact driven; and strengthen the Bank’s global connector role, linking country practitioners and policy makers to sources and centers of knowledge and innovation dispersed across the world.

34. Several of the key priorities of the Knowledge Strategy which were reported in the March 2010 Board paper\(^6\) have now been implemented. For example, the Knowledge and Learning Council and the Matrix Leaderships Team to oversee the whole strategy have been established and are operational. Concrete actions to support front line staff and clients have been taken, including the launch of the Global Expert Teams, the establishment of a social networking platform, the establishment of the GI technical stream and Bank Fellows program, selection of three Knowledge Platforms, and pilot initiatives to support embedded knowledge, South-South exchanges and innovation.

35. The knowledge strategy is embedded in many parts of the reform agenda. For example, Bank knowledge services are at the heart of another goal of the reform agenda - modernizing the Bank’s products and services. The Knowledge Services Report, which is now under preparation and has been discussed at the CODE retreat, will focus on ways to strengthen the linkage between the Bank’s knowledge services and results on the ground. As another example, the reforms by which the Sector Boards are to function as global technical practices include accountability for managing and deploying knowledge globally as an integrated part of the Bank’s business. This section focuses on how the Bank is opening to coproduction of knowledge and developing new ways to work with others to broaden the range of knowledge resources available to our clients and stakeholders.

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36. **Opening the Bank to Working with Others.** The Bank has long been a leading producer of development knowledge. Now we are taking that leadership to the next level by looking to coproduce knowledge with outside partners, broker world-class knowledge from external producers, and make the knowledge and data the Bank generates more easily accessible to clients and other stakeholders. We are actively working to promote openness and exchanges, and to develop new platforms for engaging with the outside world. We must do this to remain relevant, because our clients are themselves more globally connected and able to draw on a wide array of information sources and expertise. They increasingly appreciate that the World Bank is not the only source for development knowledge, and they want us to help them connect with innovation across the world. They expect the Bank to be more responsive to their information needs and more flexible in providing the knowledge and data they seek. We seek to be the partner of choice for both clients and collaborators, so that we are able to bring the best available knowledge and services to our clients.

37. **Knowledge and Learning Council.** The Knowledge and Learning Council (KLC) is chaired by the Bank’s Managing Director for Knowledge, and has seven other members drawn from WBI, DEC, and the Bank’s operational and Network vice presidencies. It coordinates its work—particularly on the GETs and technical GIs—with the MLT. The KLC has spending authority on corporate knowledge priorities and has allocated the overwhelming majority of the $11.5 million committed for this purpose in FY11 toward a new way of doing business—for example, knowledge platforms and an Innovation Fund. The remainder of this section describes a number of the areas that are under the active management of the KLC.

**B. Knowledge Platforms**

38. Knowledge platforms, which involve external stakeholders in coproducing knowledge, are intended to provide a framework for sustained global collaboration around selected strategically significant issues. This initiative focuses resources, both within the Bank and across the development community, on critical, strategic, and transformational issues that will affect developing countries over the medium term. The platforms are long-term, multiyear engagements with donors and partner institutions. While the Bank will lead some of the platforms, it is expected that some will also be led by other development partners. The issues addressed by knowledge platforms are cross-sectoral, fill critical knowledge gaps, and seek cogeneration of knowledge from diverse sources and institutions. Knowledge platforms emphasize evidence-based and results-focused development solutions. Using an open and competitive process, including a highly successful Knowledge Partners Workshop in December 2010, the KLC has selected the first three knowledge platforms for multiyear funding. A second round of competition is about to be launched, and will include a similar workshop, tentatively planned to coincide with the Annual Bank Conference on Development Economics (ABCDE) in Paris in June 2011. The first three knowledge platforms, which are becoming operational in FY11, are as follows:

- **Urbanization.** This platform has the goal of combining the best technical knowledge with practical wisdom to learn how to get the best outcomes in urban development. Initial core partners are McKinsey Global Institute, Brookings Institution, and the Rockefeller Foundation; over time, we hope to include CEDE in Colombia; ISSER in
Ghana; Monterrey Tech in Mexico; IPEA in Brazil; NIPFP, Indian Institute for Human Settlements, and India Development Foundation in India; Economic Policy Research Center in Uganda; and the Faculty of Economics at the University of Indonesia. These wider networks of exchange will be built in conjunction with the Bank’s Marseilles and Singapore hubs.

- **eTransform—ICT for Accountability and Development.** This platform will seek to mobilize and deploy relevant knowledge and expertise in support of using ICT to advance development priorities, especially in governance and accountability in public services. Partners include private sector industry leaders and innovators (MoUs have been signed with the Korean Communications Commission, IBM, Intel, Gemalto, L1, Microsoft, and Pfizer); academic institutions (Carnegie Mellon University, MIT, IICD, POSTECH, the UN-APCICT, University of Manchester, London School of Economics, Kennedy School, Monterey Tech, National Institute of Smart Governance, and various African universities); and standards bodies and other institutions.

- **Green Development.** This platform aims to produce concrete recommendations and develop the instruments and analytic tools needed to make green development a reality. Key external partner institutions include UNEP, UNDP, and OECD; GTZ and SIDA; and relevant specialized agencies (IEA, FAO). A number of research centers and consortia (CGIAR, IFPRI, the World Soil Center, ISRIC, and the Energy Modeling Forum) and individual researchers will be invited to participate.

**C. Mobilizing Global Expertise**

39. Because knowledge is vital to the Bank’s mission, we must ensure the excellence and relevance of our technical expertise. Three programs are raising the Bank’s knowledge profile; providing new perspectives on policy, performance, and implementation; and increasing the quality of our advice and engagements.

- **World Bank Fellows.** In a first round of competition, six world-class experts have been invited to become World Bank Fellows, working with the Bank for short periods of time. This program will allow the Bank to strengthen its own capacity, increase knowledge, and offer top-of-the-line services to clients. Some of the Fellows coming into the Bank under this program have a record of extraordinary accomplishment, e.g. at pioneering telephone banking in Africa, or serving as Chief Information Officer for a leading European government. A new selection round will take place in February 2011.

- **Chief Technical Specialists.** This new program introduces a higher-level technical, non-management career stream for both internal and external candidates, helping to ensure that we have staff with world-class expertise who are able to quickly to provide the best possible analysis and advice for our clients. One CTS—who works in climate adaptation issues and was a member of the IPCC—has been hired, and four more are in various stages of recruitment.
• **Global Expert Teams.** Eight GETs have been operational in such technical areas as climate change, disaster risk management, and social safety nets. The experts who are funded through this pilot are charged with working globally, bringing expertise and best practices to all corners of the globe. The program is raising the level of high-impact, priority economic and sector work, bringing a wider strategic dimension to the Bank’s operations, and providing a high-level presence to global symposia. An evaluation of the impact of these teams, now under way, will be the basis for further funding decisions.

D. **South-South Knowledge Exchange**

40. In July 2010, the KLC approved funding for mainstreaming South-South knowledge exchange into the Bank’s operations. WBI then launched a Bankwide call for proposals, receiving 88 proposals to support South-South activities in Bank products and services in over 40 countries. Selected activities are being undertaken as part of a wider effort to scale up support for South-South knowledge exchange (SSKE) and mainstream it in the Bank’s work. The incremental funds from KLC are being leveraged by a range of other tools and support services from WBI: (a) a searchable knowledge portal on SSKE, where results stories and good practice examples will be posted, (b) pedagogical guidance, (c) financing instruments, (d) implementation support, and (e) a pilot brokering mechanism.

E. **Innovation Fund**

41. The Innovation Fund rewards innovation for results, using competition to draw out unique products and practices co-created with clients and other development partners. The WBI, which manages the Innovation Fund, recently conducted a competition and selected 13 winning proposals from almost 170 submissions. The KLC sponsored this competition as part of the Bank’s overall knowledge strategy, and explicitly sought proposals related to new products, cogeneration with clients, or transparency. The exciting ideas that were selected for funding include such practical ideas as a Pacific Disaster Risk Assessment GeoNode, SMS for Better Schooling, and Information Technology to Improve Crop Insurance and Risk Mitigation for Farmers in India.

F. **Opening up the Bank’s Information**

42. User expectations for public information are changing rapidly. Our clients and other stakeholders expect easy access to Bank-generated data, knowledge, and solutions; and open access is a key to increasing the development impact of our information. The Bank’s Development Economics Vice Presidency (DEC) has prioritized programs in three areas (funding for this work is not allocated by KLC):

• **Open Data.** In April 2010 the Bank released its development data free of charge. The Open Data work builds on the success of this initiative; its priorities are to (a) expand the website and create a Data Resource Center to serve as a clearinghouse for researchers, (b) develop new applications to enable easy access to data across
platforms and devices, and (c) strengthen capacity-building activities in developing countries to help ensure the quality of data.

- **Open Knowledge.** With a shift in the focus of DEC’s research teams, there is now an emphasis on four strategic themes: (a) economic transformations around emerging issues such as macroeconomic growth, agriculture and rural development, urbanization, and green development; (b) broadening opportunities by trade and integration and access to finance; (c) understanding risk and vulnerability across countries and sectors; and (d) measuring results and aid effectiveness.

- **Open Solutions.** To engage in the “wholesaling of research,” DEC plans a greater focus on the creation of software tools, training products, and researcher communities. Significant efforts are under way to improve and to broaden the focus of such existing tools as ADePT and iSimulate. The programs are expected to be collaborative efforts within the Bank as well as with technology partners (such as Google and Microsoft) and multilateral organizations (such as the UN and IMF).
V. CONCLUSIONS

43. This report has provided a detailed update on the second goal of the business modernization effort (internal reforms) to strengthen the matrix, make decentralization more effective and strengthen knowledge partnerships. The accompanying PowerPoint presentation further refines the vision and goals driving business modernization; defines roles and responsibilities; and presents a revised framework for managing, monitoring, and communicating about the internal reform agenda. The focus going forward will be on implementation, monitoring, coordination, and engagement around the business modernization program.

44. We have made progress on several fronts of the business modernization agenda. Management is now in a position to guide some of the important changes including the MLT which is now working to improve the functioning of the matrix, the KLC which has moved forward on key programs to improve the flow of knowledge inside and outside the Bank. Management has also taken steps to strengthen our decentralized structure to ensure that quality services are delivered more effectively and efficiently to our clients.

45. The business modernization program covers a broad agenda with intersecting activities that need to be sequenced and managed properly. We are learning as we go and taking early lessons onboard to adapt to changing circumstances. We also recognize that there are risks to effectively implementing this broad agenda, especially since many of the initiatives are interlinked and dependent upon one another. In addition to using the Corporate Scorecard, we are developing a framework for monitoring the implementation of the program which will help us to mitigate risks.

46. Next Report. In our next report to the Executive Directors in spring 2011, we will provide an update on the Bank’s post-crisis directions and on progress on the overall business modernization program (internal reforms).

47. Board Feedback. In closing, Management would appreciate feedback from the Board about progress on the business modernization effort (internal reforms) in general, and on goal 2 in particular.