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**IDA18 Mid-Term Review**  
**Progress Report on Governance and Institutions**

**October 19, 2018**

## ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

AML	Anti-Money Laundering	GPMB	Global Preparedness Monitoring Board
ASA	Advisory Services and Analytics		
AfDB	African Development Bank	GPP	Global Procurement Partnership
Cat DDO	Catastrophe Deferred Draw-Down Option	MDTF	Multi-Donor Trust Fund
CE	Citizen Engagement	IBRD	International Bank for Reconstruction and Development
CEPI	Coalition for Epidemic Preparedness Innovations	IDA	International Development Association
CERC	Contingent Emergency Response Component	IE	Impact Evaluations
CFT	Combating the Financing of Terrorism	IEG	Independent Evaluation Group
CPF	Country Partnership Framework	IFC	International Finance Corporation
DEC	Development Economics Vice Presidency	IFF	Illicit Financial Flows
DHI	Druk Holding and Investments	IFMIS	Integrated Financial Management System
DLI	Disbursement Linked Indicator	IHR	International Health Regulations
DPF	Development Policy Financing	IMF	International Monetary Fund
DPO	Development Policy Operation	INT	Integrity Vice Presidency
DRC	Democratic Republic of Congo	IPF	Investment Project Financing
DRM	Domestic Revenue Mobilization	JEE	Joint External Evaluation
EAP	East Asia and Pacific	LCR	Latin America and the Caribbean
ECA	Europe and Central Asia	MAPS	Methodology for Assessing Procurement Systems
e-GP	Electronic Government Procurement	MFD	Maximizing Finance for Development
EITI	Extractive Industries Transparency Initiative	MIGA	Multilateral Investment Guarantee Agency
FCS	Fragile and Conflict-Affected States	ML	Money Laundering
FCV	Fragility, Conflict and Violence	MoF	Ministry of Finance
FIF	Financial Intermediary Fund	MPA	Multi-Phased Programmatic Approach
FMI	Financial Market Integrity	MTR	Mid-Term Review
GDP	Gross Domestic Product	MTRS	Medium-Term Revenue Strategy
GFAR	Global Forum on Asset Recovery	NAPHS	National Action Plan for Health Security
GRM	Grievance Redress Mechanism	NCDC	Nigeria Center for Disease Control
GoN	Government of Nigeria	NRA	National Risk Assessments
GOVTECH	Technology in the Governance Sector	OECD	Organization for Economic Cooperation and Development
GP	Global Practice	OGP	Open Government Partnership
		PAD	Project Appraisal Document
		PCT	Platform for Collaboration on Tax
		PEF	Pandemic Emergency Financing Facility
		PEFA	Public Expenditure and Financial Accountability

PEFM	Public Expenditure and Financial Management	SCD	Systematic Country Diagnostic
PFM	Public Financial Management	SOE	State-Owned Enterprises
PforR	Program-for-Results	StAR	Stolen Asset Recovery Initiative
RAT	Rapid Assessment Tool	TA	Technical Assistance
RCCs	Regional Coordinating Centers	TADAT	Tax Administration Diagnostic Assessment Tool
REDISSE	Regional Disease Surveillance Systems Enhancement Program	TAGR	Trust Fund for Accelerating Growth and Revenue
RETF	Recipient Executed Trust Fund	UN	United Nations
RMS	Results Measurement System	WASH	Water Supply, Sanitation, and Hygiene
RPBA	Resilience and Peace-Building Assessment	WBG	World Bank Group
RRA	Risk and Resilience Assessment	WDR	World Development Report
SAR	South Asia Region	WHO	World Health Organization

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## EXECUTIVE SUMMARY

i. **Governance and Institutions was highlighted as a Special Theme for the first time in IDA18 – recognizing its centrality to the persistent development challenges faced by the International Development Association (IDA) countries, and the need for a dedicated focus on this theme.** Prior IDA cycles had contained general commitments on strengthening government systems.<sup>1</sup> Indicators against these prior commitments, however, were not sufficiently specific or actionable to drive the kind of change that is needed, and no targets were set to measure success.<sup>2</sup> To ensure focus and attention to governance as a core development challenge, and to “increase our ambition”, this special theme provides a package of commitments that are transformative in nature and get to the heart of strengthening core institutional capabilities to deliver essential services to the poorest people living in IDA countries.

ii. **The IDA18 Governance & Institutions Special Theme laid out an ambitious and holistic approach to governance reform that embraces its multi-stakeholder and cross-cutting nature.** The 12 policy commitments promote a problem-driven approach that recognizes that institutional reform is often a slow, non-linear, and cumulative process, requiring the long-term view and multi-sectoral support that IDA provides (Table 1). These involve an integrated focus on: (i) strengthening core government systems necessary for channeling resources to the bottom 40 percent; (ii) promotion of a public sector grounded in transparency and engagement that increases trust between governments and citizens; and (iii) the facilitation of private sector growth by increasing confidence in the institutional environment to crowd-in capital. Towards these ends, the expectation is that a dedicated focus on Governance and Institutions will strengthen the ability of governments to provide public goods, engage citizens in the development process, and generate jobs and growth.

iii. **Delivery of the IDA18 Governance & Institutions Special Theme is on track and already making notable impacts on the ground.** Of the 12 policy commitments, 10 are on track to be met or exceeded, and two will require close monitoring to ensure they are met. This translates to 57 IDA countries implementing over 200 activities towards the achievement of the aggregate goals of the *Governance & Institutions* policy commitments. Most notably, these are already resulting in ‘quick wins’ and tangible impacts for IDA countries – such as double-digit growth of tax revenue in Afghanistan stemming from reforms on Large Taxpayers or a 96-hour response time in disbursement for Lassa Fever outbreak response in Nigeria – while still maintaining focus on the long-term institutional strengthening that is needed. Significant challenges persist, however, as topics such as Illicit Financial Flows (IFFs) and State-Owned Enterprises (SOE) – Reform have exhibited high demand but are constrained by the difficult political realities that surround meaningful reform efforts. In sum, this Mid-Term Review (MTR) provides the opportunity to: (i) learn what is working; (ii) identify entry points and opportunities for engagement and; (iii) set the

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<sup>1</sup> For example, in IDA17 the only policy commitment on governance was to “Strengthen country public financial management and procurement capacity and systems and expand their use by more effectively leveraging knowledge, capacity building and operational support for Bank financed operations through the pooling of Public Financial Management (PFM), procurement, governance, anti-corruption and social development expertise.”

<sup>2</sup> The indicators for the policy commitment included aggregate measures such as ‘countries with strengthened tax policy and administration’ and ‘countries with strengthened PFM systems’.

scene for the long-term cumulative investment required. Based on this learning, IDA19 can build on this momentum and pursue further and more ambitious reforms.

iv. **Going forward, it's clear that issues surrounding governance and institutional capacity will continue to influence the World Bank Group's (WBG's) work in all sectors – and serve as the foundation for delivering IDA18's promised investment and value proposition.** At its core, the Governance & Institutions Special Theme is focused on narrowing the persistent implementation gaps that exist and that prevent carefully designed policies from generating development outcomes. IDA18's commitment to governance is, in turn, laying the foundation for transformational change for clients along core institutional priorities including: (i) re-establishing core public sector management functions in Fragility, Conflict-Affected States settings; (ii) bolstering the quantity and quality of investments made in health and education towards investment in human capital; (iii) strengthening the fiscal and fiduciary foundations for sustainable *debt management*; and (iv) focusing on the critical interface between the public and private sectors towards *Maximizing Finance for Development*.

**Table 1. Summary Status of Governance & Institutions Policy Commitments**

Policy Commitment	Status
<p>1. Provide support to at least one-third of IDA countries targeted at increasing their Tax/Gross Domestic Product ratio through lending operations, Advisory Services and Analytics (ASA) and technical assistance including tax diagnostic assessments.</p>	<p><b>Delivered</b></p> <p><u>Delivered</u>: 33 countries (12 DPF, 9 IPF, 1 PforR, 17 ASA, 8 TADAT) – Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of Congo (DRC), Côte d’Ivoire, Djibouti, Ethiopia, Grenada, Kenya, Liberia, Madagascar, Mauritania, Federated States of Micronesia, Moldova, Nepal, Niger, Nigeria, Pakistan, Samoa, Senegal, Somalia, Tajikistan, Tanzania, The Gambia, Timor-Leste, Togo</p> <p><u>Ongoing</u>: 5 new countries (13 countries total) – Ghana, Kyrgyz Republic, Lao PDR, Uganda, Zimbabwe</p>
<p>2. Support at least 10 IDA countries in performing 2nd or subsequent Public Expenditure and Financial Accountability (PEFA) assessments to inform preparation of their Systematic Country Diagnostics (SCDs)</p>	<p><b>Delivered</b></p> <p><u>Delivered</u>: 10 countries - WB Leading: Afghanistan, Tajikistan (published), Zambia (published), Ghana, Zimbabwe; WB Supporting: Chad, Guinea (published), Kenya, St. Lucia, Sierra Leone (published)</p> <p><u>Ongoing</u>: 3 countries (Draft report) – WB Leading: Malawi; WB Supporting – Mali, Côte d’Ivoire</p>
<p>3. Deliver the Methodology for Assessing Procurement Systems (MAPS2) in 5 IDA countries to accelerate the development of modern, efficient, sustainable and more inclusive public procurement systems that take into account national development objectives.</p>	<p><b>On Track</b></p> <p><u>Delivered</u>: 0 countries</p> <p><u>Ongoing</u>: 4 counties delivered in FY19 - Djibouti, Malawi, Mozambique, Rwanda</p>
<p>4. Support at least 10 IDA countries on enhancing SOE performance through: (i) Performance Agreements and/or (ii) increased transparency through published reports on their SOE portfolio.</p>	<p><b>On Track – being closely monitored</b></p> <p><u>Delivered</u>: 5 delivered (Afghanistan, Madagascar, Mozambique, Republic of Congo, Zimbabwe)</p> <p><u>Ongoing</u>: 1 scheduled to be delivered in FY (Cameroon)</p>

<p>5. Perform joint operations, Technical Assistance (TA), and/or ASA on sector-focused governance in 10 IDA countries to identify and address institutional bottlenecks to service delivery with the health, water, and/or education sectors.</p>	<p><b>On Track</b>  <u>Delivered:</u> 8 countries – Bangladesh, DRC, Madagascar, Lesotho, Niger, Mozambique, Solomon Islands, Tanzania  <u>Ongoing:</u> 8 countries – Burundi, Cameroon, Lao PDR, Lesotho, Liberia, Myanmar, Sudan, Uganda</p>
<p>6. Support at least 25 IDA countries in developing pandemic preparedness plans.</p>	<p><b>On Track – being closely monitored</b>  Funding has been secured for planning in 18 countries, of which 8 countries have completed the National Action Plan process.  <u>Delivered:</u> 8 countries – Cambodia, Lao PDR, Liberia, Myanmar, Senegal, Sierra Leone, Tanzania, Uganda  <u>Ongoing:</u> 15 countries – Afghanistan, Bangladesh, Burkina Faso, Chad, DRC, Ethiopia, Ghana, Haiti, Kenya, Mali, Mauritania, Niger, Nigeria, Sudan, Zambia</p>
<p>7. Support 25 countries in developing frameworks for governance and institutional arrangements for multi-sectoral health emergency preparedness, response and recovery.</p>	<p><b>On Track – being closely monitored</b>  <u>Delivered:</u> 7 countries – Cambodia, Kenya, Liberia, Nigeria, Senegal, Sierra Leone, Uganda  <u>Ongoing:</u> 10 countries – Afghanistan, Ethiopia, Ghana, Haiti, Mali, Mauritania, Myanmar, Niger, Sudan, Tanzania</p>
<p>8. Support projects in at least 10 IDA countries in the development and implementation of user feedback and/or enhanced grievance redress mechanisms (GRMs) for service delivery that ensure participation by women in these processes.</p>	<p><b>Delivered</b>  <u>Delivered:</u> 26 Projects in 21 countries delivered with enhanced GRM and/or beneficiary feedback interventions - Bangladesh, Burkina Faso, Burundi, Cameroon, Republic of Congo, Ethiopia, Kenya, Lao PDR, Mali, Moldova, Mozambique, Myanmar, Nepal, Pakistan, Rwanda, Senegal, Solomon Islands, Tajikistan, Tanzania, Rep. of Yemen, Zambia</p>
<p>9. Support at least one-third of IDA countries to operationalize reform commitments towards the Open Government Partnership (OGP) agenda to strengthen transparent, accountable, participatory, and inclusive governments.</p>	<p><b>On Track</b>  <u>Delivered:</u> 17 countries delivered – Afghanistan, Bangladesh, Bhutan, Burkina Faso, Cambodia, Central African Republic, Djibouti, Ethiopia, Guinea, Kiribati, Kyrgyz Republic, Mozambique, Nepal, Niger, Senegal, Sierra Leone, Togo</p>

	<p><u>Ongoing</u>: 1 country under implementation – Nigeria</p>
<p>10. Perform IFFs assessments in at least 10 IDA countries to support the identification and monitoring of IFFs.</p>	<p><b>On Track – being closely monitored</b></p> <p><u>Delivered</u>: 3 countries (30%) –Cabo Verde, Guyana, Senegal</p> <p><u>Ongoing</u>: 13 countries – Afghanistan, Benin, Burkina Faso, Dominica, Gambia, Grenada, Liberia, Madagascar, Mauritania, Niger, Republic of Congo, Rwanda, Togo</p>
<p>11. Strengthen and systematize Governance &amp; Institutional analysis in half of Risk and Resilience Assessments (RRAs) and at least three-quarters of Recovery &amp; Peace Building Assessments (RPBAs) in IDA countries.</p>	<p><b>On Track</b></p> <p><u>Delivered</u>:</p> <p>11 out of 14 RRAs (78%) – Burundi, DRC, Djibouti, Gambia, Kosovo, Nepal, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, Tajikistan</p> <p>All 4 RPBAs (100%) – Cameroon, Central African Republic, Mali, Nigeria</p>
<p>12. Plan for operationalization of 2017 WDR focused on reducing implementation gaps and enabling adaptive approaches.</p>	<p><b>On Track</b></p> <p>Plan on track to be delivered by MTR – operationalization progress along:</p> <ul style="list-style-type: none"> <li>• Socialization: Disseminated in 50 venues spanning 30 countries; 255K downloads</li> <li>• Application: More than 30 SCDs, CPFs, and ASAs incorporate WDR 2017 framework – notable IDA18 SCDs include Malawi, Sierra Leone, Solomon Islands</li> <li>• Institutionalization: Development of suite of tools; Embedding in corporate instruments and priority areas; Partnerships and knowledge exchange</li> </ul>

## I. INTRODUCTION

1. **This Special Theme recognizes that governance and institutions are core to the persistent development challenges faced by IDA countries.** Capable, accountable and inclusive governance is at the heart of the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity. Countries with strong institutions prosper by delivering public services, creating an environment that facilitates private sector growth, reducing poverty, and earning the confidence of their citizens – a relationship of trust that is created when people can participate in government decision-making and know their voices are heard.

2. **Complex global pressures are disrupting long-established governance relationships across the world, shifting global relations and forcing many to reassess traditional approaches to governance and institutions.** Governments across the world today are facing increasingly complex pressures that are altering the world in which we live: fragility, conflict and violence; the amplifying impact of technology; large migration flows; tensions in managing resources; population growth; and more complicated service provision needs. At the same time, higher citizen expectations from the public sector – coupled with growing aspirations – has ushered in an unprecedented period where more than 10 percent of nations around the world have experienced corruption-fueled political change in the last five years.<sup>3</sup>

3. **These disruptions are also distinguished by the unique opportunities they present, with changing roles among state and non-state actors facilitating a differentiated approach to governance that is opening new doors for reform.** The relationships between the state, citizens, and the private-sector are being re-defined in the face of these global pressures and the wide-spread adoption of new disruptive technologies. Governance is now multi-actor: with firms, local governments, and citizen groups all fully partaking in policy-making and policy implementation processes (whether formally or informally) and shifting the way that governance reform must be approached. The World Development Report 2017 on *Governance and the Law* presents this definition of governance as “the process through which state and non-state actors interact to design and implement policies, within a given set of formal and informal rules that shape and are shaped by power” (Box 1).

4. **Towards these ends, the IDA18 Governance & Institutions Special Theme laid out an ambitious and holistic approach to governance reform that embraces its multi-stakeholder and cross-cutting nature.** The 12 policy commitments promote a problem-driven, integrated approach to public sector reform that recognizes that institutional reform requires the long-term view and multi-sectoral support that IDA provides. The expectation is that a dedicated focus on governance and institutions will provide the support needed to strengthen the ability of governments to effectively provide public goods, engage citizens in the development process, and build an environment that can generate jobs and growth.

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<sup>3</sup> Foreign Policy (July 2018) – 21 countries from June 2013 to June 2018.

### **Box 1. Policy Implementation Gaps – Some Proposed Solutions**

The World Development Report (WDR) 2017 focuses on governance and policy institutionalization – recognizing that policy making takes place in complex political and social settings where individuals and groups with unequal power interact within changing rules as they pursue conflicting interests. The ‘policy arena’ where this takes place involves both state and non-state actors, and who ultimately participate in the decision-making process fundamentally matters for the selection and implementation of policies—and their impact on development outcomes.

Research evidence indicates that policy reforms generated through an open, consultative multi-stakeholder process have a greater probability of success. Governments who actively provide information to citizens on the use of public resources and listen to feedback on the quality and availability of services, have a greater ability to collect and generate taxes to finance development expenditures.

The IDA18 commitments build on this premise by providing a package of inter-linked policy interventions that support opening the “policy arena” to citizens through reforms that support transparency and openness, enhanced feedback mechanisms, as well as strengthening of core government systems to both collect revenue and deliver services to the poorest citizens in IDA countries. The commitments comprise 17 comprehensive and inter-connected goals and 169 associated targets which bring together economic, social and environmental priorities on a new scale.

**5. Issues surrounding governance and institutional capacity touch the WBG’s work in all sectors and serve as the foundation of the delivery of IDA18’s promised investment in growth, resilience, and opportunities.** At its core, the *Governance & Institutions* Special Theme focuses on closing the implementation gaps that can hinder carefully designed policies from generating development outcomes. IDA18’s commitment to governance recognizes that successful reforms are not just about “best practice”, but depend on the commitment, coordination, and cooperation of all institutions and stakeholders to ensure that formal institutions and actual behaviors are aligned and incentivized to deliver results. Practically, this is seen in the direct linkages to the other four Special Themes (such as the need for flexible public procurement and financial management systems for a timely response to climate-induced disasters or the necessary centrality of women’s participation in citizen engagement and feedback efforts).

**6. These 12 policy commitments are also central to enhancing the value-for-money proposition of the entire IDA18 portfolio.** Policy commitments around the Public Expenditure and Financial Accountability (PEFA) framework are targeted at strengthening country systems around resource management reforms, such as in Liberia where the poor scores around budget credibility in subsequent FY13 and FY17 PEFA assessments spurred the political will to implement the budget preparation module of the Integrated Financial Management System (IFMIS) to increase budget reliability. Commitments around the launch of the Methodology for Assessing Procurement Systems (MAPS2) diagnostics in countries including Djibouti, Malawi, and Mozambique have been rolled-out under the larger platform of the WB Procurement Framework, which is designed to increase the flexibility, efficiency and transparency of procurement with a focus on the identification of fit-for-purpose solutions in IDA countries. Finally, WB governance fiduciary staff (Financial Management and Procurement) are team members in every operation in the IDA portfolio, ensuring all projects maintain the highest fiduciary standards so that IDA resources are used for their intended purposes.

7. **IDA18’s commitment to governance is laying the foundation for transformational change for clients in line with the WBG’s core institutional priorities.** For example, recurrent cost financing and PFM operations in FCV settings such as Central African Republic, Chad, and Somalia are ensuring that much needed financing is reaching the ground within critical response windows, while concurrently aiming to re-establish core public sector management functions. Governance is also a core component of the investment in human capital in IDA countries. This includes targeted Domestic Resource Mobilization (DRM) support to lower income countries where there is limited capacity for investment in human capital and support to countries with more fiscal space where public sector bottlenecks can prevent investments in human capital from producing improved health and learning outcomes. Finally, governance is central to the implementation of *Maximizing Finance for Development* (MFD) by focusing on the critical interface between the public and private sectors to create an institutional environment which can enable the private sector to fill the infrastructure gap.

8. **The exponential pace of disruptive technology in the governance sector (or GOVTECH) is helping transform public sector efficiency, transparency, and performance as part of the IDA18 portfolio.** GOVTECH can be described as the operating system of government. It refers to two inter-related capacities. One is the ability of governments to leverage technology to design policies and implement them, through the delivery of digital or tech-enabled services to citizens and businesses. The second is the development of “government as a platform” providing reliable and transparent access to online services, key decisions, and open data related to government activities. GOVTECH is accelerating the progress and development impact of several of the *Governance & Institutions* policy commitments including procurement modernization, citizen-centric public service delivery and e-government strategies and digital governance (Box 2). The WBG is mobilizing to assist IDA countries to increase their ability to harness the potential of GOVTECH while ensuring that the risks of digital transformation are being managed – particularly the risk of exclusion and the exacerbation of already high inequality.

### **Box 2. Using Technology to Pay Teachers in Liberia**

Liberia is a cash-based economy, with few ATMs or bank facilities. Liberia’s civil servants travel for days to collect and cash a paper check or withdraw money after receiving their salary payment. By 2014, 37 percent of civil servants still received their salary payments via paper checks yet the entire country had only 75 bank branches operated by nine commercial banks. For these civil servants, Liberia’s Ministry of Finance and Development Planning printed checks and many employees travelled days to collect their checks and then find a bank or vendor to cash their salary payments. Teachers spent roughly 10 percent of their salary (or US\$15 using the average monthly salary of US\$150 per month) in cashing their checks. Collection of checks also impacts teachers’ productivity. In dealing with the problem, the *Integrated Public Financial Management Project* financed by IDA, in partnership with the Governments of Sweden, United States and African Development Bank (AfDB) piloted the usage of mobile money to solve the problem. Liberian public-school teachers were among those who participated in the initial pilot financed by the project. By receiving their salaries through mobile money, teachers’ salary payments are deposited into civil servants’ SMS mobile phone wallets, which they can then exchange for cash at an approved agent; transfer to other individuals; or pay for goods and services at participating businesses, thus allowing teachers to spend more time in school.

9. **Strategic partnerships have been central to the delivery of the Governance & Institutions Special Theme and they are central to promoting aid effectiveness and streamlining international collaboration.** Given the systematic governance challenges faced by

IDA countries, there has been significant focus on deepening and broadening collaboration and coordination with other development partners. The Platform for Collaboration on Tax (PCT) – a vehicle for enhanced cooperation between the World Bank (WB), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the United Nations (UN) – has facilitated the roll-out of the Medium-Term Revenue Strategy to facilitate a country-driven process to develop multi-year, holistic and realistic plans for revenue strategies. The WBG also has deepened its collaboration with the OGP to mobilize resources for meeting the ambitious Open Government targets through the launch of a global trust fund that provides resources for local co-creation and thematic collaboration among OGP countries and global actors. Finally, the Stolen Asset Recovery Initiative (StAR) – a partnership between the WBG and the United Nations Office on Drugs and Crime (UNODC) – delivered the inaugural Global Forum on Asset Recovery (GFAR) in December 2017 in support of policy commitments on Illicit Financial Flows by providing a platform to empower the investigators and prosecutors charged with identifying and tracing assets and getting necessary cooperation with financial centers in recovering and returning them.

10. **Halfway through implementation, IDA18 has already made substantial progress to support improved governance and institutions – recognizing that this is the first step in a cumulative process that may span multiple IDA cycles.** By their nature, governance reforms are complex and non-linear processes that are subject to uncertainty and not easy to measure. IDA, however, provides the long-term investment that is required for supporting effective governance in a rapidly changing world. The package of 12 IDA18 commitments is the first step in this process, forging the path towards a next generation of ambitions in IDA19.

## II. PROGRESS ON DELIVERING GOVERNANCE AND INSTITUTIONS

### A. GOVERNANCE AND INSTITUTIONS: CENTRAL TO IDA DELIVERY

11. **IDA18's establishment of *Governance & Institutions* as a Special Theme has assembled a comprehensive package of policy commitments that embrace the multi-stakeholder nature and complexity of governance reform.** While issues surrounding governance and institutions have been a long-standing core component of IDA, the ambition and intensified focus brought by introducing it as a new Special Theme is having impacts on the entire IDA portfolio. The policy commitments recognize that policymaking requires engaging a multitude of stakeholders necessary to achieve results. As the world becomes increasingly interconnected, the package of commitments embraces the fact that governance also supports global public goods such as addressing illicit financial flows and tax evasion. As a Special Theme, *Governance and Institutions* is facilitating an integrated, multi-sectoral approach to public sector reform that builds on lessons learned and promotes a results-driven delivery of IDA.

12. **Successful implementation of governance and institutional reforms in IDA18 has also required an adaptive and flexible approach – recognizing the importance of the non-technical constraints to effective public policies.** As the WDR 2017 on *Governance and the Law* highlights, informal norms, values, or the underlying dynamics surrounding a reform can influence which policies get approved, how they get implemented and their effectiveness in driving results. The adoption of these concepts has been systematized under IDA18 (for example in the

guidance for SCDs to guide teams on how to analyze the reform space throughout project design and implementation to better understand how power asymmetries and political economy variables affect implementation. Additionally, in collaboration with Development Economics Vice Presidency (DEC), Impact Evaluations are being embedded into operations including in the DRC, Ghana, and Pakistan to improve project performance by: (i) systematically and rigorously collecting ‘real-time’ feedback and evidence to guide implementation; and (ii) helping teams design operations in a results-oriented fashion.

13. **This package of policy commitments contributes to the delivery of IDA results in five areas – each tackling the practical problems that countries need to solve to close implementation gaps and achieve results** (Box 3). Governments need to address ‘market failures’ that the state has a unique power to fulfill (such as the power to tax, the power to elicit cooperation from firms and citizens, etc. – *Areas 1- 4*) and the ‘government failures’ that can derail implementation (manifested in areas around corruption, exclusion, and capture – *Area 5*). IDA18 commitments can contribute to these results areas in multiple ways – for example, DRM helps in managing resources effectively (*Area 2*), supports service delivery by providing resources (*Area 3*), and serves to strengthen the public-private interface by increasing the attractiveness for private capital with a reliable and efficient tax regime (*Area 4*). These all aggregate up to a coordinated reform dialogue on *Governance and Institutions* under IDA18 and are meant to highlight the priority and innovative areas with the potential for maximum impact in IDA countries, while also ensuring institutional advances are leveraged in the other four Special Themes and all other areas in which IDA works.

### Box 3. Governance Cross-Cutting Results Areas



1. Strengthening Public Policy Processes: Strengthening the public policy process to facilitate improved coordination across branches and among levels of government, as well as with the private sector and citizens in order to reduce government fragmentation and effective implementation of policies.
2. Managing Resources Effectively: Marshalling financial and human resources to improve policy and administration in key areas including revenue mobilization, civil service reform, public expenditure and public financial management, accountability and effective fiduciary, and procurement.
3. Reinforcing Public Service Delivery: Identifying and alleviating governance bottlenecks – both upstream and downstream - that prevent effective service delivery in sectors such as education, health, transport and water with a focus on openness, transparency, and citizen engagement to ensure services reach the poorest and marginalized.
4. Strengthening Public-Private Interface: Strengthening key public functions – such as effective regulation, streamlined processes, accountability and transparency to enhance the environment for private investment to support development.
5. Understanding Underlying Drivers and Enablers of Policy Effectiveness: Understanding how power asymmetries and political economy variables such as trust, capture and exclusion affect policy implementation and how tools such as citizen engagement, inclusion, transparency, and approaches to anti-corruption can improve policy effectiveness.

14. **Governance and institutional capacity are at the heart of IDA18's delivery of its ambitious commitments in situations of fragility, conflict, and violence.** Effective governance and sound institutions are a foundation for growth and development in FCV settings – yet in such contexts governments often lack the capacity, accountability, and legitimacy to credibly perform state functions (including provision of security), resolve conflicts, and deliver public goods and services. Delivery of improved governance analysis in RRAs and RPBA's are ahead of targets, but this is only a fraction of how Governance & Institutions contributes to the delivery of the IDA portfolio in fragile and transition conflicts – spanning from strengthening of community governance structures in the Solomon Islands, to improved access to justice, to strengthening of core procurement functions in Chad through the MAPS2 assessment. As the WBG continues to transition to a more agile business model, the governance portfolio is continuing to experiment with more flexible and fit-for-purpose operational responses in FCV contexts, such as in South Sudan (Box 4).

**Box 4. Innovating for Improved Delivery and Fiduciary Assurance in South Sudan**

In South Sudan, a biometric solution for registration and validation of beneficiaries of cash transfer payments enhanced the reliability of flow of funds, while maintaining fiduciary integrity under the safety nets program. The system provides multi-factor authentication using beneficiary finger print, photograph and program ID – an important tool in the high-risk South Sudan environment where most beneficiaries do not have proper identification documents. The system has resulted in enhanced accuracy in targeting and selection of beneficiaries, in addition to effective validation at the point of payment, ensuring that payments are made to the intended beneficiaries. This has enhanced the level of fiduciary assurance over cash transfer payments in the portfolio.

Additionally, under IDA18 the Governance Team is mainstreaming the implementation of geospatial technology in two of our high-risk decentralized operations. The technology involves geo-mapping of project activities in the field where Bank staff cannot access due to insecurity. Monitoring and supervision teams in the field take photos using mobile phones and upload these to the online portal, which can then be accessed online via a dedicated link. The implementation of this technology has resulted in remote/virtual access to project locations enabling verification of M&E and other technical supervision reports by Bank teams. The fiduciary team also uses this facility to confirm evidence of outputs before clearing payments. In addition, the facility has provided a good basis for risk-based fiduciary reviews by the Bank and other independent auditors.

15. **The package of commitments under the *Governance & Institutions Special Theme* will be central to the delivery of the Human Capital Project.**<sup>4</sup> With business-as-usual, and without greater revenue mobilization and efficiency of investment in human capital – and without the incentive and capacity to deliver – the world faces the prospect of another generation weakened by lost human potential. Policy commitments on Domestic Revenue Mobilization (DRM) are key as creating fiscal space and achieving sustained prioritization in IDA countries with insufficient funds for investment in health and education are vital for developing human capital. Meanwhile, to improve the quality of expenditure, commitments spanning the core systems of government (PFM, PEFA, Procurement), transparency and accountability (Open Government, Citizen Engagement), and the underlying drivers of policy effectiveness (FCV, WDR 2017) will be a key part of country strategies.

16. **Utilization of a Maximizing Finance for Development (MFD) approach to implementation in IDA18 has continued to have governance at its core.** The WBG continues

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<sup>4</sup> *Human Capital: A Project for the World* (World Bank Group, October 2018).

to be focused on the critical interface between the public and private sectors, recognizing the public sector risks that may prevent investors from entering a country. The package of *Governance & Institutions* policy commitments is tackling this from several angles, ranging from strengthening of transparency and performance of SOEs in Cabo Verde to identification of sources of Illicit Financial Flows to increase private sector confidence – the goal is to create an institutional environment that enables the private sector to fill the infrastructure gap.

## **B. PROGRESS ON DELIVERING THE 12 POLICY COMMITMENTS**

17. **Of the 12 policy commitments under this Special Theme, 10 are on track to be met or exceeded, and two will require close monitoring to ensure they are met.** Some targets will be exceeded because clients are exhibiting significant demand for the problem-driven and multi-dimensional approach to governance reform that IDA provides. Progress on Assessments of Illicit Financial Flows, and SOE reforms, has, however, been slow, as these areas are complex and political in nature. Further work is needed to both develop new methodologies and to understand the political economy of reforms. While it is widely recognized that results in governance and institutional capacity reform are often staggered – the investments made under IDA18 are already displaying tangible progress.

18. **The breadth of the policy commitments under the *Governance and Institutions* Special Theme has allowed for significant reach across IDA countries in the first 18 months of implementation.** To date, 57 IDA countries are implementing over 200 activities in support of the Special Theme policy commitments. This includes 19 countries classified as FCS. As evidence of the synergies and interconnected nature of the governance agenda, more than 80 percent of countries are implementing more than one policy commitment, and more than 50 percent of countries are implementing more than four commitments simultaneously. For example, in Chad, new work on DRM is in the pipeline, while a new PEFA has already been completed, and work on pandemic preparedness is also advancing. In Mozambique, the MAPS2 tool has been delivered, while interventions on SOE performance, enhanced service delivery, improved user feedback, and progress on open government, have all been completed. In addition, low income and lower middle income countries are implementing 91 percent of all interventions (upper middle income countries make up the remainder), demonstrating how important additional IDA resources have been in addressing persistent governance challenges.

19. **Annex 1 provides a detailed list of the current implementation status of each IDA18 policy commitment.** Highlights and key lessons learned from the first half of IDA18 implementation in the respective policy commitments are outlined below.

### *Domestic Resource Mobilization (DRM)*

20. **IDA18 has responded to the strong call for increased support on DRM, as countries continue to recognize that a sound revenue base is essential for financing the government's capacity to deliver services.** Behind an ambitious policy commitment to provide support to at least a third of IDA countries to bolster tax collection, 39 countries have already begun implementation of targeted investments to increase their tax-to-GDP ratios through a variety of lending and analytical instruments (DPFs, IPFs, ASAs and Tax Administration Diagnostic Assessment Tools (TADATs) ). Of the 35 IDA countries that collect less than 15 percent tax-to-

GDP ratio – considered a critical ‘tipping point’ where tax and economic growth feed into each other – IDA18 is already supporting 21 of these countries. There has also been a concerted focus on DRM in FCV States (such as Afghanistan, Chad, DRC, and Somalia), where IDA has shown it is possible to step into fragile environments to help governments to generate the early revenue streams needed to help maintain basic services and build confidence in the state.

21. **IDA18 has also provided a platform for the international community to mobilize on DRM, with a focus on increased coordination and cooperation to strengthen country tax systems.** One key example has been the creation of the *Platform for Collaboration on Tax (PCT)*, which serves as a central vehicle for enhanced cooperation by the WB, IMF, OECD, and UN. Under the umbrella of this platform, a new tool, the Medium-Term Revenue Strategy (MTRS), to facilitate a country driven process to develop multi-year, holistic and realistic plans for revenue objectives. Since 2018, a significant number of countries have started with the initial stages of this approach, among which are six IDA countries. The PCT is also being utilized to strengthen the participation and voice of IDA countries in rapidly evolving global policy discussions, particularly around international tax.

22. **A differentiated approach to strengthening DRM has been applied across IDA countries, with a diverse set of tools and interventions to draw from depending on the local context.** The investments supported under IDA are geared towards enhancing the mobilization and effective use of domestic revenues and improving the fairness, transparency, efficiency and effectiveness in tax systems. In fragile states such as Afghanistan, the DRM engagement under IDA18 is focused on reforms under the Large Taxpayers’ Office and Customs (BRT), recognizing the need to mobilize revenue quickly and ensure that funds flow smoothly to priority areas. In 2017, these activities led to a double-digit growth in tax revenues without significant tax policy changes. In Tajikistan, where there is more focus on pulling more citizens into the formal tax system, IDA support is focused on helping the Tax Committee and its field offices to operate more effectively. Investments such as the installation of electronic collection kiosks in remote areas of the country and a unified tax management system to better support e-filing have resulted in the average tax revenue collected per tax official has increased by 85 percent and the number of hours spent by citizens to comply with tax-related regulations has fallen by 36 percent. While some countries are utilizing IDA18 to launch the first steps of a DRM reform program, others such as Pakistan are utilizing IDA to build a comprehensive package of DRM reforms (Box 5).

#### **Box 5. Comprehensive DRM Reform Efforts in Pakistan**

The Trust Fund for Accelerating Growth and Revenue (TAGR) is a comprehensive DRM engagement—tax, customs and administration reforms—focusing on achieving impactful and long-lasting results, through ownership, sustainability and continuity. Building on a systematic analysis of Pakistan’s tax potential and a comprehensive review of tax policy and management capacity, authorities were enabled to make evidence-based decisions on tax policy and administration. At the federal level, the program focused on strengthening analytical capacity and core tax policy and expenditure analysis functions. The support also aimed at broadening the tax base, in line with the country’s novel Medium-Term Revenue Strategy. At the sub-national level, the program supported revenue authorities in Pakistan’s two most populous provinces, Sindh and Punjab, through capacity building and analytical work. The ongoing engagement has already produced tangible results. Pakistan’s tax-to-GDP ratio rose steadily to 12.5% (FY17), a significant 2.3 percentage points above TAGR’s 9.5% baseline (FY11).

23. **While some IDA clients continue to face significant challenges in mobilizing domestic resources, key opportunities are also emerging.** Implementation challenges remain prevalent for many IDA countries, which include low capacity to absorb and manage reforms, and time needed for effective delivery, as well as political economy challenges for enacting reforms. Opportunities are also emerging to link gains in DRM to other Special Themes and development agendas. As the WBG increases its emphasis on investing in people through nutrition, health care, and quality education to build human capital, there will be a need to connect increased DRM with more efficient spending in these priority areas. This, in turn, is directly connected with the gains targeted under the *Jobs and Economic Transformation* Special Theme, where the economic transformation for job creation requires investments in infrastructure and human capital that is dependent on increased DRM to ensure the necessary resources are available to carry out public investment. Moving forward, there will be a need to increase ambition by not just increasing revenues in IDA countries – but also a focusing ultimately on how these increased revenues are being invested back into the population.

#### *Public Expenditure and Financial Management*

24. **Building on the wide undertaking of initial PEFA assessments since the instrument’s launch in 2005, IDA18 is now supporting countries to utilize the tool for an iterative approach to PFM reform.** PFM reforms are a prerequisite for a more capable and accountable state that is equipped to deliver for citizens. PEFA assessments have been widely adopted as a tool to assess PFM performance in a country and have been implemented by nearly all IDA countries at one point in time. It is well recognized, however, that a singular ‘snapshot’ of a country’s PFM performance does not provide much value unless it feeds into development of the country’s broader reform agenda and serves as a baseline for marginal progress made against these reform plans. Under IDA18, therefore, the WBG has committed to support at least 10 IDA countries in performing second or subsequent PEFA assessments to inform preparation of their SCDs. At mid-term review, 100 percent of the target (10 countries) have already been delivered – with another 10 IDA countries ongoing or currently scheduled to be delivered in the IDA18 period. An indicator on PEFA is also included in the IDA Results Measurement System (RMS) and WBG Corporate Scorecard<sup>5</sup>, where 80 percent of IDA countries that performed PEFA assessments in FY18 have achieved an improved composite score across in dimensions across the pillars of budget reliability, transparency of public finances, and control in budget execution.

25. **By prioritizing PEFA assessments’ in the preparation of SCDs and PFM reform strategies, IDA18 is focused on utilizing the tool as a springboard for problem-driven approach to reform.** Overall, PFM reforms continue to be the largest component of the WBG’s governance support to IDA countries and still outpace other governance sectors. The objective of the support of IDA18, however, is to ensure that that the lessons from PEFA assessments build-on each other and feed into the reforms and the broader SCDs they are nested in. Recent SCDs such as that in Niger (November 2017) uses three subsequent PEFA analyses from 2008 to 2016 to pinpoint the stagnation in PFM reform efforts (“budget and budget execution are not only very week, they are not improving”) and identify that a new approach to PFM reform is needed. In

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<sup>5</sup> Tier 1: Number of IDA countries that have an improved composite PEFA score across in dimensions across the pillars of budget reliability, transparency of public finances, and control in budget execution: (1.1) Aggregate expenditure outturn; (9.1) Public access to fiscal information; (24.2) Competitive procurement methods.

St. Lucia, on the other hand, the Ministry of Finance utilized the data from its July 2017 PEFA assessment (its most recent in a chain of assessments) to underpin the country's preparation of its renewed PFM Action Plan – providing insights for identifying options for reforms and providing a strong monitoring and accountability mechanism for implementation of the reform program. This value was captured by the Head of Ministry of Finance's PEFA Steering Committee who attested:

*“As St Lucia continues its reform programs, the PEFA has proven to be a tool that not only provides an independent, objective assessment during the review but is also key for evaluating if our reforms are achieving the results intended and to update our reform program. Using the CARTAC/PEFA Secretariat training and documentation prior to our last PEFA enabled staff to become pro-active in managing the PEFA preparation process and for updating our reform program.”*

- **Director of Financial Administration, Head of PEFA Steering Committee,  
Department of Finance, Saint Lucia**

26. **Moving forward, the PFM Reforms will continue to be at the core of the wider state-building goals for IDA countries – particularly those in FCV situations.** The insights from the strategic and iterative use of PEFA assessments contribute to reforms including more transparent management of public finances, regular payment of civil servant salaries, ensuring fund flows to finance public services, and a better allocation of resources. This is especially true in FCV States – where to build core state institutions, PEFAs must be increasingly leveraged to restore all basic aspects of the Public Financial Management (PFM) cycle including budgeting formulation and execution, and core treasury functions including accounting, reporting, and accountability. Finally, further commitment can be made on improvement of PFM at subnational levels, supported by the PEFA framework for subnational governments.

#### *Public Procurement*

27. **Under IDA18, the commitment to deliver the Methodology for Assessing Procurement Systems (MAPS2) is driving the development of a modern, efficient, sustainable and more inclusive public procurement systems in line with the ideals of the WBG's new Procurement Framework.** In July 2016, the WBG launched its new Procurement Framework – a ‘once-in-a-generation systematic reform’ designed to increase the flexibility, efficiency and transparency of the Bank's procurement processes and invest in the procurement capacity of World Bank borrowers. In this light, many WBG clients have stressed the need for a common diagnostic instrument that would anchor global dialogue and clarify what it takes to have a well-functioning public procurement system. The design and launch of MAPS2 for IDA countries responded to this call, establishing the elements and criteria of an effective and efficient system relevant for all countries, irrespective of income level or development status.

28. **The first half of the IDA18 period was focused on the successful design and global launch of the tool, which was co-led by the WBG in coordination with client countries and other multilaterals.** Over the past 18 months, the WBG has co-led a coordinated global effort among countries and development partners to refine the MAPS tool into an internationally accepted diagnostic and analytical framework for assessing public procurement systems. As a result of the global efforts, the core methodology has been successfully launched and piloted and two supplementary modules (Sustainable Procurement and Entity Level Assessment) have been

developed and cleared for testing. This successful launch of the tool was a significant achievement amongst partners – with the inclusive design process with clients building a strong foundation for meaningful use of the tool.

**29. With MAPS2 now launched, demand for the tool in IDA countries has already exceeded the benchmark set by the policy commitment.** The need to improve value-for-money of public spending through improved quality and integrity of the public procurement system continues to be in high demand in IDA countries. The final MAPS2 Assessment is on target to be delivered in four countries (Djibouti, Malawi, Mozambique, Rwanda) in FY19, representing 80 percent of the original target. Another nine countries have already launched their assessments and will complete their assessments by the end of IDA18. For IDA countries, MAPS assessments result in a roadmap for procurement reform, which is materializing into transformational engagements such as in Bangladesh where the expansion of electronic global procurement systems across the country is revolutionizing how contract awards and services are delivered in the country (Box 6).

#### **Box 6. Bangladesh - E-Procurement and Public Performance**

The Digitizing Implementation Monitoring and Public Procurement Project is helping Bangladesh expand electronic government procurement (e-GP) to all public sector organizations as well as improve capacity to monitor implementation of development projects and programs using digital technology. Currently 35 percent of the national budget is executed through the e-GP platform, which has significantly reduced inappropriate bidding practices at decentralized level and increased transparency, as now all bid invitations and contract awards are published on the platform's website.

**30. For the remainder of the IDA18, the Bank will focus on leveraging its global influence to promote the uptake of this analytical tool for public procurement reforms.** Moving forward, the WBG will play a role at coordinating resources for MAPS through the Global Procurement Partnership Multi-Donor Trust Fund (GPP MDTF), which will go towards setting up the MAPS Secretariat and the quality control mechanisms for country implementation. At the country level, the WBG will also further leverage the MAPS tool as an entry point for coordinating dialogue among IDA stakeholders on public procurement reform, including the use of MAPS results as an input to systematic country diagnostics, PEFA and similar analytical activities.

#### *State Owned Enterprises (SOE)*

**31. IDA18 is serving as an invaluable platform for SOE reform in IDA countries – responding to high demand and helping countries rise-above the roadblocks that have typically impeded meaningful reform.** Underperforming SOEs can create significant fiscal risks for governments. Governments may be required to subsidize the provision of certain public goods and services through financial support to SOEs, thereby limiting fiscal space. In light of these needs, IDA countries are requesting support against the policy commitment to enhance SOE performance through performance agreements and/or increased transparency – considered a practical and impactful first step in the SOE reform agenda. Delivery is currently on pace with 50 percent of the target already delivered (five countries – Afghanistan, Madagascar, Mozambique, Republic of Congo, Zimbabwe), and other seven countries either ongoing or in the pipeline. This is just the first step, however, as effective reform of SOE sector requires strong commitment, sustained over political cycles.

32. **Lessons from the first half of IDA18 indicate that the implementation of the SOE policy commitment must be closely monitored due to the politically contentious nature of many SOE reforms that can delay delivery.** SOE reforms are challenging to implement due to principal-agent dynamics and multiple/competing SOE goals and objectives (social vs. commercial). The State frequently exercises its ownership responsibilities through multiple “principals”– such as line ministries, the Ministry of Finance, and other government bodies. As a result, conflicts between the state’s ownership functions and its policymaking and regulatory functions can arise and leave the company vulnerable to being used to achieve short-term political goals to the detriment of its performance. SOE reforms are also politically contentious where vested interests within SOEs and government render reforms more complex. Finally, SOE reforms require sufficient institutional and state capacity, particularly of the ownership entity. In low capacity countries, significant amount of effort would go into building and strengthening capacity before implementing any reform-related activities or plans.

33. **Despite these challenges, significant SOEs reforms are already being implemented in IDA countries.** The IDA SOEs policy commitment is centered around two reform components. First, adoption of performance agreements which communicate the government’s expectations for SOE performance to each SOE and to the public. There is an increasing trend in IDA countries to establish performance agreements. In Africa, IDA is helping introduce these to Sub-Saharan Africa in countries such as Cabo Verde (Box 7) where newly enacted agreements will have a duration of three years and be independently monitored. Second, publishing SOE reports are crucial for facilitating the state’s monitoring of SOEs and proactively assessing their financial performance and potential fiscal risk. This is being implemented in Bhutan, where the government created Druk Holding and Investments (DHI) under the Ministry of Finance (MoF) now publish both consolidated and stand-alone SOE reports which reflect the audited financial performance, including all disclosures of individual companies. Furthermore, DHI owned SOEs and their subsidiaries deliver timely disclosures on audits and all relevant matters affecting the SOE, including its financial position, operations, ownership and governance.

#### **Box 7. SOE Reform Progress in Cabo Verde**

The share of SOEs in the Cabo Verdean economy (26 percent of GDP) is large when compared with the rest of sub-Saharan Africa (average is 15 percent of GDP). SOEs are responsible for central services such as transport, energy and water, and banking. The limited performance of several large SOEs has prompted the recently elected government to embark on an ambitious reform program to strengthen oversight and accountability, increase company performance and attract private sector investors into some sectors such as in transport and energy.

- Performance agreements: The central SOE unit (UASE) is currently preparing new performance agreements with all the major SOEs. The agreements will have a duration of 3 years and will be independently monitored.
- Publication of reports on SOE portfolio: UASE currently publishes an annual report on contingent liabilities of the largest SOEs. With support from the WBG, the report is being broadened to include an analysis of the entire SOE portfolio. In addition, audited financial reports and performance agreements will be published on its website.

34. **Moving ahead, incremental SOE reforms can continue to be pursued in the context of the Maximizing Finance for Development agenda.** Well performing SOEs can have cascading effects - leveraging additional funds for investment and balancing private sector

coordination failures. SOEs can serve as catalysts for providing basic infrastructure and other social services that remove obstacles and facilitate public and private sector investments. State financial institutions can, for example, mobilize private resources for infrastructure investment by assuming some project risks that the private sector is not willing to take through risk-sharing schemes. Building on this first generation of reforms, two areas of consideration for future IDA investment are: (i) Strengthening ownership entities, based on progress that shows a strong unit/authority that consolidates/reviews data and informs policy is fundamental to improving performance; and (ii) Publishing audited SOE reports, with external audit providing the assurance that the financial statements present fairly the financial position of the entity and the results of its operations and related cash flows.

### *Governance and Service Delivery*

**35. As countries continue to face increasing pressure to improve service delivery, IDA18 is responding by supporting reforms that identify governance bottlenecks that can stand in the way of basic services from meeting citizen demand.** Sector-focused governance interventions constitute an increasingly important element of WBG support to IDA countries. In many countries governance and institutional bottlenecks are hampering the delivery of basic services. In some cases, the required policies and institutions are in place and yet, implementation is lagging behind – while in other cases, the policy choices and allocation of resources do not fit the service delivery challenge. Against a target of support to 10 countries, 80 percent of the target has already been delivered (eight countries), with another 15 already ongoing or in the pipeline.

**36. A key lending instrument for responding to this demand has been the Program for Results (PforR).** The Governance GP is collaborating with sectoral GPs such as Water, Health, and Agriculture to design instruments that utilize Disbursement Linked Indicators (DLIs) to incentivize the reform of public sector bottlenecks to improve downstream service delivery. These programs are also embracing political economy analysis in their design to understand the underlying power dynamics that prevent policy implementation. In Uganda, for example, a recent study looked at why agricultural growth and productivity stagnated despite considerable policy attention and donor support on the governance and incentive aspects of implementing agricultural reforms. As a result, a PforR operation is being designed focused on closing these implementation gaps, informed by stakeholder consultations and ways to incentivize change.

**37. Deep sectoral collaborations have also emerged to more systematically understand the gaps that stand between the design of policy and implementation of service delivery.** In the water sector, for example, the Governance, Poverty, Water, and Health, Nutrition & Population (HNP) Global Practices (GPs) have partnered to implement the Water Supply, Sanitation, and Hygiene (WASH) Poverty Diagnostic initiative. The program has conducted multidisciplinary research in 18 countries to better understand the impacts of inadequate services on human development outcomes and identify the binding constraints to service delivery. In Mozambique, for example, the diagnostic revealed that provincial and district-level budgetary allocations are not based on transparent criteria and are subject to change during the budget discussions at the national level. Policy reforms to address this such as the elimination of barriers to access information to reduce uncertainties and enhance accountability of the sector are being designed and are influencing the preparation of the *Mozambique Urban Sanitation and Drainage Project*, currently under preparation.

38. **As the WBG continues to increase its focus on investment in human capital, governance will have a critical role to ensure these high expectations are met.** Governance and accountability are major overarching problems affecting the effectiveness of policy design and service delivery – and onward human capital outcomes. It can be difficult to make the case for dedicating more resources to human capital investments when spending is already inefficient, with a core focus moving forward continuing to be to strengthen the institutions needed to improve the rate of return from spending that already takes place. This is particularly true for those IDA countries that have already begun to achieve moderate outcomes in human capital, as moving to better service delivery systems does not typically require the investment of additional resources, but rather changes in underlying institutional approaches and organizational processes for delivery.

#### *Pandemic Preparedness*

39. **In the wake of the West Africa Ebola Epidemic (from 2013 to 2016), countries and the broader international community have recognized the need to develop a coordinated approach to anticipating and addressing public health emergencies of international concern.** The continued emergence of pandemics such as the unprecedented surge in Lassa Fever cases in Nigeria in 2018 and the most recent outbreaks of Ebola in the DRC<sup>6</sup> have further demonstrated the vulnerability of communities to disease outbreaks and their potentially devastating economic and social impacts. Almost all IDA countries have some form of disease-specific or generic emergency preparedness plan – but in most cases these are either obsolete or very incomplete and may provide little practical value during a major disease outbreak. The increased prevalence and severity of pandemics means that the world can no longer rely on just “chasing outbreaks.” IDA18 was therefore identified as an essential vehicle for addressing these urgent gaps in pandemic preparedness to increase the resiliency to shocks and be ready for the next potential global outbreak.

40. **At the core of pandemic preparedness is the development of agile and resilient public institutions that can manage an effective response to outbreaks.** The implementation of preparedness plans is largely a governance issue – requiring coordinated planning, surveillance, detection and response across multiple sectors (health and non-health, public and private) and levels of government (national, provincial, and community). Pandemic preparedness also requires the establishment of regional and global partnerships to support joint planning, information sharing and collective action across borders when an outbreak occurs. These partnerships also support countries’ capacity to comply with the International Health Regulations (IHR)<sup>7</sup> and report on disease outbreaks and public health events to the WHO.

41. **In collaboration with international partners, significant progress has been made towards the pandemics commitments to:** (i) support at least 25 IDA countries in developing pandemic preparedness plans; and (ii) support 25 countries in developing frameworks for governance and institutional arrangements. New evidence-based pandemic preparedness plans

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<sup>6</sup> Declared on May 10 and August 1, 2018 respectively.

<sup>7</sup> The IHR represents an agreement between 196 countries, coordinated by the WHO, to work together for improved global health security. It is a legally binding instrument of international law that lists core capacities to prevent, detect and respond to public health emergencies, especially pandemics.

have been delivered in eight IDA countries and plans in an additional 15 countries are under preparation. A new generation of planning to ensure full-scale compliance has begun with the National Action Plan for Health Security (or NAPHS). They are customized plans for countries to achieve health security based on the respective findings of the Joint External Evaluation (JEE) of the 19 core capacities to prevent, detect, and respond to disease outbreaks as outlined by the IHR 2005. The JEE process is a standardized, to ensure comparability of findings across countries, and is the first step in the NAPHS development process. The NAPHS process helps countries translate JEE recommendations/priorities into concrete activities. An important aspect of developing the NAPHS is operationalizing, costing, and financing the plan across all sectors that play a role in the prevention, detection or response to disease outbreaks. The WBG is heavily involved in providing support to countries at various stages of the NAPHS process, including technical assistance to: (i) develop a detailed operational plan; (ii) estimate the cost of the plan; and, (iii) develop a financing to strategy for implementation of the plan.

42. **Closely aligned to the IDA18 commitment to support the development of pandemic preparedness plans is the commitment to support the development of a framework for consensus building, governance and practical implementation arrangements across multiple sectors and stakeholders involved in supporting health security.** Through IDA18, the WBG has already supported the development of frameworks for governance and institutional arrangements in seven countries, with work ongoing or in the pipeline for an additional 16 countries. The development of these frameworks through the NAPHS process draws on expertise from various sectors, reflecting a shared commitment to enhanced collaboration when addressing national health security. As a coordination platform, the NAPHS is used to map and ensure interplay between multiple sectors and other existing plans at all administrative levels of each country. The NAPHS is usually implemented under the guidance of the Prime Minister's Office (as in Tanzania) or under an overarching National Disaster Risk Management agency (as in Pakistan). Typically, inter-ministerial or multi-sectoral committees, with representatives from all relevant line ministries, sometimes co-opting development partners, administer the plan. In establishing institutional arrangements for multi-sectoral health emergency preparedness, the Bank primarily provides TA to: (i) review existing coordinating mechanisms; (ii) establish coordination mechanisms within a country where none currently exist; and/or (iii) strengthen existing coordination platforms to make them more effective.

43. **In conjunction with the IDA18 policy commitments, global health security is being significantly enhanced through lending operations that assist countries and regional institutions to more effectively prevent, detect and respond to public health emergencies.** For example, the West Africa Regional Disease Surveillance Systems Enhancement Program (REDISSE)<sup>8</sup>, which was initiated under IDA17, continues to expand under IDA18. An IDA18 investment of US\$120 million allowed the Program to expand to an additional four countries in West Africa (Benin, Mali, Mauritania and Niger) bringing the total IDA commitment to US\$377 million to support activities in 11 countries and at the regional level. Two additional lending operations are in the IDA18 pipeline for delivery in FY19. In addition, the Africa Centers for Disease Control (Africa CDC) Regional Investment Financing Program is the first phase of a

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<sup>8</sup> REDISSE is a series of interdependent project to: (i) address systemic weaknesses within the animal and human health systems that hinder effective cross sectoral and cross border collaboration for disease surveillance and response; and, (ii) the event of an eligible emergency, to provide immediate and effective response to the emergency.

proposed Multi-Phased Programmatic Approach (MPA) to assist in the operationalization of the newly established Africa CDC, headquartered in Addis Ababa, and its five Regional Coordinating Centers (RCCs). This IPF will assist Africa CDC in strengthening of the continent-wide capacity to prevent, detect and respond to outbreaks through a network of national public health institutes, RCCs, and specialized centers of excellence and reference laboratories.

44. **The investments made by IDA18 on pandemics are already demonstrating that “preparedness pays off” as demonstrated by international responses to recent outbreaks.** In tandem with its policy commitments, the WBG is currently supporting regional projects in West Africa, East Africa, Southern Africa and a regional initiative in East Asia focusing on health security. It has also established innovative financing options for rapidly mobilizing funds in the event of public health emergencies, including the Pandemic Emergency Financing Facility (PEF) and has adapted emergency financing mechanisms, such as the Contingent Emergency Response Component (CERC) and the Catastrophe Deferred Draw-Down Option (Cat DDO), so that they can be applied in the context of public health emergencies in lower income countries. A CERC component is now routinely recommended for new operations and disease outbreaks are now an eligible trigger for the CERC. These investments have materialized in concrete successes such as the contained outbreak of the Marburg Virus in Uganda in October 2017 where collaboration between policy makers and technical teams from Kenya and Uganda and significant TA from development partners including the WBG helped contain this outbreak of Marburg virus to three deaths and prevented the disease from spreading across national borders (Box 8). There is also disease surveillance work being done in the Central African Republic and real-time response to the current outbreak in the DRC to complement the investments in preparedness being made.

**Despite these significant achievements, substantial challenges to pandemic preparedness remain.** For example, the multiplicity of disease specific plans in some countries (i.e., influenza preparedness, HIV/AIDS, TB, and disaster management plans) with different funding streams complicates the development of an overarching pandemic preparedness plan. In addition, the process to achieve consensus on priorities requires contributions from various sectors, which may take longer than expected. Similarly, preparedness necessitates coordination and collaboration across a range of actors, including ministries of health, finance, agriculture, and the private sector, and such a multi-sectoral commitment to pandemic preparedness at a large scale has been lacking to date. Budgeting at the national level is sector specific and since multiple agencies are responsible for pandemic preparedness, no sector is effectively advocating for budget allocations for pandemic preparedness. This leads to pandemic preparedness being underfunded. There is also often limited technical capacity at the national level; pandemic preparedness is cross-sectoral in nature and expertise is insufficient in some areas (i.e., shortage of epidemiologists, entomologists or veterinarians). Finally, countries tend to allocate their limited resources to urgent needs rather than important interventions that are necessary for a country to prevent and prepare for future outbreaks. It is well recognized that these institutional challenges cannot be expected to be rectified overnight – but IDA’s focus on the underlying governance reforms needed for pandemic preparedness is already producing results.

### **Box 8. Strengthening Institutions for Pandemic Response in Sub-Saharan Africa**

**Ebola Outbreak.** When the Ebola outbreak in West Africa was declared over in 2016, the world hoped it would never again see such widespread transmission of the disease that killed 11,000 people and cost the region US\$2.2 billion. However, two years later in DRC, there have been two additional Ebola outbreaks, reinforcing the importance of continued commitment to pandemic preparedness. The response to these outbreaks have been swifter benefitting from lessons learned during the West Africa outbreak, where the acute loss of human life and severe economic costs were caused in large part by delayed action. DRC currently has a health project worth US\$400 million with an infectious disease surveillance component (US\$15 million) which was made available for the immediate Ebola response. Additionally, the PEF released US\$12 million for emergency response efforts in its first ever financial commitment. Combined, the WBG contributed US\$27 million of the country's proposed US\$56.8 million response plan. Further, the CERC was activated, allowing the country to reallocate up to US\$50 million in additional funding as necessary to fund the rest of their response plan if required. These support functions have contributed to containing the potentially grave threat of urban and transnational transmission of Ebola in the port city of Mbandaka and represent the leading edge of the new global culture of rapid response to outbreaks. In addition, the WBG is preparing a regional disease surveillance project in DRC, Chad and Angola worth US\$245 million to strengthen pandemic preparedness capacities in Central Africa.

**Lassa Fever Outbreak.** CERC was activated for the first time for a health project in April 2018 upon request from the Government of Nigeria (GoN). This was in response to a widespread outbreak of Lassa Fever with the number of laboratory confirmed cases by end of January 2018 accounting for about 25 percent of the total number of confirmed cases for the whole of 2017. By March 2018, barely three weeks after the REDISSE project became effective in Nigeria, the outbreak has reached an epidemic alert level such that the total number of laboratory confirmed cases has surpassed the total number of confirmed cases for the whole of 2017, with a very high case fatality rate (24.3 percent).

While the Nigeria Center for Disease Control (NCDC) in conjunction with the World Health Organization (WHO) and other partners indeed developed a comprehensive Incidence Action Plan with an estimated budget of US\$4.9 million, the initial delay in mobilizing needed funds hindered swift implementation of the plan. Hence, with REDISSE being effective, the GoN requested for the activation of the CERC of the project. Despite CERC being activated for the first time for a health project, the Bank was able to respond to government's request within 96 hours of receiving the request and a total sum of US\$2.5 million was mobilized through the REDISSE project for the outbreak response. The money was used to strengthen laboratory capacity for case confirmation, case management and contact tracing through deployment of rapid response team. The CERC funds was also used to enhance risk communication and strengthen logistic and supply chain management. The rapid deployment of funds through REDISSE CERC contributed to the containment of and recovery from the outbreak while enhancing the preparedness of NCDC for future outbreaks.

45. **It is important that IDA18's pandemics commitments not be viewed in isolation, as they fit into the broader context of WBG's pandemic preparedness activities.** Key complementary initiatives undertaken during IDA18 that play a critical role in strengthening global and country-level health security include:

- The Pandemic Emergency Financing facility (PEF) making its first-ever financial commitment of US\$12 million to meet the financing gap in the Ebola DRC surge response plan;
- The Global Preparedness Monitoring Board (GPMB), co-convened by WHO and the WBG providing an independent and comprehensive global mechanism that appraises key policy makers and the world of system-wide progress towards increased preparedness and

response capacity, was formally announced at the Global Health Leaders meeting hosted by the World Bank April 21st, 2018;

- The WBG’s commitment to supporting the Coalition for Epidemic Preparedness Innovations (CEPI) by establishing a Financial Intermediary Fund (FIF) and assisting with technical and financial advice to achieve their pandemic preparedness goals;
- The WBG’s successful convening of two international taskforces – the International Working Group on Financing Preparedness and the International Vaccines Task Force – both of which provided a set of actionable recommendations to key stakeholders to ensure that the world is better prepared for the next major disease outbreak.

### *Citizen Engagement and Beneficiary Feedback*

46. **Recognizing the ever-expanding role of non-state actors in governance and policy-making, IDA18 is responding to the need for innovative approaches to citizen engagement and beneficiary feedback.** A sustainable path toward ending extreme poverty and promoting shared prosperity would involve creating a transparent and inclusive society. An inclusive society must have the enabling environment, institutions, structures, and processes that empower citizens and local communities, so they can hold their government and service providers accountable. This requires the participation of all groups of society in decision-making processes. Against the target of supporting 10 countries in the development of user feedback and/or enhanced grievance redress mechanisms (GRMs), 18 projects for service delivery have already been delivered with these components – with the expectation this number will continue to expand over the IDA18 period.

47. **The delivery of citizen engagement policy commitment is grounded in the WBG’s broader *Strategic Framework for Mainstreaming Citizen Engagement in WBG Group Operations* – but takes interventions even further than those required.** The *Strategic Framework* constitutes the WBG’s commitment to mainstream citizen engagement in all Investment Project Financing (IPF) operations financed with IBRD loans or IDA credits. The WBG has the goal of 100 percent beneficiary feedback in its lending projects as of FY18. The IDA18 policy commitment seeks to take this a step-further pushing for engagement through multiple channels (or ‘thick’ engagement) with a focus on closing the feedback loop with citizens, and for innovation in GRMs that promote new instruments for uptake, responsiveness, disclosure, and/or gender inclusion. Toward these ends, the commitment aims to strengthen the relevant country systems and processes for citizen engagement. Data analysis suggests that multiple operations have started to build on existing country systems for citizen engagement and strengthen them through operations. This country-systems’ approach is also in line with a recommendation of the Independent Evaluation Group’s *draft evaluation Engaging Citizens for Better Development Results*.

48. **Delivery on IDA18’s citizen engagement commitments has significant links to and impacts on the other Special Themes.** For example, women’s voice and agency are important components for inclusive institutions and central to the delivery of the Gender Special Theme. Citizen Engagement (CE) is one approach to advance inclusion of female voices into the development and governments’ decision-making processes. The concepts of inclusive CE - participation of females and other traditionally marginalized groups- and inclusive targeting - women and girls as important target beneficiaries- are often embedded into the project design.

There is room for continued investment in projects that includes beneficiary feedback indicators with gender or other inclusion elements. Among 40 IPF and PforR operations that meet the CE policy commitment definition, only nine operations include formal gender elements as part of their beneficiary feedback indicators.

49. **Looking ahead, citizen engagement reforms are embracing the potential of disruptive technology to further increase inclusion and bolster the voice of citizens.** In addition to improving sector performance in areas such as education, health, water and sanitation, engaging citizens can improve transparency and accountability of public spending, help to sustain reforms, and increase trust in public institutions. For example, the ‘MajiVoice’ software in Kenya is transforming service delivery in the water and sanitation sector – linking citizens, utilities and the regulator and providing tools and incentives that improve customer service.

*Open, Transparent, and Inclusive Governance*

50. **Since the launch of IDA18, client countries have displayed a significant desire for support on reforms around open, transparent, and inclusive governance.** The ambitious policy commitment to support at least one-third (25 out of 75) of IDA countries to operationalize reform commitments around the Open Government is motivated by the importance of open government approaches to effective engagement with the private sector and citizens that help improve policy implementation. At midterm, the commitment has already been delivered to 17 IDA countries, with another six ongoing or in the pipeline. These elements include but are not limited to: PFM and procurement operations with open contracting elements; PFM fiscal reform operations with fiscal transparency objectives; Access to Information policy reform, and standalone or programmatic ASA activities that support the local in-country open government processes.

51. **There are three central pillars to open government: transparency, citizen engagement and accountability.** Openness and transparency are fundamental ingredients ensuring information is available and accessible to the public, facilitating the public’s informed participation in policy-making. Citizen engagement involves citizens in decision-making about their civic affairs through discussion and deliberation, improving the collective knowledge and ideas for greater effectiveness and quality of services. Accountability makes information actionable and allows the public to hold government into account for their performance and delivery of services. The three pillars can lead to higher degrees of trust and confidence in government by informing citizens of government actions and allowing them to be part of an inclusive and deliberative decision-making process.

52. **Some of the most encouraging results to date have been in IDA countries that are employing multiple open government interventions in an integrated fashion.** In Nigeria, for example, an Open Government Partnership National Steering Committee has been assembled that is composed of representatives from the Federal Government of Nigeria and civil society organizations. It has identified 14 commitments in its OGP Action Plan (January 2017 – June 2019) that aims to consolidate new and existing reforms in four thematic areas: (i) fiscal transparency; (ii) access to information; (iii) anti-corruption and asset disclosure; and, (iv) citizen engagement and empowerment. These are being operationalized in part through a PforR operation

which creates incentives for state-level implementation of OGP Commitments on budget and procurement transparency as foundations of subnational fiscal transparency.

53. **Looking ahead, significant challenges and opportunities exist.** The rise of global populism in many countries and shrinking civic space has slowed the progress of the Open Government Agenda in several countries. The Open Government Partnership (OGP) has provided a platform to try and accelerate this progress; however, political endorsement of the Open Government agenda shifts as regimes change and several OGP lead countries have minimized their involvement. Countering these setbacks, the rapid spread of technology has created an environment of radical transparency that was unthinkable not too long ago. With rising citizen expectations for public sector openness and transparency, new opportunities continue to emerge.

#### *Illicit Financial Flows (IFFs)*

54. **The IDA18 commitment on Illicit Financial Flows is characterized by increasingly high global expectations, but constrained by the difficult political realities that surround meaningful reform efforts.** IFFs distort economic and political competition, subvert government institutions, generate conflict and violence, and undermine the integrity of legal and financial systems. Unprecedented data leaks such as the *Mossack Fonseca* and *Paradise Papers* have revealed to the public the breadth and depth of the effects of IFFs, particularly on the fiscal space of lower-income countries. A precondition for reducing the developmental consequences of IFFs is the ability to determine the extent to which a country is exposed to IFFs and to identify those countries where IFFs pose the greatest risk to poverty reduction and shared prosperity. Towards these ends, IDA18 committed to perform IFFs assessments in 10 countries to support the identification and monitoring of IFFs.

55. **Since the launch of IDA18, a significant number of IFFs assessments have been launched and are on pace to be delivered.** The primary tool being utilized is National Risk Assessments (NRA) – a knowledge-based decision-making tool used to assist decision makers with identifying and assessing the actual sources of the money laundering (ML) risk in a country and developing action plans to mitigate their risks and improve the effectiveness of the anti-money laundering (AML) environment. The resulting risk-based action plans that stem from completed NRAs are designed to improve the effectiveness of the AML system as a whole by ensuring risk-based allocation of human and financial resources, and therefore result in improved investigation and prosecution of financial crimes such as corruption, tax evasion, and fraud. NRAs typically take 12 – 18 months to complete, and three NRAs have been delivered (Cabo Verde, Guyana, and Senegal). Another 13 are currently underway and expected to be delivered within the IDA18 period.

56. **Significant progress has also been made in global efforts surrounding global asset recovery.** The Stolen Asset Recovery (StAR) Initiative is a partnership between the World Bank Group and the United Nations Office on Drugs and Crime (UNODC) that supports international efforts to end safe havens for corrupt funds. StAR works with developing countries and financial centers to prevent the laundering of the proceeds of corruption and to facilitate more systematic and timely return of stolen assets. In December 2017, it coordinated the first Global Forum on Asset Recovery (GFAR) which provided a platform to empower the investigators and prosecutors charged with identifying and tracing assets and getting necessary cooperation with financial

centers in recovering and returning them. Notably, Nigeria was one of the four priority countries supported at the gathering and culminated in a signing of a Memorandum of Understanding between Nigeria, Switzerland and the World Bank setting out the return of US\$321m of recovered assets. Specific country efforts also continue like those in Somalia (Box 9), where over US\$23 million has been added to the Central Bank's reserves with StAR assistance to date.

### **Box 9. IFFs and Stolen Asset Recovery in Somalia**

The collapse of national systems and institutions in Somalia in 1991 led to the suspension of operations by the Central Bank of Somalia (CBS) and the loss of control over official Somali accounts held in foreign financial institutions. With the resumption of operations in 2013, the CBS sought to identify and recover these assets with the assistance of the WBG/UNODC. StAR is currently assisting the CBS in contacting approximately 30 international financial institutions believed to hold or have held legacy CBS accounts, including former WBG project accounts. In addition to facilitating introductions with appropriate counterparts within the international financial community, StAR is providing guidance to the CBS on ensuring the management of recovered assets is handled with transparency and accountability. To date, over US\$23 million has been added to the Central Bank's reserves with StAR assistance.

57. **Going forward it will be important to further expand the work on IFFs to cover additional IDA countries.** This work will require significant (technical and political) support (including financial resources) in environments where the foundations for identifying IFFs are missing or for various reasons not effectively applied. The WBG has a range of analytical tools to measure different dimensions of IFFs. It will be critical to further develop and refine existing analytical tools for IFFs assessments, building on the work with country clients. The new IFF Rapid Assessment Tool (RAT) currently under development will help countries assess their exposure to IFF outflows and inflows, and enable them to identify levels of risk, the nature and the challenges.

#### *Operationalizing Governance and Institutions in FCV Contexts*

58. **The IDA18 commitment to strengthen and systematize governance and institutional analysis in half of RRAs and at least three-quarters of RPBA in IDA countries** is motivated by the need to better understand how governance processes bear on conflict, and to identify ways to support changes. It is based on the recognition that, previously, such analysis was neither focused nor systematic, which reduced the effectiveness of the Bank's interventions in FCV contexts.

59. **This analytic work is foundational to the significant scale-up of support to FCV in IDA18, and it is essential to realizing the promise of that new ambition.** Drawing on the lessons from our experience, governance support is focused on three main areas: (1) the restoration of core government functions that are critical for building confidence with citizens and enhancing the credibility of the state; (2) the promotion of the inclusive delivery of key services, in circumstances where poor accountability and weak service delivery are among the drivers of conflict and fragility; and (3) the provision of fiduciary assurance in high risk environments with the inclusion of innovative tools that provide an understanding of risks and mitigating measures to support the proper use of funds.

60. **RRAs and RPBA**s are key instruments to support governance and institutional analysis in FCVs (see Box 10). RRAs, by evaluating drivers of fragility, provide important input into Systematic Country Diagnosis and inform Country Partnership Frameworks. RPBA

s help identify, prioritize and sequence recovery and peacebuilding activities and coordinate planning and implementation. Governance and institutional analysis are central to these processes. During the first half of the IDA18 period 75 percent of RRAs and 100 percent of RPBAs received targeted support in line with the IDA18 commitment.

61. **Moving forward, the focus will be on improving and mainstreaming RRAs and RPBA**s which will require investments to further operationalize the tools. Ultimately, the tools should support country teams to incorporate the findings of the RRAs/RPBA

s analysis into country programs and help sequence and prioritize the most critical support. This will require significant training and capacity building on technical skills (including issues such as transitional justice and dispute resolution) and on the process of engagement in FCV environments.

**Box 10. Strengthening Governance and Institutional Analysis in Papua New Guinea's RRA**

The Papua New Guinea RRA analyzes conflict and state and institutional failures, building in part on WDR 2017 framework. It was underpinned by a combination of political economy (especially of economic geography, power relations, resource curse and institutions) and historical institutional analysis (patterns of institutional development over time, including adaptation/ hybridization, path dependency, and positive/ negative returns). Both required developing a close historical understanding of what emerged in the colonial and post- colonial period, and how that affects governance and development in PNG.

In-depth governance and institutional analysis provided a thorough understanding of governance failures, and pointers at pathways for reform. This is being translated in the CPF (ongoing) which includes a deeper commitment to EITI, as well as a first Governance program in the country which will include PFM/ fiscal and other decentralization concerns and scrutiny of vertical funds. Issues around subnational co-ordination of government, and the linking of local resource rent rich MPs to wider systemic programming will be addressed in sectoral engagements in health and to a lesser extent agriculture and perhaps transport, and in the context of a CDD program.

*Operationalizing the World Development Report on Governance and the Law (WDR 2017)*

62. **Under IDA18, the WBG has committed to deliver a plan for operationalization of the 2017 World Development Report on Governance and the Law at the Midterm Review.** Launched in February 2017, the WDR 2017 addresses fundamental questions which are at the heart of development, such as why sensible policies are too often not adopted or implemented; and when they are, why they often fail to generate development outcomes such as security, growth, and equity; and why some bad policies endure. It shows that policy making and policy implementation do not occur in a vacuum. Rather, they take place in complex political and social settings, in which individuals and groups with unequal power interact within changing rules as they pursue conflicting interests.

63. **The WDR2017 Operationalization Plan presents three-pronged approach to achieve intermediate objectives that will facilitate the internalization and mainstreaming of the WDR.** A successful operationalization means success along each one of these prongs. Socialization entails the creating a shared language and analytical framework for engaging with

underlying governance constraints and enablers, by way of the presentation of WDR findings and messages to inside and outside audiences. Application entails deliberate efforts to use the WDR framing and concepts in select analytical and operational products, ranging from Systematic Country Diagnostics (SCDs) to regional and sector strategies, as a means of learning by doing, experimentation and creating a demonstration effect. Institutionalization entails systematizing and institutionalizing analytical and operational engagement with underlying governance constraints and enablers across the World Bank through a range of tools, corporate incentives and support programs.

64. **The first goal of the operationalization process is to present the WDR framework and findings to a broad set of stakeholders and create a shared vocabulary for discussing the relationship between governance and development.** The WDR draws on a rich body of multidisciplinary literature, from the micro-foundations of institutions economics, to game theory, to long run history, and socio-legal studies, to shed light on development challenges across the spectrum of our work. While for many stakeholders the WDR 2017 reiterates important and well-demonstrated concepts about the role of bargaining, contestation and power asymmetries in the development process, to others it presents a challenge to expand technical expertise to incorporate a complex and often abstract interdisciplinary approach.

65. **The application prong entails deliberate efforts to use the WDR framing and concepts in select analytical and operational engagements as a means of learning by doing, experimentation and creating a demonstration effect.** While WDR 2017 is an important consolidation and advancement on previous framings that engage with governance constraints and power asymmetries, efforts to incorporate political economy, and to focus on functions and incentives have been taking place for at least the last ten years as the result of individual initiatives and in dispersed and opportunistic ways. The aim of this prong over the near term is to build on these efforts and engage with select specific country and sector applications to ensure that the institutionalization and mainstreaming activities (Implementation) are grounded in practical experience.

66. **The institutionalization prong is about developing the enabling environment for widespread internalization and more systematic application of the concepts and approaches of the WDR.** It aims to do so through three workstreams. The first entails developing a suite of tools, methodologies, and measurements that will enhance our ability to use WDR concepts in analytical and operational work. The second involves embedding in corporate instruments and priority agendas expectations that task teams will move beyond identification of proximate constraints and best practice forms to address issues of power asymmetries, institutional functions and levers of change to enhance policy effectiveness. The third will establish partnership and initiatives to support ongoing learning, innovation and knowledge sharing.

67. **Moving forward, it will be important to integrate the WDR 2017 findings into WBG operational processes and procedures.** For instance, revised OPCS guidance for new Project Appraisal Documents (PADs) requires the production of a “theory of change” to explain how proposed project interventions will result in development outcomes. The WDR 2017, with its connections between underlying drivers, governance, and development outcomes, will be particularly helpful in developing such “theory of change”. Given existing resource constraints,

further operationalization should also focus on carefully selected groups of countries, where existing partnerships with IDA partners show promise for raising funds to pilot WDR concepts in areas of mutual interest.

### C. CHALLENGES AND OPPORTUNITIES

68. **The demand and commitment to the *Governance & Institutions* Special Theme by IDA countries have exceeded expectations: clients recognize governance reforms as a critical tool to strengthen policy implementation.** Several policy commitments concerning (among others) DRM, Citizen Engagement, the work in FCV situations and on governance in sectors are likely to exceed their targets, indicating the importance and demand for these topics. At the same time, many IDA clients still face significant challenges in implementing the IDA18 *Governance & Institutions* agenda. These challenges include: (i) low capacity to absorb and manage reforms; (ii) the time needed for effective delivery; and (iii) the political economy challenges for implementing reforms. Complex (technical and political) reforms are difficult to manage, implement and sustain. Many countries face various forms of implementation delays, also those caused by resistance to change, by cost overruns and by lack of reform momentum. As a result, IDA clients need continued assistance to enhance and further deepen ongoing reform efforts. This needs to be supported with significant capacity building and change management efforts to overcome bottlenecks and delays.

69. **For the second half of IDA18, the Bank will focus on consolidating ongoing reform efforts and adjusting implementation based on lessons learned.** The majority of IDA18 countries will require sustained support throughout and beyond the IDA18 implementation period to deliver results. Governance and institutional development reforms typically are long-term processes with each component facing specific challenges. They require political support beyond election cycles as well as administrative leadership and technical expertise which are scarce resources in many countries. The increasing use of technology in a wide range of government operations requires significant investments not only in short-term training and capacity building but also in improving the existing education and professional training institutions. The interdependence of reform activities needs new ways of cooperation and coordination among institutions that poses major challenges to the long existing methods of work. The need to work together regionally or even globally on issues such as DRM or IFFs requires collaborative engagements.

### III. OUTLOOK AND IDA19 AMBITION

70. **The twelve IDA18 Governance & Institutions policy commitments have focused on results through a strengthening of the *Foundations* of public sector reform – with the ambition of IDA19 now looking to build on these successes with a push towards the *Frontiers*.** The implementation of IDA18 has shone a spotlight on the changing nature of governance, which is requiring stakeholders to continually re-assess traditional approaches to institutional reform. Technological advances marked by an environment of increasing interconnectedness, radical transparency, and strengthened systems for accountability are increasing citizens expectations of the state – while also creating new pathways for the state to deliver. With a focus on continuing to close the implementation gaps across the five main results areas (Box 3), possible new areas of exploration in IDA19 include:

- **GOVTECH**: GOVTECH has the potential to help transform public sector efficiency, transparency and performance. The WBG is uniquely positioned to ensure that adoption of GOVTECH spreads effectively across our diverse client groups in IDA while managing the risks of exclusion that digital transformation presents. Areas of potential focus include: (i) eGovernment Strategies and Digital Governance; (ii) Procurement Modernization; (iii) Public Sector Big Data Analytics and Artificial Intelligence for Decision Making; (iv) Citizen-centric Public Service Delivery; and (v) the Digital Economy. *This would build on IDA18 commitments on open government, citizen engagement and service delivery.*
- **Frontiers in Anti-Corruption**: The WBG continues to tackle the multi-dimensional challenge of corruption through our work and partnerships at the global policy level all the way down to our boots on the ground at the country and project level. New information tools (such as beneficial ownership) and technology (such as data analytics) can help enhance our efforts across the spectrum of anti-corruption interventions, including: (i) Preventing corruption – by strengthening the institutions and “anti-corruption ecosystem” that shapes the incentives for corrupt behavior in the public and private sectors; (ii) Tackling impunity – by building the capacity of countries to hold wrongdoers to account through the justice system, and supporting global efforts to improve access to information and cross-border collaboration to uncover and take appropriate action against corrupt actors; and (iii) Strengthening norms and standards – to draw on new tools and education that change the perceptions and incentives to support longer term, sustainable efforts to confront corruption. Disruptive technologies and new ways of working are also being harnessed to bring the next generation of anti-corruption efforts forward – such as advanced data analytics and artificial intelligence for identifying risks of corruption in public procurement. *This would build on IDA18 commitments on Illicit Financial Flows, WDR 2017.*
- **Underlying Drivers of Fragility**: Addressing the root causes of migrations and of the refugee crisis is another topic that poses major governance challenges. Many citizens, and particularly the young generation, are severely affected by weak economic conditions that make it difficult to find jobs and make a living. If governments are not able to provide a clear perspective for their citizens on economic and social issues the lack of trust in government will continue to increase – a potentially dangerous development that might cause more unrest and violence. Governance reforms could help bring back trust in government through tangible reform efforts to strengthen public policy processes, manage public resources effectively, reinforce public service delivery, and to ensure a fertile ground for private sector development. *This would build on the IDA18 commitments on RRAs and RPBA.*
- **Supporting Human Capital Investment**: Governance and accountability are major overarching problems affecting the effectiveness of policy design and service delivery—and subsequent human capital outcomes. In some countries, the policy choices and allocation of resources do not fit the service delivery challenge leading to persistent suboptimal results. In other countries, the required policies and institutions are in place and yet, implementation is lagging due to implementation bottle-necks. Areas of potential focus include: (i) Strengthening Domestic Resource Mobilization; (ii) Managing human and

financial resources; and (iii) Incentivizing delivery of results. *This would build on the IDA18 commitments on DRM, PEFA, MAPS and Pandemics.*

- **Infrastructure Governance**: There are trillions of dollars on the sidelines being held by institutional investors, waiting to be put to work and searching for the high-return investment opportunities that large infrastructure projects provide. The real binding constraint that is preventing these funds from being invested in the highways, bridges, and power infrastructure that citizens around the world so critically need are the public-sector risks – or the governance gaps – which prevent private finance from being crowded-in and keeps funds that are invested from translating into productive, sustainable assets that serve the citizens for whom they were intended. *This would build on the IDA18 commitments on PEFA, MAPS, Open Government and SOEs.*

## Annex 1: Progress On Delivering Policy Commitments

<b>Policy Commitment 1: Strengthening Domestic Resource Mobilization (DRM)</b>	
<b>Provide support to at least a third (25 of 75) of IDA countries targeted at increasing their Tax/Gross Domestic Product ratio through lending operations, ASA and technical assistance including tax diagnostic assessments</b>	<p><b>Delivered</b>  <u>Delivered:</u> 33 countries (12 DPF, 9 IPF, 1 PforR, 17 ASA, 8 TADAT) – Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, DRC, Côte d’Ivoire, Djibouti, Ethiopia, Grenada, Kenya, Liberia, Madagascar, Mauritania, Federated States of Micronesia, Moldova, Nepal, Niger, Nigeria, Pakistan, Samoa, Senegal, Somalia, Tajikistan, Tanzania, The Gambia, Timor-Leste, Togo</p> <p><u>Ongoing:</u> 5 new countries (13 countries total) – Ghana, Kyrgyz Republic, Lao PDR, Uganda, Zimbabwe</p>

1. IDA18 has exceeded its commitment for support to strengthening Domestic Resource Mobilization with work completed in 33 IDA countries, including Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, DRC, Côte d’Ivoire, Djibouti, Ethiopia, Grenada, Kenya, Liberia, Madagascar, Mauritania, Federated States of Micronesia, Moldova, Nepal, Niger, Nigeria, Pakistan, Samoa, Senegal, Somalia, Tajikistan, Tanzania, The Gambia, Timor-Leste, and Togo. The portfolio of WBG tax activities in IDA countries currently focuses on capacity building in revenue administration and improvements in tax policy. Activities are geared towards enhancing the mobilization and effective use of domestic revenues and improving the fairness, transparency, efficiency and effectiveness in tax systems. Bank support includes lending operations, knowledge and learning products, and implementation of the Tax Administration Diagnostic Assessment Tool (TADAT) in 8 countries.

2. Further, a new tool, the Medium-Term Revenue Strategy, has been rolled out during this IDA replenishment to foster collaboration on tax policy and administration. These strategies aim to facilitate a country driven process to develop multi-year, holistic and realistic plans for revenue objectives. Since 2018, a significant number of countries have started with the initial stages of this approach, among which six are IDA countries.

<b>Policy Commitment 2: Improving Public Expenditure and Financial Management</b>	
<b>Support at least 10 IDA countries in performing 2nd or subsequent PEFA assessments to inform preparation of their SCDs</b>	<p><b>Delivered</b>  <u>Delivered:</u> 10 countries - WB Leading: Afghanistan, Tajikistan (published), Zambia (published), Ghana, Zimbabwe; WB Supporting: Chad, Guinea (published), Kenya, St. Lucia, Sierra Leone (published)</p> <p><u>Ongoing:</u> 3 countries (Draft report) – WB Leading: Malawi; WB Supporting – Mali, Côte d’Ivoire</p>

3. The WBG has met its IDA18 commitment for PEFA having delivered 10 second or subsequent PEFA assessments in IDA countries (WB Leading: Afghanistan, Tajikistan, Zambia, Ghana, Zimbabwe; WB supporting: Chad, Guinea, Kenya, St. Lucia, Sierra Leone). In addition,

three draft reports have been produced (WB Leading: Malawi; WB supporting: Mali, Côte d’Ivoire), and the WBG has just launched a first PEFA assessment in Somalia. WBG country assistance diagnoses and strategies such as SCDs and CPFs have been informed by the results of these assessments as evidenced by a strong operational portfolio in the respective IDA countries.

4. PEFA assessments have been applied in 34 fragile countries since the beginning of the PEFA program. In 2017/2018, PEFA is being applied in eight fragile countries. One assessment report has been concluded and published (Iraq) while seven assessments processes are ongoing (Afghanistan, Chad, Sierra Leone, Zimbabwe, Côte d’Ivoire, Mali and Somalia).

<b>Policy Commitment 3: Improving Public Procurement</b>	
<b>Deliver MAPS2 in five IDA countries to accelerate the development of modern, efficient, sustainable and more inclusive public procurement systems that take into account national development objectives</b>	<p><b>On Track</b>  <u>Delivered:</u> 0 countries  <u>Ongoing:</u> 4 counties delivered by MTR - Djibouti, Malawi, Mozambique, Rwanda</p>

5. As noted earlier, existing tools such as MAPS required updating to reflect growing complexities in procurement reform efforts and the increasing demand for transparency benchmarks. To address this need, the WBG has played a key role as co-Chair of the MAPS Stakeholder Working Group. In 2017, the revision of the MAPS core tool was finalized, and two additional modules (sustainable procurement and entity level assessment) were completed. In addition, significant WBG efforts went into the development of training modules.

6. The WBG supports the use of the MAPS tool at the global and country levels. The new MAPS establishes the elements and criteria of an effective and efficient system relevant for all countries, irrespective of income level or development status. The tool’s analytical framework is grouped under four organizational pillars: legislative and regulatory framework, institutional framework and management capacity, procurement operations and market practices, and integrity and transparency of public procurement systems. For IDA countries, the use of the tool results in a roadmap for procurement reform, which is a key component of evidence-based planning of programmatic financial management efforts.

7. To date, 13 IDA countries have committed to implement MAPS2 with support from the WBG. Additional trust fund resources were raised to expand the program of support for MAPS in IDA countries. Two major training events were organized for teams that will undertake the MAPS assessments; two more events are planned for the near future.

<b>Policy Commitment 4: Strengthening Active Ownership of State Owned Enterprises of State Owned Enterprises (SOE)</b>	
<b>Support at least 10 IDA countries on enhancing SOE performance through: (i) Performance Agreements and/or (ii) increased transparency through published reports on their SOE portfolio</b>	<p><b>On Track – being closely monitored</b>  <u>Delivered:</u> 5 delivered (Afghanistan, Madagascar, Mozambique, Republic of Congo, Zimbabwe)  <u>Ongoing:</u> 1 scheduled to be delivered before MTR (Cameroon)</p>

8. With WBG support during IDA18, relevant SOE reforms are ongoing in six IDA countries, including Afghanistan, Cameroon, Madagascar, Mozambique, Republic of Congo, and Zimbabwe. Additional interventions are in the pipeline for six additional countries: Bangladesh, Cabo Verde, Moldova, Kyrgyz Republic, Nigeria, and Tajikistan.

9. Performance agreements are key tools to ensure an effective SOE performance monitoring system. Performance agreements communicate the government’s expectations for SOE performance to each SOE and to the public. They set financial and non-financial objectives and targets that provide clarity to SOE boards and management on the expectations of government on financial sustainability and improved delivery of public services.

10. Publishing SOE reports is important for facilitating the state’s monitoring of SOEs and proactively assessing their financial performance and potential fiscal risk. Publishing reports on the SOE portfolio is becoming a growing practice particularly in South Asia and Africa. Bangladesh, Bhutan, Nepal, and Sri Lanka regularly publish aggregated annual reports on the financial performance of SOEs, and Pakistan is starting to publish this information.

<b>Policy Commitment 5: Supporting Public Administration Performance for Service Delivery</b>	
<b>Perform joint operations, TA, and/or ASA on sector-focused governance in 10 IDA countries to identify and address institutional bottlenecks to service delivery with the health, water, and/or education sectors</b>	<p><b>On Track</b></p> <p><u>Delivered:</u> 8 countries – Bangladesh, DRC, Madagascar, Lesotho, Niger, Mozambique, Solomon Islands, Tanzania</p> <p><u>Ongoing:</u> 8 countries – Burundi, Cameroon, Lao PDR, Lesotho, Liberia, Myanmar, Sudan, Uganda</p>

11. Sector-focused governance interventions constitute an increasingly important element of WBG support to IDA countries. Since the beginning of the IDA18 period such activities have been delivered in eight countries (Bangladesh, DRC, Madagascar, Lesotho, Niger, Mozambique, Solomon Islands, Tanzania); activities are ongoing in 8 additional countries (Burundi, Cameroon, Lao PDR, Lesotho, Liberia, Myanmar, Sudan, Uganda); and are planned in nine further countries (Afghanistan, Benin, Côte d’Ivoire, Gambia, Ghana, Guinea, Mali, Myanmar, Sierra Leone). Overall, there is increasing demand in the sectors to identify and addressing governance and institutional bottlenecks for service delivery:

- Results-focused lending operations in the water, health, and agriculture sectors utilize Disbursement Linked Indicators (DLIs) to incentivize the reform of public sector bottlenecks to improve downstream service delivery. These programs are also embracing political economy analysis in their design to understand the underlying power dynamics that prevent policy implementation. In Uganda, for example, a recent study looked at why agricultural growth and productivity stagnated despite considerable policy attention and donor support on the governance and incentive aspects.
- In many developing countries, citizens are often required to visit multiple locations to access government services, and they may receive little or no information about public services or service delivery standards. This lack of transparency reduces administrative efficiency, breeds corruption, and undermines trust between citizens and the state.

12. Many of these reforms require major improvements in financial management, public procurement and SOE performance. Often, the key issue is not the technical design of service delivery enhancements but the underlying change management processes and the sustainability of reform implementation.

<b>Policy Commitments 6 and 7: Supporting Institutional Capacity to Respond to Pandemics and Emergencies</b>	
<p><b>6. Support at least 25 IDA countries in developing pandemic preparedness plans</b></p> <p><b>7. Support 25 countries in developing frameworks for governance and institutional arrangements for multi-sectoral health emergency preparedness, response and recovery</b></p>	<p><b>6. On Track – being closely monitored</b> Funding has been secured for planning in 18 countries, of which 8 countries have completed the National Action Plan process. <u>Delivered:</u> 8 countries – Cambodia, Lao PDR, Liberia, Myanmar, Senegal, Sierra Leone, Tanzania, Uganda <u>Ongoing:</u> 15 countries – Afghanistan, Bangladesh, Burkina Faso, Chad, Democratic Republic of the Congo, Ethiopia, Ghana, Haiti, Kenya, Mali, Mauritania, Niger, Nigeria, Sudan, Zambia</p> <p><b>7. On Track – being closely monitored</b> <u>Delivered:</u> 7 countries – Cambodia, Kenya, Liberia, Nigeria, Senegal, Sierra Leone, Uganda <u>Ongoing:</u> 10 countries – Afghanistan, Ethiopia, Ghana, Haiti, Mali, Mauritania, Myanmar, Niger, Sudan, Tanzania</p>

<b>Policy Commitment 8: Integrating Citizen Engagement and Beneficiary Feedback into Service Delivery Operations</b>	
<p><b>Support projects in at least 10 IDA countries in the development and implementation of user feedback and/or enhanced GRMs<sup>9</sup> for service delivery that ensure participation by women in these processes</b></p>	<p><b>Delivered</b> <u>Delivered:</u> 26 Projects (IPFs and PforRs) in 21 countries delivered with enhanced GRM and/or beneficiary feedback interventions - Bangladesh, Burkina Faso, Burundi, Cameroon, Rep. of Congo, Ethiopia, Kenya, Lao PDR, Mali, Moldova, Mozambique, Myanmar, Nepal, Pakistan, Rwanda, Senegal, Solomon Islands, Tajikistan, Tanzania, Rep. of Yemen, Zambia</p>

13. Out of 22 IPFs and three PforRs with service delivery components, 24 projects meet the IDA18 policy commitment definition. Of these 24 projects, six projects are supporting FCV countries (Burundi, Cameroon, Republic of Congo, Mali, Mozambique, and Yemen) and 18 projects have enhanced GRMs as stated in the Legal Covenants, main texts of PADs/Project Papers, and results frameworks. Analysis of the IPFs and PforRs with service delivery components indicates that 75 percent of projects have more than one type of citizen engagement mechanism, demonstrating ongoing efforts to further deepen implication of citizens in decision-making. Nine operations include gender specific elements as part of their beneficiary feedback mechanisms or indicators.

<sup>9</sup> Enhanced GRMs include minimum standards on uptake, responsiveness, disclosure, and/or gender inclusion.

14. To date, 20 service delivery projects in IDA countries (Bangladesh, Burkina Faso, Burundi, Cameroon, Rep. of Congo, Ethiopia, Ethiopia, Kenya, Lao PDR, Mali, Moldova, Mozambique, Nepal, Pakistan, Rwanda, Senegal, Tajikistan, Tanzania, Rep. of Yemen, Zambia) have been delivered with enhanced GRM and/or multiple additional beneficiary feedback interventions. It is expected that this number will further increase during the remaining part of the IDA period.

<b>Policy Commitment 9: Strengthening Open, Transparent and Inclusive Governance</b>	
<b>Support at least one-third (25 of 75) of IDA countries to operationalize reform commitments towards the OGP agenda to strengthen transparent, participatory, and inclusive governments</b>	<p><b>On track</b></p> <p><u>Delivered:</u> 17 countries delivered – Afghanistan, Bangladesh, Bhutan, Burkina Faso, Cambodia, Central African Republic, Djibouti, Ethiopia, Guinea, Kiribati, Kyrgyz Republic, Mozambique, Nepal, Niger, Senegal, Sierra Leone, Togo</p> <p><u>Ongoing:</u> 1 country under implementation – Nigeria</p>

15. At midterm, 18 IDA countries (Afghanistan, Bangladesh, Bhutan, Burkina Faso, Cambodia, Central African Republic, Djibouti, Ethiopia, Guinea, Kiribati, Kyrgyz Republic, Mozambique, Nepal, Niger, Nigeria, Senegal, Sierra Leone, Togo) have ongoing or pipeline operations with distinct open government elements or components. These include but are not limited to: PFM and procurement operations with open contracting elements; PFM fiscal reform operations with fiscal transparency objectives; Access to Information policy reform, and standalone or programmatic ASA activities that support the local in-country OGP processes.

16. A Global OGP Trust Fund (US\$ 12m over three years) provides resources for necessary (technical and policy) support and thematic collaboration among OGP countries and global actors, with an emphasis on providing assistance to IDA countries.

<b>Policy Commitment 10: Mitigating IFFs</b>	
<b>Perform IFFs assessments in at least 10 IDA countries to support the identification and monitoring of IFFs</b>	<p><b>On Track – being closely monitored</b></p> <p><u>Delivered:</u> 3 countries (30%) –Cabo Verde, Guyana, Capo Verdo</p> <p><u>Ongoing:</u> 13 expected to be completed within IDA18 (Afghanistan, Benin, Burkina Faso, Dominica, Gambia, Grenada, Liberia, Madagascar, Mauritania, Niger, Rep. of Congo, Rwanda, Togo)</p>

17. During the IDA18 period, three IDA countries (Cabo Verde, Guyana, Cabo Verde) have completed IFFs assessments and in 13 IDA countries relevant assessments are ongoing. In total, AML/CFT NRAs, which are geared towards ensuring a risk-based approach to relevant financial flows, are ongoing or have been completed in 49 out of 75 IDA countries (21 FCVs out of 36 total FCVs).

18. The WBG, led by the Finance and Markets Global Practice, has significant engagements in the area of IFFs including support for anti-money laundering efforts, the Stolen Asset Recovery Initiative (StAR) and improved auditing and assistance in measuring IFFs. The Financial Market Integrity (FMI) provides technical assistance to countries to detect, trace and impede “dirty

money” – the illicit financial flows associated with criminal activity (e.g., corruption, environmental crime and tax evasion), including money laundering and terrorism financing, which impede development across all sectors.

19. FMI is currently partnering with French and “Zone Franc” authorities to conduct a diagnostic of AML-CFT weaknesses in the countries of the zone (Benin, Burkina Faso, Ivory Coast, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo, Cameroun, Central African Republic, Congo, Gabon, Equatorial Guinea, Chad, Comoros). The Sahel Region is vulnerable to IFFs linked to terrorist financing; continuing the work on IFFs in the region is a key strategic focus.

<b>Policy Commitment 11: Enhancing Understanding of Governance and Institutions in Situations of FCV</b>	
<p><b>Strengthen and systematize Governance &amp; Institutional analysis in half of Risk and Resilience Assessments and at least three-quarters of Recovery &amp; Peace Building Assessments in IDA countries</b></p>	<p><b>Progress: On Track</b> G&amp;I analysis strengthened and systematized in:</p> <ul style="list-style-type: none"> <li>• 11 out of 14 RRAs (78%) – Burundi, DRC, Djibouti, Gambia, Kosovo, Nepal, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, Tajikistan</li> <li>• All 4 RPBAAs (100%) – Cameroon, Central African Republic, Mali, Nigeria</li> </ul>

20. During the first half of the IDA18 period, 78 percent of RRAs (9/12) and 100 percent of RPBAAs (4/4) received targeted support in line with the IDA18 commitment. Countries with RRAs Burundi, DRC, Djibouti, Gambia, Kosovo, Nepal, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, and Tajikistan. Countries with RPBAAs included Cameroon, Central African Republic, Mali, and Nigeria.

21. In reviewing the inclusion and depth of governance issues in the RRA’s conflict analysis section, the review assessed the following governance processes:

- Political settlement;
- Institutional framework, grievances and exclusionary policies;
- Governance effectiveness and legitimacy;
- Accountability, transparency, participation and contestability/inclusion.

22. Furthermore, the review examined the inclusion and integration of governance thematic area – public financial management, civil service, public investment management, SOE, DRM, justice, and service delivery – with cross-cutting political economy issues such as: elite capture, corruption, patronage, etc. in the RRA’s conflict analysis narrative. A country overview of the overall depth coverage of these processes can be seen in Annex 2.

23. In addition, the WBG is finalizing a guidance note on governance and fragility which is aimed at informing teams to analyze relevant governance issues in RRAs and RPBAAs. A repository of information on governance in RPBAAs, looking at governance inputs in the analysis has recently

been completed. Knowledge and awareness creation events were conducted to inform and train relevant WBG staff on governance issues and instruments.

<b>Policy Commitment 12: Operationalizing WDR 2017</b>	
<b>Plan for operationalization of 2017 WDR focused on reducing implementation gaps and enabling adaptive approaches</b>	<p><b>On track</b> Plan on track to be delivered by MTR – operationalization progress along:</p> <ul style="list-style-type: none"> <li>• Socialization: Disseminated in 50 venues spanning 30 countries; 255K downloads</li> <li>• Application: More than 30 SCDs, CPFs, and ASAs incorporate WDR 2017 framework – notable IDA18 SCDs include Malawi, Sierra Leone, Solomon Islands</li> <li>• Implementation: Launch of country pilot initiatives in IDA countries (Malawi, Tanzania); Development of new generation of governance metrics to capture WDR 2017 concepts</li> </ul>

24. The WDR 2017 on Governance and the Law, launched in February 2017, addresses fundamental questions which are at the heart of development, such as why sensible policies are too often not adopted or implemented; when they are, why they often fail to generate development outcomes such as security, growth, and equity; and why some bad policies endure. It shows that policy making and policy implementation do not occur in a vacuum. Rather, they take place in complex political and social settings, in which individuals and groups with unequal power interact within changing rules as they pursue conflicting interests.

25. The WDR 2017 reveals that governance can mitigate, even overcome, power asymmetries to bring about more effective policy interventions that achieve sustainable improvements in security, growth, and equity. This happens by shifting the incentives of those with power, reshaping their preferences in favor of good outcomes, and considering the interests of previously excluded participants. These changes can come about through bargains among elites and greater citizen engagement, as well as by international actors supporting rules that strengthen coalitions for reform.

26. The IDA18 commitment to develop a plan for operationalization of the World Development Report (WDR) 2017 focused on reducing implementation gaps and enabling adaptive approaches is motivated by the recognition that development projects and programs often fail although they are carefully designed, well-intentioned and technically sound. A plan for the implementation of the WDR 2017 by December 2018 is currently under draft.

27. As bilateral and multilateral development agencies continue to grapple with projects and programs that do not bring about expected results, the WDR 2017 provides an opportunity to test alternative approaches: an emphasis on function not just form, on power asymmetries not just capacity, on the role of law not just the rule of law, grounded in the micro-foundations of institutions: commitment, coordination, and cooperation.

## Annex 2: Analysis Scale for Governance Coverage Enhancing Understanding of Governance and Institutions in Situations of FCV

Key: Overall Coverage Depth of Governance Processes

<b>Red</b>	Governance processes not covered
<b>Yellow</b>	Governance processes partially covered e.g. narrowly acknowledges governance factors in isolation, lacks detailed explanation, and not integrate the factors in the conflict analysis narrative.
<b>Green</b>	Governance processes covered in detail e.g. conflict analysis acknowledges, integrates and discusses governance factors in detail and in relation to cross-cutting political economy issues elite capture, patronage, institutions etc.

		<b>Conflict Analysis</b>						
Country	Status	Overall depth coverage of Governance Processes	Political settlement	Institutional framework	Grievances and exclusionary policies	Governance effectiveness and legitimacy	Accountability Transparency, Participation and contestability	Integration of governance thematic areas with political economy analysis
Burundi	Completed Nov 2017	High	Yes	Yes	Yes	Yes	Yes	Yes
Congo	Completed June 2016	High	Yes	Yes	Yes	Yes	Yes	Yes
Djibouti	Completed Aug 2017	High	Yes	Yes	Yes	Yes	Yes	Yes
Gambia	Completed June 2017	High	Yes	Yes	Yes	Yes	Yes	Low
Guinea	Completed May 2017	Medium	Yes	Yes	Yes	Yes	Medium	Low
Kosovo	Completed June 2017	High	Yes	Yes	Yes	Yes	Yes	Yes
Liberia	Completed Sept 2017	Medium	Low	Yes	Yes	Yes	Yes	Low
Nepal	Completed May 2017	High	Yes	Yes	Yes	Yes	Yes	Yes
Niger	July 2016	Low	Yes	Yes	Yes	Yes	Yes	Low
Papua New Guinea	Completed Sept 2018	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sierra Leone	Completed Jan 2017	High	Low	Yes	Yes	Yes	Yes	Yes
Solomon Islands	Completed June 2017	High	Yes	yes	yes	yes	Low	Yes
Somalia		Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tajikistan	Completed April 2017	High	Yes	Yes	Yes	Yes	Yes	Yes

<b>Recommendations</b>							
Country	Status	Overall coverage of Governance Processes	Governance Thematic areas	Reform approach	Actionable Recommendation	Technical Governance aspects	Non-Technical Governance aspects
Burundi	Nov 2017	High	Yes	Yes	Yes	low	Yes- High
Congo	Completed June 2016	Very Low					
Djibouti	Completed Aug 2017	High	Yes	Yes	Yes	Yes	Yes
Gambia	Completed June 2017	medium	Yes		Yes	Yes	
Guinea	Completed May 2017	High	Yes	Yes	Yes	Yes	Yes
Kosovo	Completed June 2017	medium			Generic		Yes
Liberia	Completed Sept 2017	medium		Not consistent		Yes	
Nepal	Completed May 2017		Yes	Yes	Yes	Yes	Yes
Niger	July 2016						
Papua New Guinea	Completed Sept 2018						
Sierra Leone	Completed Jan 2017	low					
Solomon Islands	Completed June 2017	Very Low					
Somalia		Not covered					
Tajikistan	Completed April 2017		Yes	Yes	Yes	Yes	Yes