

Governance and Anticorruption Implementation Workshop Istanbul, Turkey, May 28-31, 2008 Key Messages

A field-based GAC implementation workshop was held in Istanbul, from May 28-31, 2008. The workshop, attended by about 60 staff, with a majority from the field, highlighted progress in the field in the implementation of the GAC agenda, and emerging challenges and recommended actions for the next phase of implementation.

The workshop generated a bottom-up, operationally-driven set of proposals for action at various levels of the institution, directly relevant to operational priorities and challenges at the frontlines. Key proposals of working groups, formed at the workshop, are highlighted in Annex 1. The GAC Secretariat will work closely with the working groups to further develop and refine the recommendations and present the results at the next Governance Council meeting.

One **key message** emerging from the workshop was: *consistent high level leadership and communication – by the President, MDs, OVPs - is critical for effective implementation. A public statement by the President, including as part of the Annual Meetings speech, would reinforce the importance of the agenda for the Bank and its partners and further energize implementation.* Other key messages (further elaborated in Annex 2, with illustrative examples) included:

- I. **Progress on Implementation:** Significant progress has been made in strengthening engagement on GAC in several country programs, positioning the Bank as a helpful partner to in-country reformers. But ‘mainstreaming’ the experience of successful innovators across the Bank is still at an early stage.
- II. **Strengthening Country Engagement:** In order to address a perceived tension between strengthening country level governance and a narrow focus on the Bank’s own fiduciary agenda, it is critical to signal governance/anticorruption as a tool for development effectiveness and more closely align governance work with development priorities in partner countries.
- III. **Improving risk management to avoid post-DIR risk aversion:** Development of adequate risk management approaches and incentives for staff and managers, and positioning GAC as a tool for development effectiveness, are necessary to address excessive post-DIR risk aversion among operational staff.
- IV. **Actionable Results Framework:** An action-focused results framework, built around specific actionable indicators, needs to be set in place to monitor progress, and assess impact on the ground.
- V. **Knowledge Leadership:** Greater investment is needed in research, knowledge, and learning to position the Bank as a global leader in knowledge and analysis on governance and anticorruption.



ANNEX I

GAC Implementation Workshop, Istanbul, Turkey, May 28-31, 2008 Key Action Items Emerging from Working Groups

This Annex lists some of the key action items proposed by the working groups. The GAC Secretariat will work closely with the working groups to further develop and refine the recommendations; the results will be presented at the next Governance Council meeting.

1. Working Group on Engaging Clients

- ⇒ Host global and regional governance-focused development marketplaces, at which both governments and NGOs could propose governance-related initiatives, to be funded by Bank and other donors, mobilized by the Bank.
- ⇒ Organize knowledge fairs in parallel to marketplace events to support knowledge-sharing on good governance stories.
- ⇒ Develop a standardized system of ratings to benchmark the quality of country governance systems against an international standard, linking Bank decisions to use country systems in operations to these ratings; invite other development partners to follow the WB approach; and offer targeted assistance to clients to improve their performance on these ratings.

2. Working Group on Fragile States

- ⇒ To strengthen staffing for fragile states governance and anticorruption work:
 - Locate 50 per cent of the incremental GAC staff in fragile state country offices (and use funds from proposed multi-donor funded Governance Partnership Facility for fragile state GAC specialists);
 - Establish a governance adviser as a key position in all key fragile states country offices or in regionally based hub offices (particularly in Africa);
 - Appoint focal point in Country Team as GAC integrator, not just CMU person or Senior Economist;
 - Provide incentives for Bank Staff to work on fragile states (such as OPEs and promotions); and
 - Develop a fragile states GAC-vetted roster of staff.
- ⇒ Develop an intensified training program for new fragile states staff in Bank policies and procedures, and identify and train fiduciary staff for working on GAC issues in fragile states.
- ⇒ Build Country Team dialogue on GAC and establish a special team to assist the preparation of CGACs in all fragile states.
- ⇒ Develop conceptual tools for working with counterparts, tools for assessing anti-corruption and portfolio analysis, tools for measuring impact and evaluation, and



commission background analytical work on governance and anticorruption in fragile states with CM/CD consultation.

- ⇒ Allocate flexible operating funds to engage clients and civil society in fragile states (all actions proposed to be undertaken by fragile states group, in coordination with GAC Secretariat and OVPs).

3. Project Design Working Group

- ⇒ Integrate early in project preparation objective and independently reviewed governance risk assessments and mitigation frameworks (all RVPs).
- ⇒ Establish an OPCS-led working group to encourage more candor and objectivity in governance risk assessments.
- ⇒ Improve and formalize the QER and peer review processes by ensuring independence of the reviewers, recording a formal response to review comments, and making management accountable for follow up on peer reviewer inputs.
- ⇒ Institute a guideline that allows Country Directors to request early *in principle* clearance by Senior Management to proceed with high risk high reward operations (OPCS).
- ⇒ Institute a corporate policy on risk based topping-up of budgets to tasks teams to cover project design and supervision (OPCS, with the blessing of the Governance Council, and in dialogue with the Regions).

4. Project Supervision Working Group

- ⇒ Budget, prepare and implement integrated supervision plans that include risk based approaches and field testing.
- ⇒ Modify Implementation Status Report to include effective risk monitoring. This would require adjustments to the existing SAP-based software to include:
 - Risk assessments prepared in the PAD to be presented in the ISR report and for these assessments to be adjusted during project implementation; and
 - A space for teams to describe their annual supervision plan, with some instruction indicating that this should highlight the supervision priorities, methods to be employed and field testing.
 - Subsequently monitor compliance providing feedback to VPs as regards the status of implementation biannually (OPCS).
- ⇒ Provide implementation support to the supervision function through:
 - Basic training for all new and current TTLs on project supervision as part of the core curriculum, alongside courses such as the introduction to Bank operations and procurement;
 - The development of web-based resource materials on project supervision planning and supervision methods;

- Nomination of supervision resource persons among senior operational staff in each region and sector, to provide just in time advice on supervision methods (OPCS, Sector Boards).
- ⇒ Develop risk assessment tools (including INT data mining tools for fraud and corruption risk assessment currently being developed) to help TTLs assess the level of competition in procurement at the level of the project, market segments and at the country level (INT, OPCS).
- ⇒ Publish information for projects under implementation (to the fullest extent permitted by national policy) by ensuring publication of the following under Bank-wide disclosure requirements:
 - Implementation Status Reports
 - Procurement Plans and Execution, including adjusting policies to allow the publication of contracts awarded, and developing supporting information systems.
 - Audit reports and Management Letters
- ⇒ Develop a menu of flexible and graduated remedies that address implementation failures but allow for the possibility of continued engagement, including revision of sanctions policies as the single most important action in terms of strengthening implementation support.
 - Establish a Task Force, led by a Country Director, and including representatives of OPCS, LEG, INT and at least one other RVP, to undertake a review of the options for flexible and graduated remedies.

5. Working Group on Mainstreaming GAC in Sector Operations

- ⇒ Initiate a comprehensive program to provide high quality upstream support to sector task team leaders to help identify – and address through ‘smart project design’ – governance, corruption and political economy risks to development effectiveness, including: (i) proactive efforts to enhance demand for such upstream services by communicating their positive value added; and (ii) systematic efforts to expand the supply of skills, tools, and resources needed to respond to enhanced demand (GAC Secretariat, working with OVPs).
- ⇒ Over the next 18 months, actions to build momentum for this program should include:
 - Organize a 2-day learning event in the Fall, bringing together political-economists and sector staff, with a strong field presence; and subsequent clinics;
 - Invest in training staff and selected consultants in the skills needed to provide operationally useful support;
 - Establish a Quality Support Group and Sectoral and Regional Focal Points
 - Institute informal product tracking, including description of quality management process.

6. Working Group on Incentives, Learning, and Communication

- ⇒ Reaffirm GAC as global development/Bank priority in a major public statement as well as in a clear reference in Annual meeting speech, underlining that scaled up GAC implementation is essential to success of all other major initiatives such as the six strategic themes, food crisis, climate change (top leadership, including President, MDs, and OVPs).
- ⇒ Within each RVP, clarify GAC related organization structure and oversight, and assure that all Regional GAC Implementation Committee chairs have the seniority and stature that ensures independence, avoids the domination of any specific sector capture, sustains a focus on development effectiveness, and avoids an unbalanced pre-occupation with risk reduction .
- ⇒ Institute periodic Regional VPU progress reports to Governance Council (Governance Council)
- ⇒ Integrate IFC and MIGA more systematically into GAC implementation (OVPs, IFC, MIGA)
- ⇒ Establish a multi-sector panel to define a career path for multi sector governance specialists, and a multi sector panel to clear staff for Governance Adviser positions (NVPs, OPCS, HR).
- ⇒ Enhance value added of governance skills for career development in sectoral streams (NVPs, HR)
- ⇒ Design and implement a structured learning program for governance, including: integrative, multi sectoral skills for multi-sector governance specialists/advisers; sector specific governance skills for TTLs; awareness training in governance for all Bank staff including ACS; and governance/political economy awareness program for managers.
- ⇒ Establish small secretariat and fund/organize an annual meeting for the Field Based Advisory Group for knowledge exchange and learning (Governance Council, Secretariat).
- ⇒ Conduct a rapid review of FY09 central and VPU-level knowledge and learning programs to address gaps (Governance Council).
- ⇒ Following the successful example of some Regions, ensure that each task is subject to a regional *governance filter* review as part of the Management Review of Investment Lending (MRIL) process (RVPs).
- ⇒ Recognize staff excellence in encouraging multi sector approaches and collaborative non silo behavior (Sector Boards).



- ⇒ Develop and implement regional communication action plans (like the ‘IDA Works’ campaign), including country stories, best practices and impact assessments, and encourage staff to use governance blog (OVPs, EXT)

7. Results and Measurement Working Group

- ⇒ Put in place a results monitoring framework, with global, country-level, and sector-level and project-level indicators (OPCS, in collaboration with OVPs).
 - At the global level, define a set of global indicators, improving the quality of existing indicators such as CPIA, PEFA, OECD DAC, WGI, GII and TI, and improving indicators like the WGI by supporting increase in country coverage and periodicity of selected individual sources.
 - At the country level, include governance related questions in existing household survey tools to get direct information on service delivery.
 - At the sector level, develop aggregate sectoral governance indicators and sectoral global rankings (similar to ‘Doing Business’).
 - At the Project level, revitalize a governance M&E framework for projects.
- ⇒ Strengthen accountability for results at the country level (including those in CASs)
- ⇒ Expand research and impact evaluation on relation between governance and development outcomes (focusing especially on micro-level research), and promote use of information tools (such as SSRN, governance blogs) for measurement, feedback and knowledge sharing.



ANNEX II

GAC Implementation Workshop, Istanbul, Turkey, May 28-31, 2008 Messages from Workshop with Illustrative Examples of Successes/ Challenges

The three-day workshop was opened with an introductory panel by the organizers - Joachim von Amsberg (Country Directors, Indonesia), Scott Guggenheim (Lead Specialist, Indonesia), Peter Harrold (Director, OPCS), and Sanjay Pradhan (Director, PRMPS). The session outlined key workshop objectives:

- (a) Inventory what is working, and provide a forum for cross-regional learning; and
- (b) Highlight constraints in implementation, and devise solutions.

Two subsequent panels highlighted emerging experiences in country engagement, and specific challenges in integrating governance and anticorruption in operations. Seven working groups were formed to develop proposals for addressing constraints and strengthening implementation in the next phase (Details of proposals in Annex 1). Each of the three MDs sent video-taped messages to the workshop highlighting the importance of the governance/anticorruption agenda to the Bank's work, and organizational support for implementation.

The following sections highlight some of the key messages emerging from the workshop, as well as illustrative case stories of implementation in the field. The stories included in this Annex are only a few of those that were shared. The GAC Secretariat will work on preparing a more comprehensive compendium of case stories to disseminate widely.

I. Strengthening Country Engagement

- The workshop highlighted significant progress at the frontlines, with many examples of innovative programs to systematically integrate governance in country and sector operations. Additional Bank budget resources for scaling up GAC implementation have been useful to support scaling up of activities and start building a staff base with stronger governance skills.
- CGAC processes are helping some country teams strengthen dialogue with both governments and other stakeholders.
 - ⇒ In Albania, a governance filter – built around key pillars of depoliticization, local government accountability, and participation, and introduced across the portfolio - is catalyzing a broader and more cross-sectorally coordinated approach to governance in the country program, although assuring systematic follow-through is an ongoing challenge.
 - ⇒ In Bangladesh, a dialogue on institutions of accountability, bringing together various stakeholders, and conducted in partnership with a local university, is enabling the emergence of multi-stakeholder coalitions, which are also addressing the recovery of stolen assets and implementation of the UN Convention Against Corruption.
 - ⇒ In Honduras, sector governance assessments are being used as a tool to promote dialogue with a wide range of stakeholders and generate a sector reform agenda with broad-based participation.



- Many countries have launched or completed diagnostics of governance and political economy constraints and corruption vulnerabilities.
 - ⇒ In Mongolia, a governance analysis of the mining economy is identifying mechanisms to help the government avert the natural resource curse.
 - ⇒ In Zambia, a governance diagnostic of network utilities has helped to identify feasible entry points for reform in electricity, water, and telecommunications.
- At the Project level, various innovations are strengthening both design and supervision.
 - ⇒ In Nepal, the exposure of irregularities via a fiduciary review of the district-level education system is resulting in a shift of accountability towards school management committees.
 - ⇒ In Honduras, a multi-dimensional approach to improving governance in projects includes participatory governance assessments in every new project, transparent disclosure of project-related information, enhanced third-party monitoring, and use of country systems.
- Signaling commitment - by the President and by MDs and OVPs - to the critical role of governance and anticorruption for development effectiveness and the Bank's strategic themes, is critical. So is commitment from country management, and a shared vision in country teams.
 - ⇒ In Indonesia, where the Bank has developed a strong governance program, commitment to the agenda by three consecutive Country Directors was critical to forging consensus and commitment in the country team for integrating governance in programs.
- There is, however, a tension between a perception of the GAC agenda that is narrowly focused on the Bank's fiduciary concerns, and broader engagement with country governance systems. Terminology is also important, and framing this work as a 'GAC' agenda driven by the Bank, inhibits government partners from engaging on governance. Effective engagement needs to be driven by the development and governance priorities in partner countries, rather than as a narrowly focused, and externally-imposed Bank-driven fiduciary agenda.
 - ⇒ In Zambia, for instance, framing the governance dialogue in terms of the government's own development priorities, and pacing the reform agenda to respond to country realities, were critical to opening up spaces for engagement.
- It is also critical to approach dialogue on governance with countries and corruption issues in projects as two elements of an integrated agenda. The Bank's internal silos are not a useful organizing model for dialogue with governments, which needs to have a coherent, comprehensive understanding of how the Bank will support both governance systems at the country level, and anticorruption measures at the project level. There needs to be a single



conversation early on about how GAC will be pursued, including how the WBG and the client will handle instances of corruption in projects.

- A multi-stakeholder engagement strategy can be effective in opening new spaces for dialogue, especially when the government is not receptive to reform.
 - ⇒ In Honduras, for instance, where the commitment to instituting a more transparent system has been mixed or lacking, the country team has worked with other stakeholders, including the media and civil society to bring governance issues into the development discourse.
- Coordination with other development partners working in the country is critical to develop a harmonized approach.
 - ⇒ In Mongolia, every six months, a multi-donor ‘technical meeting’ enables tabling critical emerging challenges, create the space for joint engagement with various political actors, particularly on difficult and controversial issues, and create a stronger position for highlighting key policy priorities. This approach has resulted in better communication with the government on many issues, including in the mining sector.
- Positive incentives need to be provided to countries to proactively pursue governance reforms, work in partnership with the Bank (and other development agencies), and seek advice and assistance for reforms from the Bank. A *working group on engaging clients* developed key proposals for providing positive incentives to countries on governance (details in Annex 1).
- Diversity of country contexts necessitates a differentiated strategy of engagement. Fragile states, for instance, present a more complex set of challenges, have lower endowed capacity, and require more intensive and involved engagement than middle income countries. But the Bank has not yet risen to the challenges posed by fragile states. A *working group on fragile states* suggested strengthening governance capacity in the field in fragile states to address this challenge (details in Annex 1).

II. Improving Risk Management to avoid post-DIR Risk-aversion

- Post-DIR, there have been signs of increased risk aversion by staff. While the discussion of weaknesses in Bank processes unearthed by the DIR is necessary to strengthen the awareness of Bank staff and managers of the risks of insufficient attention paid to GAC challenges, the resulting risk aversion can make the Bank a less effective partner to support reforms in high risk countries and sectors.
- Participants also pointed out that in some country teams, GAC is seen as an HQ-mandated, top-down agenda that imposes additional requirements on already stretched country teams.
- Signaling GAC as a positive tool for development effectiveness, and developing adequate risk management approaches and incentives for staff and managers to manage, rather than avoid, risks are necessary to support informed risk taking, rather than excessive post-DIR



risk aversion, as well as to engender support in country teams for mainstreaming governance. CGAC processes are also helping mobilize some multi-sectoral country teams in a shared approach to governance.

- An environment where candid discussion of risks can take place is also essential, particularly with regard to project selectivity. Some country teams are experimenting with team-wide reviews of proposed projects in order to counter the built-in bias of project teams and to allow a broader discussion of risks and opportunities.
- A concern was raised that Bank disclosure practices and policies continue to focus on preparation rather than project implementation. As a result, information on on-going Bank activities (i.e. our own disclosure) sometimes lags behind the access to information provided for by client governments (their own disclosure), ironically under transparency legislation frequently supported by the Bank.
- In response to the weaknesses revealed by project reviews (especially the DIRs) – in areas such as handling complaints and audits, disclosure and transparency issues, and effective coordination with FM and procurement staff - participant suggestions included:
 - ⇒ Additional layers of bureaucratic controls in project processing are unlikely to be helpful, whereas fast-track access to high-level managerial decisions (through appropriately used Operations Committee Meetings, for example) is needed.
 - ⇒ The approach to managing procurement support/supervision remains focused on individual projects and transactions. A portfolio wide approach that seamlessly relates to procurement reform, capacity building and use of country systems needs to be promoted. Procurement tools need to be updated, including for greater disclosure and transparency, emulating examples such as the Argentina country office, which is putting all procurement on the web.
 - ⇒ Project design and selectivity ex ante, and de-selection when governance reviews of projects reflect significant loopholes, is important.
 - ⇒ Smarter project design needs to be introduced, learning from successful cases like Indonesia's KDP projects, which introduced tools like simple contracts in response to weaknesses in centralized controls and high cost of supervision.
- The *Project design working group* made further specific recommendations for better management and mitigation, rather than excessive avoidance, of risks in project design (details in Annex 1).
- The *Project supervision working group* also developed specific proposals to strengthen risk management and mitigation and improve transparency and disclosure during project supervision (details in Annex 1).



- A *working group on mainstreaming GAC in sector operations* developed a proposal for a concrete program over the next year to demonstrate, in a hands-on way, how a proactive GAC agenda can support development effectiveness, to overcome apprehension and skepticism of TTLs, thereby enhancing demand for such upstream services, and expand the supply of skills, tools, and resources needed to respond to enhanced demand.
- A *working group on incentives, learning, and communications* recommended strengthening the incentive and organizational structure for more effective implementation (Details in Annex 1).

III. Actionable Results Monitoring Framework

- The governance and anticorruption agenda is central to the Bank's global credibility but there is a risk of: (i) creating expectations that are not realistic or achievable; (ii) being judged by standards that are not appropriately defined; (iii) research, analysis and data initiatives becoming subject to political or related pressures affecting the independence and candor of analytical work.
- A results monitoring and evaluation framework, anchored on actionable indicators, and focusing on medium-term impact, is critical to manage expectations, and assess progress and impact on the ground over the next 3-5 years.
- As a key action item, a *results and measurement working group* suggested putting in place a results monitoring framework, potentially led by OPCS and drawn from other units, with global, country-level, and sector-level and project-level indicators (details in Annex 1)

IV. Positioning the Bank as a Knowledge Leader on Governance

- The absence of cutting edge research and knowledge on governance emerged as a key gap in effective implementation. Greater investment in research and learning is required as inputs to innovation and effective engagement on the ground. DEC, in partnership with the GAC Secretariat, Regions, and Networks needs to play an important role in this.
- Emerging peer learning networks on governance have a critical role in sharing knowledge on good practices and new approaches across the Bank, including with field offices. Learning and knowledge tends to get concentrated at HQ, with limited access to field based staff. A *working group on incentives, learning, and communications* developed proposals for strengthening Bank-wide learning on governance and anticorruption issues, including organizing annual workshops with field-based staff (details in Annex 1).
- Continuing strong communications both internally and externally about the Bank's governance and anticorruption work is needed to help with mainstreaming, and building strategic communication into project design from the beginning will help increase success of GAC programs.