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**UPDATE ON THE BANK'S BUSINESS MODERNIZATION:
RESULTS, OPENNESS, AND ACCOUNTABILITY SPRING 2012**

Attached for the April 21, 2012, Development Committee Meeting is a background paper entitled "Update on the Bank's Business Modernization: Results, Openness, and Accountability Spring 2012," prepared by the staff of the World Bank.

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
CCSD	The Global Center for Conflict, Security and Development
EBRD	European Bank for Reconstruction and Development
FCS	Fragile and conflict-affected situations
FCV	Fragility, Conflict, and Violence
GGGI	Global Green Growth Institute
HR	Human Resources
IADB	Inter American Development Bank
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMT	Information Management and Technology
IT	Information Technology
M&E	Monitoring and Evaluation
MfDR	Managing for Development Results
MIC	Middle-Income Countries
MIGA	Multilateral Investment Guarantee Agency
OECD	Organization for Economic Co-operation and Development
QBRR	Quarterly Business and Risk Review
QuODA	Quality of Official Development Assistance Assessment
UN	United Nations
UNEP	United Nations Environment Programme
WB	World Bank
WBG	World Bank Group
WDR	World Development Report

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EXECUTIVE SUMMARY

1. **The world has changed dramatically since 1944 and the World Bank must continually change with it. Where once we overly relied on policy prescriptions, today the World Bank is committed to supporting clients to help solve their development challenges—working together to identify, design, partner, and implement the most effective development solutions.** As these challenges diversify, and as partners tackling these challenges also diversify, the World Bank must continue to modernize its services, processes, and organization. This paper updates Governors on this ongoing process of modernization. This process builds on one of the four pillars of the package agreed by Governors at the 2010 Spring Meetings—together with the other pillars of post-crisis strategic directions, an expanded capital base, and a broader representation at the Bank.

2. **At its core, modernization is about strengthening our focus on results, openness, and accountability.** Our clients demand that we focus on results. Measuring and learning from results enables us to build knowledge and tailor development solutions. But the Bank does not have all the answers: a more open Bank makes our data and knowledge available to others; it makes us open to listen and learn from others; and it engages us with others to generate knowledge together. A results-focused, open institution also strengthens our accountability to shareholders, partners, and citizens. As our experience working in development has taught us, a more accountable institution can make us more responsive to client demands, continually alert to governance and anticorruption issues, and more effective and efficient in the use of taxpayers' funds.

3. **In each of these areas, important milestones have been reached over the past two years** laying the ground for further and deeper modernization. Important lessons have also been learned which we will incorporate into the design and sequencing of the key modernization challenges ahead.

4. **To become more results-focused, our first priority has been to expand our capacity to measure, report on, and learn from results.** Having introduced standardized indicators across projects enables us to report that, for instance, our support through IDA-financed projects over the last 10 years, has helped immunize 310 million children; provided access to water for 113 million people; and better education for more than 100 million children each year. All our projects—both IDA and IBRD—have now been geo-mapped, providing geographic location (when possible at the sub-national level), along with disaggregated poverty, population density, and human-development data. We launched our first comprehensive *World Bank for Results Report* at the 2011 Annual Meetings. Among our next steps in this area, reflecting institutional commitments, is better measuring our knowledge work. We are also planning to disaggregate by gender many of the results we monitor. Parallel to this, we are expanding our capacity to measure risks at the operational, financial, and corporate levels. Ultimately, these two sides will drive better informed decisions based on a weighting of risks with respect to development impact results.

5. **Building on this investment, we are strengthening the results focus of our instruments.** Our recently-launched new lending instrument, Program-for-Results, enables clients to receive funds upon achievement of pre-agreed results. We are now focusing on the simplification of our internal processes to further enable this focus on results and we are conducting reviews of our procurement and safeguard policies. In addition, we are tightening our approach to quality measurement and management across our instruments to foster learning from implementation and stronger evidence-based design of development solutions.

6. **But modernization is not just about the way we do business; it is also about the business we do.** For much of our history, the Bank has engaged in “plain vanilla” lending. Increasingly, a results-focus means that we must expand our development toolkit—expanding guarantee instruments and the incentives for investment in public private partnerships, designing new risk management instruments such as weather insurance, and exploring innovative partnerships to foster the development of local-currency bond markets. We are also testing new ways of addressing development challenges—including global public goods—through innovations, often building on the promise of beneficiary involvement and new technologies. Modernizing the Bank also means introducing greater flexibility and innovation for interventions in fragile and conflict-affected situations (FCS) and greater customization for middle-income countries. And modernization means scaling up our work to support gender equality—mainstreaming interventions into projects, assistance strategies, analytics, data collection, and indicators.

7. **Finally, to deliver results on the ground, we need a strengthened global mobility strategy.** We are taking a “variable geometry” approach to decentralization, adjusting our presence in the field to the business needs—from fragile and conflict-affected situations to middle-income countries. In particular, we are piloting two “Hubs”: in Kenya on fragile and conflict situations; and in Singapore, a multi-dimensional center providing, among other things, expertise in infrastructure public private partnerships. Global Mobility will require a multidimensional toolbox: a new knowledge management platform that can better enable information to flow across locations, IT policies that can enable hardware to be “location-neutral” and HR policies and services that can incentivize mobility, strengthen security and flexibility, and deliver support to a globally dispersed staff.

8. **Our openness agenda builds on the vision of an Open Bank.** A landmark Access to Information Policy and the Open Data initiative have opened up the Bank, leading “Publish What You Fund” to rank the World Bank as a leader in transparency. Internally, the modernization process is promoting transparency of data, expenditures, and decision-making, and by so doing improving internal accountability and oversight.

9. **Beyond opening the Bank, we are exploring new ways to convene and build knowledge with partners, including on global public goods.** Open platforms like the “Jobs Knowledge Platform,” crowd-sourcing activities like the “Water Hackathon,” and scaled-up South-South exchanges all seek to move the Bank from Knowledge-keeper to Knowledge-partner. Our Open Development agenda seeks to democratize development. Our support to client countries’ Open Government initiatives is a growing line of business. Since 2011, we have provided budget support only to governments with a published budget. The next frontier of this agenda is to more systematically crowd source development solutions and multiply feedback

loops from beneficiaries. Our priority is to make publicly-available data and information more interactive so that beneficiaries, partners, governments, and citizens can participate fully in the search for development solutions and the strengthening of development outcomes.

10. **Focusing on results and openness is strengthening the Bank’s efforts to make itself more accountable to shareholders and other stakeholders through a new Corporate Scorecard.** Mapping projects we support, emphasizing our consultation practices, and promoting feedback loops in the projects we support will make us more accountable to beneficiaries. With our clients, our focus on accountability translates into our updated strategy and implementation plan on “Strengthening Governance, Tackling Corruption.”

11. **External accountability ultimately relies on internal accountability, an area of intense focus of the modernization agenda.** To manage the tensions between a country-driven prioritization process and the corporate commitments of a global institution, and the synergies between country and global knowledge and relationships, we are implementing a series of initiatives creating two-way lines of sight between senior management and the front lines. The portfolios of the three Managing Directors have been realigned to focus on regional operations; knowledge and learning; and modernization and operational support. Memoranda of Understanding between the Managing Directors and each Vice President will now define organizational units’ objectives and, together with the integration of sources of funds—administrative budget, trust funds, and reimbursable services—will underpin accountability. We are also implementing a series of initiatives to simplify our processes and harmonize them across the institution—including a “decision-making and accountability” framework, which, applied to various processes, will speed up decision-making, reduce bureaucracy, and strengthen accountability. By assigning much clearer responsibility and accountability for decision-making, we also believe it will help to mitigate risk-aversion.

12. **To implement this agenda of results, openness, and accountability, we are reforming human resources and information and technology management.** In the human-resource management area, our objective is to attract and motivate a world-class group of diverse and talented staff that matches business needs. Beyond progress to increase internal mobility, introduce flexibility in contract terms, and reach gender parity in the senior management team, our next priorities are to further review our compensation and benefits package, revamp our performance and talent management systems to better grow, support and leverage talent and opportunities, and continually expand the diversity of our staff (in particular to reach our target of gender parity throughout management). We will also review the impact of new renewable-term appointments and options for going forward which retain sufficient flexibility to meet changing business needs but also help grow and invest in our staff.

13. **Modernizing the Bank is a large and challenging agenda encompassing work on processes, instruments, policies, and cultural change. Much work has begun, but much remains to be done.** Management is committed to staying the course. The critical priorities in FY13 will be to:

- make a step change in simplification, quality assurance, and accountability, including developing options to reduce overlaps and duplication in our structural organization;

- develop quality and impact indicators for knowledge and improve governance and management of the knowledge portfolio;
 - take the results agenda to the next level, in particular by building in client and beneficiary feedback;
 - adopt a package of measures to scale up our work in FCS;
 - make attention to gender part of the Bank's DNA—including from conceptualization through M&E—and incorporate gender indicators in M&E frameworks;
 - tackle HR reforms, in particular with the introduction of a new approach to performance and talent management, benefits and compensation, and global mobility; and
 - begin to deepen synergies and collaboration across the Bank Group.
14. Management will report back on this agenda at the 2013 Spring Meetings.
15. Questions for the Development Committee's Consideration:
- i. Would Ministers like to offer comments or suggestions on the Modernization reforms already undertaken?
 - ii. Do Ministers wish to offer guidance on the proposed next steps?

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I. GETTING FIT FOR THE FUTURE

1. **The World Bank of the 21st century is not the Bank of old.** While our fundamental mission in supporting clients remains to overcome poverty and achieve sustainable development, today's World Bank does not do so by prescribing policies and programs to developing countries. Rather, we work with clients to help them identify and implement development solutions; and offer our diverse clients an appropriate mix of knowledge services, capacity development, and financing. We are working to do development differently—offering customized services and innovative financing tools, working openly and transparently, while urging clients to do the same; and putting in place structures and staff that reflect the voices of a changing world.
2. **These shifts reflect major changes in our environment. Emerging markets are becoming new drivers of ideas, growth, investment, and trade.** This gradual transformation has been accelerated since the economic turbulences that started in 2008. In turn, this is transforming the multilateral system of which the Bank is a part. Our clients' needs are also evolving, stretching the spectrum from the complex issues of risk management and institution-building of fragile and conflict-affected situations, to the highly technical policy issues of middle-income countries facing advanced economies' challenges.
3. **In addition, the actors in the development community have diversified, with an impact on what clients need and want from the World Bank.** Development—from ideas and experience of development to public and private financing for development—flows increasingly South-South. The roles of non-governmental organizations have evolved considerably, diversifying the sources of development knowledge: Clients are looking for a broker and convener of the best knowledge and innovation across the world. Sources of development finance have also diversified, with the private sector playing an increasingly important role not least for financing the massive infrastructure needs of countries that want to sustain growth: Clients are looking for risk management tools and innovations that leverage private sector financing.
4. **Finally, the tools for development are changing.** Events in the Middle East over the past 18 months have emphasized the role of citizens and non-governmental actors in development. And new technologies are creating new opportunities for development interventions.
5. **In this highly dynamic and uncertain environment, we are seeking to be increasingly responsive to the immediate needs of our clients and the medium-term strategic priorities of our shareholders.** We cannot predict the future with certainty, but we can get fit for a future of more rapid change and diversified demands. Getting fit for the future is the essence of our program to modernize our products and services, our organization, and our processes and systems, through a triple agenda of *results, openness, and accountability*.

II. MODERNIZATION IN ACTION

6. **Important milestones have been reached over the past two years in the results, openness, and accountability agenda, laying the groundwork for further and deeper modernization.** Nonetheless, modernization remains a work in progress, requiring the better integration of country programs with global knowledge and the simplification of processes and systems that are necessary to allow the Bank to focus its energies more on clients' needs and less on internal and administrative tasks.

7. **Business Modernization, the focus of this paper, is one element of a four-pillar framework for modernizing the World Bank:**

- refreshing and refining our strategic directions,
- adopting 21st century governance to give greater voice to developing members,
- taking measures to ensure that the World Bank Group remains financially strong, and
- engaging in a far-reaching process of business modernization, encompassing our products and services, our organization, and our processes and systems.

8. This overall framework was endorsed by the Bank Governors in the Spring of 2010.¹ This paper, "Modernization in Action," tells an overall story of the evolving reform agenda—two years after the modernization program began—and the way forward.

9. **Specific reforms are accompanied by a conscious effort to change the corporate culture to favor results, openness, and accountability.** Senior Management is listening to and involving staff and middle management in the reform process and is actively soliciting and responding to ideas from all parts of the Bank. Change mandated from the top is not enough; Management is also encouraging staff and middle management to propose initiatives that support results, openness, and accountability.

10. **This paper focuses on the IBRD/IDA reform agenda.** IFC has identified its own program of reforms through IFC 2013 to strengthen impact and organizational effectiveness. Recent reforms that are now being rolled out at IFC include a refinement of the business line structure to strengthen strategic alignment and client focus, reforms to the funding structure and financial management framework, and elaboration of a new career framework for Advisory Services staff.² MIGA reforms are the basis for ongoing performance enhancement. Recent amendments to MIGA's Convention and Operational Regulations have led to new guarantee instruments with broader applicability. MIGA has updated its underwriting guidelines and continues to focus on streamlining procedures and increasing efficiency, thereby enhancing

¹ The overall modernization agenda was reflected in two related papers under the collective title *New World, New World Bank Group*: (i) *New World, New World Bank Group: Post Crisis Directions* published in February 2010; and (ii) *New World, New World Bank Group (II): The Internal Reform Agenda* published in April 2010. The present paper is the second annual update on business modernization; see *Modernizing the World Bank Group: An Update*, April 16, 2011.

² IFC and MIGA will continue to report separately to the Board on their change processes. Detailed information on the status of the IFC Change Process can be found in the update IFC presented to the Board at end October, 2011. MIGA's reforms are outlined in its FY12-14 Strategy: *Achieving Value-Driven Volume* presented to the Board in May 2011.

client service. The Agency has also established two regional Hubs—in Asia and in Europe—to place staff closer to prospective clients and create new business opportunities.

A. Results

11. **We are pursuing a four-fold path to improved results:** First, we are undertaking a comprehensive program of measurement and reporting on the results of our work, even though this is challenging given that some things do not lend themselves to ready measurement. Second, we are re-tooling our instruments so that they are best-suited to delivering results, in particular with a focus on the quality of our services. Third, focusing on results also means adapting the business that we do, in areas such as innovation, gender, and fragile and conflict situations. Finally, we are adapting our global mobility framework to deliver results on the ground.

Measuring and Reporting on Results and Risks

12. **The ability to identify, measure, and report on development results is central to our effectiveness, and is an essential part of our accountability to shareholders.** The Bank has a solid record of measuring and reporting on results in our lending services, especially in IDA countries—results frameworks have long existed in World Bank Group-supported sector and country strategies and in the operations we finance. They are continuously improved to better capture results data and see what did and did not work and why. We are also working with countries to improve their Managing for Development Results (MfDR) capacity through self-assessment and South-South learning. We are closely coordinating with other partners and have for several years chaired the Multilateral Development Bank Working Group on Managing for Development Results.

13. **There are very real challenges in measuring and attributing results, especially when the Bank’s inputs into the development process are knowledge or convening services.** The Bank is working with a variety of results measurement systems that, together, can be used to gauge the impact of the Bank’s contributions. No one simple metric will suffice so it is important to put together information from many sources—from Bank staff and management, from clients and counterparts, and from intended beneficiaries and civil society. With the results measurement system introduced in 2002 for IDA13, the Bank became the first multilateral development organization to use quantitative indicators to monitor results and performance. The IDA16 Results Measurement System has been expanded, using a four-tier system which provides IDA with a more complete framework to measure results, and includes the new “IDA Report Card.” This four-tier system has also been incorporated into the Bank’s new Corporate Scorecard (see section on Accountability). In addition, standardized core sector indicators are being used; they allow corporate aggregation for projects under implementation using the Bank’s management information system, and this year were expanded from IDA for use in IBRD and recipient-executed trust-funded operations.³ Moving forward, we are further expanding our set of core sector indicators and investing in disaggregation of many indicators by gender (see Box 1).

³ The Bank complements quantitative indicators with over 450 online results briefs which are continuously updated and which can now be accessed through an iPhone Results App. The results stories were highlighted as an insert in the 2011 Annual Report, and were used by our development and country partners to showcase their partnerships with the Bank. The Bank is expanding the on-line profile of results information, highlighting Results Profiles across www.worldbank.org/results. On the Bank’s Facebook page (English, Spanish, French) 23 Results Profiles led to 229,924 impressions. More than a dozen IDA feature stories in multiple languages on the Bank’s site generated 27,000 page views.

Box 1. Thinking outside the “Gender Box”

Given the landmark 2012 *World Development Report* and the major commitments in IDA and the Corporate Scorecard, **gender has emerged in the forefront of senior management attention and efforts to promote accountability and manage for results.** Progress is now being tracked on a monthly basis.

In order for gender to be truly mainstreamed, **attention to gender needs to become part of our projects’ DNA:** from conceptualization through monitoring and evaluation (M&E). Overall, 60 percent of lending operations were gender-informed in FY11, and the diagnostic work increased by almost 50 percent in comparison with the previous years, but we still observe large variations across regions and sectors. East Asia and Pacific and Eastern Europe and Central Asia are trailing, while Africa, Middle East and North Africa and South Asia regions are in the lead. The education (89 percent), agriculture (81 percent), and social development (80 percent) sectors are showing progress, but three lagging sectors are currently under close scrutiny: water, urban development, and environment. The Bank is finalizing simple processes that will flag to every task team leader the need for systematic consideration of gender issues in every operation, and allow for ex ante upstream tracking. **An important goal is to better measure results, which requires that gender indicators are incorporated in projects’ M&E frameworks.**

There is much that we still do not know about how to **most effectively tackle obstacles to gender equality.** Together with partners, the Bank helps countries to design evidence-based policy interventions that redress discrimination and barriers to entry for women. For example, the recently-launched African Gender Innovation Lab is identifying those interventions that effectively address women’s higher mortality rates, constraints to earnings, and voice, and will be replicated in Latin America.

Data constraints remain large. Some domains of gender equality—economic empowerment and voice and agency—are scarcely covered. Comparable and representative data on aspects of employment and jobs, such as percentage of firms owned by women and related indicators such as access to credit and land ownership (by sex), are typically unavailable. We are working with the UN, OECD and interested governments, as part of the Busan Action Plan, to **develop a core list of gender indicators to be measured and reported by national statistical agencies.** The Bank’s Women, Business and the Law database, which documents legal barriers to gender equality in terms of economic rights and access to assets in 141 economies, is an important related initiative.

Internally, the World Bank Group President has set **a target of gender parity in Management to be achieved by end of calendar year 2012.** Gender parity has been achieved at the level of senior management, so corporate attention will be focused next on improving the mid-management levels. The overall representation of women in the Bank’s managerial ranks increased from 31 percent in 2009 to 37 percent in FY12 (mid-year).

14. **The first comprehensive World Bank for Results report, launched at the last Annual Meetings, is an effort to aggregate the findings of these measurement systems to report on results.** For example, the report found good progress on basic services achieved with Bank support over the prior decade. IDA-supported programs provided more than 105 million children per year with improvements in the quality of teaching and facilities for learning, with a special emphasis on girls’ education to support gains in gender parity in primary and secondary education. More than 113 million people gained access to an improved water source for safe drinking water and 5.8 million people gained access to improved sanitation to reduce the incidence of disease. Over that decade, 310 million children were immunized and 47 million people received basic health, nutrition, or reproductive health services. Access to roads—and therefore markets, jobs, schools, and health facilities—were provided to 26 million people.

15. **Measuring the impact of knowledge products has been among the greatest challenges.** Gaps in the governance of the Bank’s knowledge work are also apparent. In 2011, a new report, *The State of World Bank Knowledge Services*, provided the first public stock-taking of the Bank’s explicit knowledge products and highlighted the need for better and more uniform governance of knowledge production processes, including better results measurement, as well as the potential gains to be achieved through managing the Bank’s knowledge work as an integrated

portfolio. Our priority in FY12 and FY13 is to implement these recommendations. We have just launched a new management information system for the Bank's knowledge work with an embedded results framework and key performance indicators for some knowledge activities. The system currently covers some 65 percent of the Bank's core knowledge activities, and will be expanded to encompass all of the Bank's core knowledge services. The system also automates capture of the documents generated through knowledge services. The Bank is encouraging regular reviews by the Independent Evaluation Group (IEG) of Bank knowledge work and soliciting regular client feedback on the relevance and impact of its knowledge services. Achievement of results in knowledge work, and internal and external knowledge sharing, is tied to incentives and should be factored into performance evaluation.

16. **It is also difficult to measure the impact of the work the Bank does as a convener.** For example, a colloquium recently organized by the Bank in Mexico City resulted in the launch of the **Green Growth Knowledge Platform**, a global initiative to identify and address major knowledge gaps in green growth theory and practice. An agreement on cooperating more closely on this agenda was signed by the Global Green Growth Institute (GGGI), the Organization for Economic Co-operation and Development (OECD), the United Nations Environment Programme (UNEP), and the World Bank. One concrete result is that all four organizations will collaborate on a unified set of green growth indicators, rather than continuing with the development of competing and confusing measurement systems. This highlights the challenge of measurement and attribution, since the development impact will be long-term and ultimately depends on the work of many separate players.

17. **A natural complement to our investments in measuring and managing results is to measure and manage risks.** Indeed, key to achieving results is taking the right risks—any discussion of results should therefore explicitly consider the risks involved. The Bank has adopted a risk-based approach—the **Operational Risk Assessment Framework**—that analyzes risk throughout the cycle and links risks to results. Projects are differentiated on the basis of risk so that resources and effort, as well as process time, are applied according to the risk level. A standard methodology clarifies which risks are critical to achievement of project objectives. We are also conducting pilots to support better and more consistent measurement and management of risk and potential development impact or return.

More Results-Oriented Instruments

18. Another important change in lending practices is the introduction of a new financing instrument. **Program-for-Results** (PforR), approved by the Board in January 2012, formally links disbursements to the achievement of results. As such, it offers the promise of both simplification and direct measurement of the impact of lending. By financing government programs, rather than specific projects, the Bank will help partner countries improve the design and implementation of their development programs and achieve lasting results by strengthening country institutions, improving governance, and developing capacity. Under PforR, the Bank will provide a small amount of the overall funding for larger government programs, while still applying its technical expertise, capacity development, fiduciary, environmental, and anticorruption oversight to the larger range of government spending.

19. For our existing instruments, whether in the realm of lending, knowledge, or convening, achieving results on the ground requires **improving the quality of Bank services**. While consistently high in relation to comparators (as reported in the Common Performance Assessment System reports),⁴ the performance ratings of Bank projects at their conclusion have experienced a decline, as measured against initial project development objectives: only 70 percent of the operations that exited the portfolio in FY10 had a satisfactory outcome at completion, against 77 percent in FY08. The Bank's first World Bank for Results report, mentioned above, as well as findings of IEG, noted weaknesses in the quality of Bank programs. Although this might reflect a range of factors, this is a cause for real concern and a number of steps have been undertaken over the past few years in support of program quality including devolution of quality control to regions, creation of a high-level panel to review the matrix, establishment of a new accountability framework, and an appraisal of flaws in the existing peer review and quality enhancement review processes.

20. **Moving forward, we are stepping up our response to this challenge in two ways: improving accountability for quality and putting more emphasis on technical quality.**

21. First, to improve accountability, we are **strengthening checks and balances** through the matrix organizational structure of the Bank, with the sectors assuring technical quality and the country teams ensuring relevance and engagement. To enable the two parts of the matrix to work together, four tools are being developed: (1) common indicators of quality as part of an aggregated quality-reporting system that takes the quality "temperature" of projects at key points in the project cycle, e.g. quality-at-entry review, and mid-term implementation review; these indicators will be adequately calibrated to reflect the risks involved in attaining development results; (2) consistent quality processes across the Regions and Networks; (3) more systematic use of country and sector portfolio reviews; and (4) a centralized corporate policy function and monitoring function, producing consistent and comprehensive reports on the portfolio and putting in place an "early warning system" for quality. Other elements of the accountability agenda outlined below (such as the simplification agenda) will also contribute to improving quality.

22. Second, to strengthen quality-assurance processes at the project level, we are looking into **strengthening technical quality** support to teams with adequate and timely inputs (through enhancing tools such as quality enhancement reviews and peer reviewing). We are also exploring how to increase the effectiveness of the sector units in charge of technical quality in the Regions (including measures such as the planned reduction in the span of control of sector managers and a possible shift of additional resources to these units).

Expanding our Development Toolkit

23. **Modernization is not just about the way we do business: it is also about the business we do.** A results focus means that we must expand our development toolkit. We are significantly boosting our capacity to sponsor innovation, to focus on development from a gender perspective,

⁴ The COMPAS index was designed in 2005 as a framework through which the multilateral development banks (MDBs) could track their capacities to manage for development results. COMPAS reports are produced annually. Participating institutions include AfDB, AsDB, IFAD, IADB, IsDB, EBRD, and the WBG. COMPAS is intended as a learning, not a benchmarking tool. Reports can be accessed via the following link: <http://www.mfdr.org/COMPAS/index.html>.

to provide flexible and scaled-up support in fragile and conflict-affected situations, and greater customization of services in partnership with Middle-Income Countries (MICs).

24. **The World Bank is ramping up its agenda to engage with MICs, which have knowledge and resources to share with each other and with developing and developed countries.** To better reflect their substantial and growing role in the global arena and to develop an operational model that better fits MICs' needs, the Bank is strengthening its partnership and redefining its relationship with MICs. Building on the Bank's modernization agenda and pockets of ongoing innovation across the institution, it is developing a work program which emphasizes three areas of focus: (1) partnering with MICs as global actors; (2) enhancing the knowledge partnership; and (3) expanding financing options.

25. **Innovation in the Bank occurs both at the level of new services and at the level of systems for encouraging innovation.** As discussed in a paper for the Development Committee of the 2012 Spring Meetings, our development toolkit is expanding through "**Innovations in Leveraging the Private Sector.**" For instance, the International Finance Facility for Immunization, managed by the Bank, uses financial markets to front load commitments and deliver assistance for immunization more quickly to 70 countries through the GAVI Alliance. A range of Bank and IFC services and partnerships seeks to develop local-currency bond markets. And a new risk management product launched in 2011 is providing insurance against volatile food prices to farmers, producers, and consumers in developing countries.

26. To promote and capture innovation among Bank staff and build it into a defining competency, the Bank's **Innovation Fund** tested a competitive process to identify high potential pilots led by front line task team leaders. Funding is being provided for 13 pilots selected from within the Bank proposing innovative solutions for carbon market development, proactive governance, use of mobile technology for monitoring, and disaster risk management, among others. World Bank Labs are being developed to create institutional space for innovators within the Bank to test ideas, pilot partnerships, and prototype products and services that could generate significant value over time.

27. **Our development toolkit is also scaling up support to gender equality—**mainstreaming interventions into projects, assistance strategies, analytics, data collection, and indicators. These changes seek to make gender awareness part of the Bank's "DNA"—affecting project design, monitoring and evaluation, as well as research and analytical efforts (see Box 1).

28. Our development toolkit must also expand to enable us to **respond more nimbly and effectively to fragile and conflict-affected situations (FCS).** As some low-income countries graduate to middle-income country status, FCS may become the bedrock of IDA clients. Lack of political stability and security, linked with often-weak institutions, poses fundamental challenges for development efforts in FCS. Consistent with the paradigm shift called for by the *World Development Report 2011: Conflict, Security and Development*, an expanding group of FCS and donor agencies has endorsed "The New Deal for Engagement in Fragile States." The New Deal challenges the development community to support peace- and state-building goals that are essential prerequisites for achieving sustainably poverty reduction and growth. It also calls on FCS and development partners to commit to transparency, risk-sharing, use and strengthening of country systems, strengthening capacities, and timely and predictable aid. We are exploring various options in this area (see Box 2).

Box 2. Making a Difference in Fragile and Conflict-affected Situations (FCS)

Acting effectively in FCS is one of the five themes of the Bank’s Post-Crisis Directions Strategy and a special theme of IDA16. *The modernization agenda is designed to make the Bank more responsive to the critical needs of FCS recognizing that the unique challenges in such environments require a differentiated approach.* Following extensive consultation with Bank staff working in FCS and with partners as part of the dissemination of the WDR 2011, Management is considering a package of measures to enhance the Bank’s effectiveness in FCS, including:

Reform financing for FCS through 1) leveraging the State and Peace-building Fund (SPF) to provide greater support for crisis response, confidence building, and institutional strengthening and to enhance flexibility in the preparation and implementation of FCS operations; and 2) developing, by the IDA 16 Mid-Term Review, proposals to simplify and adjust the framework for allocating resources to FCS.

Reform HR policies and practices to attract talent to serve FCS clients through 1) dedicated recruitment of young professionals and mid-career professionals for FCS posts; 2) proactive use of strategic reassignments; and 3) further improvements in staff incentives (e.g., attention to FCS-relevant competencies in performance evaluation and career paths for staff with FCS experience), including a menu approach to benefits (e.g., improved benefits for non-family postings).

Provide policies to enable risk-taking, nimble operational response and hands-on implementation support: Targeted implementation support exclusively for FCS will facilitate staff to make full use of existing flexibilities in the Bank’s operational and risk framework. In addition, as part of the ongoing reform of Operational Policy and review of procurement and safeguards policies, Management will seek to incorporate recognition of countries whose institutional capacity is severely impacted by fragility and conflict to allow for implementation support, simplified operational procedures, and alternative implementation arrangements to reflect the specific challenges of FCS environments.

Deepen World-Bank Group synergies: Management is exploring Group-wide packages that facilitate private sector investment in FCS, possibly through risk management tools. Management will also explore options for better integrating WB and IFC work in FCS countries including exploring the feasibility of a Group-wide Country Director approach.

Expand the global community of practice to encourage cross learning: The Global Center for Conflict, Security and Development (CCSD) in Nairobi is expanding the global community of practice. It has established an innovative social media platform called *The Hive for Fragility, Conflict and Violence*. CCSD will collaborate with Networks to promote communities of practices around high-priority topics such as jobs, security, justice, and natural resource revenue management.

Global Mobility for Results

29. **Achieving results on the ground in an uncertain environment and in a diversified set of situations requires a flexible approach to global mobility.** While the Bank must be one coherent institution, it must also respond flexibly to the different needs of its various clients, whether these are middle-income or low-income countries, whether they are stable or fragile, whatever their development challenges may be. We can achieve this flexibility through (1) a “variable geometry” approach to decentralization and (2) supporting information management and human resource flexibility.

30. **Our “variable geometry” approach to decentralization will drive different business choices in response to business needs.** In FCS, for instance, rapid response and intensive support for implementation requires presence on the ground. For clients mainly demanding very specialized, cutting-edge global experience, the priority is to quickly deploy the right teams from across the Bank Group to the right places, wherever they are. This flexible, results-driven approach to institutional configuration is also reflected in the two decentralized “Hubs” now in operation—in Nairobi and Singapore. The Global Center on Conflict, Security and Development in Nairobi is establishing a stronger community of practice and knowledge-sharing on development issues confronting fragile and conflict-affected situations, as well as improved

development coordination. The Chief Economist for the East Asia and Pacific Region is among the senior staff located at the World Bank Group-Singapore Hub, a multidimensional site for operations and knowledge across the Bank Group, which also draws on Singapore’s expertise in infrastructure public private partnerships and in supplying specific, tangible, and practical solutions—a “how-to” center of advice on urban issues. The Bank’s successful, early experience with Singapore has led to the establishment of a new Infrastructure Finance Center of Excellence, launched in partnership with the Government of Singapore.

31. **On the information management side, to facilitate information flows across locations, we need the infrastructure and policies in place to enable staff to be “location-neutral.”** We are currently investing in the connectivity of our country offices and a Global Knowledge Management and Collaboration program that will facilitate knowledge management. Our second Knowledge Report will focus on issues of connectivity: exploring how the Bank is connecting clients across the globe with the best and most relevant expertise and experience. Significant further investments are ahead of us in this area.

32. In support of increased internal mobility of staff skills, we have implemented a series of managed rotations to strategically deploy expertise, enhance cross-regional knowledge transfer, and increase learning opportunities for staff. Staff mobility across regions—including into and out of the field—has increased as a result. To support increasing mobility, over the past year, we have invested heavily in enhancements to relocation services focused on strengthening on-the-ground support to relocating staff and families, including dual-career couples, and expanding incentives and support to staff in FCS. We have also reviewed benefits to enhance mobility support for locally-recruited professionals serving outside their home country.

33. Nearly 40 percent of staff work in one of the Bank’s 120 country offices, where their presence helps the Bank better understand, work more closely with, and provide faster service to countries. The Bank’s growth and decentralization have increased organizational complexity, calling for close coordination across organizational and geographical boundaries, including in the area of staffing and talent development. We will implement a systematic process to review talent across the organization, with the goal of assessing staff readiness for development opportunities and deploying them wherever their specific talents can make the greatest contribution. The Bank is also renewing staff training programs: in the past year, we improved access to learning for staff in country offices through the use of e-learning and new face-to-face offerings for new hires and emerging leaders. Lastly, the human resources function will continue to invest in developing a robust and scalable HR infrastructure that delivers leading-edge services to a geographically dispersed workforce in an efficient and effective manner. Broadening and deepening our HR support for global mobility, remains a reform priority for the next two years.

B. Openness

34. **The openness agenda builds on the vision of an open Bank that is accountable.** We are already seeing results: the Global Campaign for Aid Transparency, “Publish What You Fund,” rated the Bank highest in terms of aid transparency out of 58 donors in 2011, for the second year in a row.⁵

⁵ *Publish What You Fund*, The Global Campaign for Aid Transparency, <http://www.publishwhatyoufund.org/resources/index/2011-index>

The Center for Global Development and Brookings ranked IDA as a top donor in transparency and learning in its 2011 Quality of Official Development Assistance Assessment (QuODA).⁶ More than just transparent, an open World Bank means that a vast repository of development experience, data, and research is available to be leveraged by more people for more solutions. The Bank is committed to providing all interested parties with accessible, easy-to-use data and with unprecedented access to other information and documents. Broad access to these data allows policy makers and advocacy groups to make better-informed decisions and to measure improvements more accurately. Finally, a more open Bank is also a Bank that listens more.

35. The Bank is opening up development in four ways:

- Open data: making its data and tools open to all;
- Open operations: operating “in the clear,” providing access to operational, project, and financial data;
- Open knowledge: opening up the way it does knowledge work to increased collaboration and co-generation of knowledge with external partners; and
- Open development: supporting open development, helping our clients to open their own processes and systems for development to their citizens and intended beneficiaries

36. First, we are opening our data. The Open Data Initiative continues to expand its reach and is focusing more and more on usability. Access is now available to more than 7,000 development indicators. There are, among other things, a new portal and database of climate change-related data; new data and portals on jobs, gender, and poverty; microdata on more than 450,000 variables from more than 700 surveys; and the operational data on more than 11,000 lending projects dating from 1947 onwards.

37. In FY11, the **Apps for Development** competition complemented the Bank's Open Data initiative by inviting developers to create new uses of World Bank data through mobile and web-based apps. Participants from more than 30 countries generated more than 100 tools and applications drawing on publicly-available data. Such challenges and competitions, including multi-year Grand Challenges, offer promise to mobilize multidisciplinary communities to solve development challenges (see Box 3).

Box 3. Apps for Development

The way people access knowledge in the 21st century is different, and the Bank is reaching out differently. Knowledge and data are increasingly available through smart-phone and tablet apps. The 2012 WDR on Gender Equality and Development was developed with an iPad App that makes the analysis, data, and policy recommendations available by key message, region, topic, and dozens of keywords. The World Bank DataFinder is an iPhone and iPad app that lets users access fifty years of World Bank data on more than 1,100 global economic indicators for around 200 countries, and has tools to chart and visualize data, inter alia for use in presentations and projects. An iPad app, World Bank Finances shows how much Bank money is being spent by country, project, and loan, credit, or grant. Our Integrity App will bring technology and our focus on openness to the service of accountability and integrity, by giving citizens instant access to information about World Bank-financed projects, as well as a means of reporting concerns of fraud and corruption. The “Results at a Glance” app features Bank supported development results drawn from over 450 results profiles in over 85 countries.

⁶ Measuring the Quality of Aid: QuODA Second Edition, Center for Global Development.

38. Further, we are opening “what we know.” At the April 2012 Spring Meetings, the Bank's Office of the Publisher is transitioning from a traditional book publishing model to an **Open Access policy**—meaning immediate free access to the Bank's peer-reviewed literature and data, with no restrictions on the use and reuse of the Bank's knowledge. The Bank is also adopting the Creative Commons attribution license, lifting restrictions on the use of Bank material and creating an Open Knowledge Repository to house all Bank books, journal articles, working papers, and relevant economic and sector work and their associated datasets.

39. **Second, we are opening information on our operations.** Data on our projects and operations are available via a new, highly-accessible project portal, and in the International Aid Transparency Initiative (IATI) format. Some of this data are now accessible with dedicated applications. Also aligned with international agreements on aid effectiveness, the Bank has geo-coded *all* its projects—both IDA and IBRD. This transparency initiative, **Mapping for Results**, visually locates Bank-financed projects, and, in combination with the sub-national socioeconomic indicators such as poverty, health, malnutrition, and population density, it helps monitor development impact and donor coordination.

40. Since the 2010 landmark **Access to Information Policy**, 14,000 new documents have been released to the public. According to the first annual report on Access to Information, “*Moving Forward Transparency and Accountability*,”⁷ during the first year that the Access to Information policy was in effect, 119,639 documents were released to the public; there were 4.5 million page views on the external website; there were 1.02 million visits to the Documents and Reports website; 795,000 documents downloaded by the public; and 705 information access cases were opened, of which 78 percent received a comprehensive response within 20 working days.

41. **Openness also means learning from others—from clients, partners, and beneficiaries.** Increasingly, monitoring through direct beneficiary feedback is being built into the projects we support. Customer feedback on delivery of public services via cell-phone reporting is now being supported in Bank projects in Tanzania, Moldova, Dominican Republic, the Democratic Republic of the Congo, Brazil, and Indonesia. In Indonesia, an Urban Poverty Program, which invests \$150 million annually in World Bank and government funding, is using mobile phones for project monitoring. In Moldova, the government has committed to using technology to improve governance and citizen participation.

42. Third, with partners, the Bank is exploring new ways to convene and build knowledge and facilitate South-South exchanges. As part of the preparation of the *2013 World Development Report* on jobs, an “Open Report on Jobs” will inform the WDR and stand alone as a contribution to the global debate. The process of exchange and dialogue through the **Jobs Knowledge Platform** will build a community to support innovation for practical solutions to expand job creation and improve job opportunities, by bringing together governments, workers, private sector, civil society, academics, and development professionals to assist with implementing the lessons that come out of both the *World Development Report* and the Open Report on Jobs. The Jobs Knowledge Platform is managed by the World Bank in collaboration with partner organizations including the Economic Research Forum, Fedesarrollo, the

⁷ Access to Information Annual Report, FY 2011, *Moving Forward Transparency and Accountability*, World Bank 2012

International Development Research Centre, the Institute for the Study of Labor, the Latin American and Caribbean Economic Association, McKinsey Global Institute, and REALM/AMERU. In addition to the Jobs Knowledge Platform, the Bank is also supporting five other Knowledge Platforms (see Box 4) which are serving as three-year experiments in the co-generation of knowledge on cutting-edge development topics, involving the Bank and a wide range of external partners. The recent **China 2030** report is another example of knowledge built in partnership with clients.

Box 4. Co-generation of Knowledge: The Knowledge Platforms

The *Urbanization Knowledge Platform* is putting the best urban knowledge, innovations and data in the hands of policy makers and practitioners

The *Open Development Technology Alliance* is supporting crowd-sourcing and interactive mapping to enable more citizen participation in development.

The *Green Growth Knowledge Platform* has inaugurated a global network of researchers and development experts to identify and address major knowledge gaps.

The *Jobs Knowledge Platform* is convening a wide range of key stakeholders to support the jobs agenda by sharing insights and building synergies across different approaches, creating a community to exchange challenges and solutions, and informing important policy debates.

The *Hive—Fragility, Conflict and Violence (FCV) Knowledge Platform* is working with partners to create an interactive web-interface, changing the way knowledge about FCV is generated, shared and used.

The *Secure Nutrition Knowledge Platform* is working with a broad range of external partners to bridge knowledge gaps between practitioners working on Agriculture, Food Security, and Nutrition.

43. **Finally, we are supporting our clients’ efforts in the Open Development agenda.** Supporting **Open Government initiatives** is a growing line of business. Kenya, Colombia, Mongolia, and Moldova are working on their own national open data initiatives. In Moldova, government is using an Open Government Partnership approach to build a “Governance e-Transformation” process to increase transparency, improve efficiency and public service delivery, and fight corruption. Since 2011, we have provided budget support only to governments with a published budget.

44. Additionally, the Bank supports **citizen-mapping efforts**, using only platforms that give users free access to the map data they create. Last summer, the Bank provided \$30,000 for a pilot which used students to geo-map every foot of a Dar es Salaam slum, part of a larger urban development effort.

45. Today, innovative development problem solving is happening with cheap, ubiquitous technology, open-source tools, and social networks. In Tanzania, the Bank was not project manager; it acted, as is increasingly the case, as the connection, introducing city officials to the concept and to potential implementing partners. Working with partners, we are supporting activities such as the “**Water Hackathon**,” a multi-city event to reach local IT communities in an effort to generate new solutions to global water and sanitation problems. The next frontier of this agenda is to more systematically crowd-source development solutions and multiply feedback loops from beneficiaries. Our next priority is to make publicly-available data and information more interactive so that beneficiaries, partners, governments, and citizens can participate fully in the search for development solutions.

C. Accountability

46. **Accountability is a tool for ensuring that the Bank’s programs to reduce poverty and enhance growth achieve their intended results, with value for money.** Externally, accountability is being built through reporting mechanisms on our performance and feedback channels to better listen—to critics, to clients, to beneficiaries. Among external channels, the IEG plays a special role, as evidenced in 2012 by its review of the Bank’s matrix system. While many of the recommendations are already under implementation, this review in particular usefully highlighted the importance of acting where linkages between regions and networks are weak and where the quality of Bank operations may be further strengthened. Indeed, ultimately, external accountability relies on internal accountability, which the modernization agenda seeks to achieve through two-way “lines of sight” connecting senior management to the front lines and via simplification of processes. This section describes ongoing and planned reforms that strengthen accountability.

External Accountability

47. **External accountability builds on the results reporting and transparency tools outlined above.** The **Corporate Scorecard** is designed to provide a snapshot of the Bank’s overall performance, including its business modernization, in the context of development results. It facilitates strategic dialogue between Management and the Board on progress made and areas that need attention. The Corporate Scorecard is a “living document” that will evolve and improve over time as our ability to report on results expands. In addition, consultation processes, project mapping, and promotion of feedback loops in the projects the Bank supports (see above) make us more accountable to these intended beneficiaries.

48. **External accountability will be further strengthened by regular, rigorous, and broad-based country surveys,** enabling systematic feedback across the societies with which the Bank is engaged and helping us and others to evaluate the quality and impact of Bank engagements. This new, transformative feedback policy requires these country surveys to be done on a routine, rolling cycle for all client countries, roughly one-third in each year, so that there will be current data, no more than three-years-old, for each country. Requiring surveys in all countries (with few exceptions for fragile or conflict-affected situations) is a significant change from past practice, under which the Bank sometimes surveyed some countries. The results from the first cohort will be available this fiscal year and will be shared with clients and shareholders and published on-line.

49. With our clients, our focus on accountability translates into our updated strategy and implementation plan on “**Strengthening Governance, Tackling Corruption.**” Our Integrity App is an example that brings technology and our focus on openness to the service of accountability and integrity; aimed at giving citizens instant access to information about World Bank-financed projects, as well as a means of reporting concerns of fraud and corruption, this app will allow users to send, for example, a photo of the half-built school, an audio recording of a request for a bribe, or any other file or document that might be relevant.

Internal Accountability

50. **Internally, we are developing two-way “lines of sight” that connect senior management, middle management, and the front lines with a common, clear, and consistent understanding of corporate priorities, modernization objectives, and realities on the ground.** These “lines of sight” will facilitate the management of the tensions between a country-driven prioritization process and the corporate commitments of a global institution. They are designed to exploit the synergies between country and global knowledge and relationships. The tools we are using in this regard include the Corporate Scorecard and simplified processes and systems (see below). We are also introducing internal Memoranda of Understanding with the Vice Presidents, covering strategic priorities, results, budget allocations, costs, and staffing. And we are working to better align our planning and reporting processes (including both our administrative budget and the additional resources we mobilize such as Trust Funds) since the fragmentation of these processes was obscuring these lines of sight.

51. Further progress in results monitoring (including for knowledge) will support accountability along these lines of sight, as well as inform the alignment of budgets and priorities. In addition, the portfolios of the three Managing Directors have been realigned to focus on regional operations, knowledge and learning, and modernization and operational support. Finally, in part facilitated by IT investments, reporting systems are being upgraded. For instance, in FY12 various corporate reporting products to the Board of Executive Directors have been integrated into a new Quarterly Business and Risk Review (QBRR) report. This report builds on the Corporate Scorecard and contains quarterly updates of selected Tier 3 and 4 indicators.

52. **A number of other initiatives are underway to improve internal accountability. Internal service standards have been established for some critical internal processes.** The span of control of sector managers will also be reduced to enable them to better perform their functions—which are critical to the quality of our client services—in an accountable manner. Holding ourselves to the level of transparency expected of our clients, we recently launched a new Budget Transparency site to show budget distributions across departments with a view to increasing staff’s understanding of the budget allocation process and support staff engagement in budget-related discussions in their units as well as at the corporate level.

The Complex Agenda of Simplification

53. **A key to greater accountability is simplification. Simplification also supports our other modernization objectives—and signals a cultural shift—**enabling the Bank to focus on results rather than processes and creating space for innovation, as well as opening the Bank further by making publicly-available information easier to access. Simplification can also drive a reduction in costs for clients doing business with the Bank. Finally, the simplification agenda supports the Bank’s new staff competency framework, so that the value-added of our staff is not their mastery of internal processes but their cutting-edge development skills.

54. **Simplification is a difficult and elusive goal in any large, process-rich institution.** At its core, the simplification agenda is about cutting red tape in our internal processes and avoiding “informal practices” that reintroduce complexity through the backdoor. We have made progress in

this direction through a more intensive use of “additional financing” and risk assessments for fast processing.⁸ In FY12 and moving forward, our simplification agenda focuses on three concrete areas: consolidation and streamlining of operational policies and procedures; clarification of accountability and decision making; and review of our approach to procurement and safeguards.

55. Consolidation of operational policies and procedures. Following advice from the Committee on Development Effectiveness in the Spring of 2011, we are consolidating the operational policy and procedure statements for investment lending. Part of a broader effort to reform the Bank’s Operational Policy Manual, this effort does not necessarily aim to change the content of the policies, but is primarily aimed at updating, clarifying, and streamlining them, eliminating duplication and making them easier to use and access. For example, Management proposes to bring 19 policy statements and 18 procedures statements covering investment lending into a single policy and procedure statement.

56. But streamlining policies is only part of the challenge. Equally important is the goal of eliminating the growth of informal practices, procedures, and process that have grown up across the Bank and particularly in the six regions. Contributing to risk-aversion, and impeding internal staff mobility, the complexity and diversity of processes has also led many to question whether we are functioning as one integrated organization or six different regional banks. A key goal of the modernization agenda over the coming year is to simplify and harmonize these processes into a single common set.

57. Accountability and decision-making framework. Based on a 2011 review by the Senior Vice President and General Counsel of the Bank's current methods for delegating authority, a new framework has been introduced to modernize the ways in which the Bank delegates authority, assigns accountability, and makes decisions. The goal is to move the institution away from diffused accountability and consensus-style decision making, which has exacerbated risk-aversion, to a more defined and disciplined approach. By introducing specific protocols for the assignment of responsibility, accountability, and authority and defining staff roles in decision-making—a key component of risk management⁹—the implementation of the framework will also drive simpler business processes.

58. Procurement and safeguards. Over the coming two years, a review of procurement policies and procedures is being undertaken; this is the first fundamental review of Bank procurement policies since its founding. The review goes beyond specific transactions under Bank-financed operations, toward the larger goals of improving development effectiveness by encouraging the use of country systems and harmonization, building competitive local industries, strengthening public sector management, improving governance and anticorruption, promoting sustainability, accelerating public and private sector investment in infrastructure, and deepening international trade. Because these objectives converge with public procurement in one way or another, the review will identify both potential synergies and trade-offs between policy goals.

⁸ Already, the Bank has driven the time from project concept to approval down from 16 months in FY08 to 15 months in FY11, with a target of 12 months (Corporate Scorecard, IV. A).

⁹ See also about our work on developing and articulating specific appetites and tolerances for risk. This will inform decision-making so that management operates within expressed tolerances for risk. This will also enable managers operating with a risk aversion orientation to migrate to one of proactive risk management.

59. The Bank will also review its environmental and social safeguard policies. This review will capture lessons from experience including, among other things, a focus on the use of safeguard polices to support environmentally and socially sustainable development, greater emphasis on assessment of a wider range of potential social impacts and risks, improvements in supervision, and more efficient and effective approaches to monitoring, evaluation, and completion reporting, including the enhanced use of indicators. Supported by significant investments in capacity building, many client countries have developed their own regulatory frameworks to address environmental and social issues: hence the review will also allow the Bank to mainstream and expand the use of country systems and to encourage continued institutional strengthening and capacity building. This is an ambitious and challenging agenda which will need careful sequencing and broad consultations.

Human Resource Management

60. **To support the objectives of results, openness, and accountability, a range of human resource and information technology reforms are under way.** We have enhanced flexibility to adjust workforce composition and adapt to changing business requirements by designing a process to reduce recruitment times, introducing term appointments for new staff, and simplifying separation policies. Work is underway to further modernize the Bank's global workforce architecture by: (1) closing the "revolving door" of retirees to increase the incentive to plan for orderly succession and free up opportunities for new talent and career growth; (2) removing impediments to deploying and developing talent; and (3) reviewing the support for internationally- and locally-recruited professional talent.

61. The diversity of the Bank's workforce—a staff of more than 10,000 people from 169 countries—is key to its operational effectiveness and at the core of its ability to attract and motivate talent. By mid-year of FY12, nationals of developing countries accounted for 61 percent of staff, women for 51 percent, and nationals of Sub-Saharan Africa and the Caribbean for 16 percent. Staff from developing countries held 41 percent of managerial positions, women 37 percent, and staff from Sub-Saharan Africa and the Caribbean 12 percent. (see also Box 1). Going forward, we are focusing on building a diverse pipeline of future managers, using external recruitment to focus on all dimensions of diversity. Our approach to managing diversity is also evolving from the traditional focus on nationality, gender, and race to such considerations as academic and linguistic backgrounds, sexual orientation, and disability.

62. **Reforms in human resource management will continue to be a priority going forward.** Efforts to revamp corporate talent management will be prioritized through more systematic use of competencies, talent reviews and talent pipelines to support recruitment, performance management, succession management, staff learning, and career development. Specifically on performance management, we have embarked on a collective effort with managers, staff, and the Staff Association to build a stronger culture of performance and accountability. We are also evaluating our compensation and benefits schemes to ensure that they are competitive for staff, while remaining fiscally responsible.

63. Over the past year, changes to the compensation methodology were introduced to ensure market-competitiveness, a greater emphasis on performance, tighter governance and financial

sustainability; country office medical coverage and benefits were aligned more closely to that of Washington-based staff.

64. Over the coming year the focus will be on simplifying, modernizing, and rebalancing benefits to align more closely with business strategy and better tailor programs to the needs of a diverse workforce, looking first at benefits directly related to mobility, medical, and pension. The review of benefits associated with staff mobility has already begun: the focus of the first phase is to provide more career opportunities for professional-level locally-recruited staff by providing greater incentives for mobility to better meet client needs. The second phase of the review will consider overall elements of the Bank's global mobility strategy, support, and benefits, including for short-term and developmental assignments. We will also review the impact of new renewable-term appointments and options for going forward which retain sufficient flexibility to meet changing business needs while also helping grow and invest in our staff. Finally, we are also implementing a new HR systems platform for increased automation of transaction-based services, and redirecting HR resources to strategic capabilities, such as business advisory services, strategic staffing, and performance management, that have a direct impact on the ability of the Bank to capitalize on the talents of its people.

Information Management and Technology

65. **The FY11-13 Information Management and Technology (IMT) three-year strategy is aligning the IMT function with business needs across the World Bank Group through a new federated operating model.** The federated operating model has established dedicated IMT units to partner with operations, the finance complex, corporate units, and IFC, with each business line governing their IMT priorities and investments to ensure alignment with business strategy and consolidated shared services for technology architecture and infrastructure. Strategic programs set out in the strategy are being implemented to enable modernization of core business capabilities, improve global knowledge management and collaboration, improve information transparency and access, and deliver global mobile solutions to support decentralized operations. Strategic advancements to date have included a renewed sourcing strategy, HR systems renewal, IT funding model reform, a technology roadmap, a risk-management framework, and a next-generation cyber-security strategy.

66. **Moving forward, investments in IMT will be critical to the advancement of a number of modernization areas:** capturing and reporting on results; facilitating the provision and brokering of relevant and high-quality knowledge to our clients through the establishment of state-of-the-art knowledge management and collaboration platforms; and simplifying business processes through automation. In addition, the finance complex has determined that there is a need for a full-scale renewal of finance systems, particularly in Treasury, to address the deferred maintenance of the systems as well as new capabilities required for current market and financial conditions, and to manage risks in a post-financial crisis environment. In the area of cyber security, we expect to shift our security posture from defending our perimeter to protecting key data and building a counter-intelligence capability. Finally, to support the global mobility agenda and in response to the increasing consumerization of IT, our business applications will need to be deployed and supported on a range of personal devices (desktops, laptops, and smart phones, among them) in a secure manner. Looking forward, new business models in the technology industry (i.e. cloud computing and other third-party solutions) will put more pressure on the

WBG to evaluate tradeoffs between IMT leverage and WBG requirements for privacy, security, and protection of WBG diplomatic immunities and privileges with regard to information.

III. LESSONS LEARNED AND THE WAY FORWARD

67. **Modernizing the World Bank is a medium-term agenda.** The vast majority of the specific reforms outlined in the April 2010 package have now been initiated or implemented. The impact is tangible in the Bank's capacity to report on results; significant innovations in our services; new ways of convening knowledge around open platforms; path-breaking Access to Information and Open Data policies; and the Corporate Scorecard. Management's investment in external (client surveys) and internal (pulse surveys) feedback mechanisms will help track the impact of these reforms moving forward. External evaluations, such as the recent review of the matrix by the IEG, also provide important feedback for this evolving agenda.

68. **Underlying these initiatives is a mindset shift on the Bank's role in development** emanating from the Bank's own experience and from recognition of new trends in the development marketplace. First, to its staff, its clients, and stakeholders, the Bank must increasingly be a partner that collaborates in the search for development solutions, bringing finance, knowledge, and convening capacity. The shift is not new, but is accelerating through the Open Development agenda and the increasing role of the non-governmental and private sectors in development. Second, there is recognition that innovation and effectiveness demand risk-management, as opposed to risk-avoidance. Third, there is an understanding that a global Bank requires a much stronger corporate culture, with lines of sight from the front line to senior management, and with harmonization across units—as opposed to the serious risk, outlined by the IEG evaluation of the matrix, of the six regional vice-presidencies drifting toward six regional banks. Finally, the agenda promotes mindset shifts in the business the Bank is in—a business where gender is smart economics, working in fragile and conflict-affected situations is cutting-edge, and leveraging private sector is the norm.

69. **Implementing the modernization agenda has entailed costs and trade-offs.** Over the past two years, through our annual planning process, Management has prioritized over \$80 million of investments for modernization (one-half from administrative budget and the other from capital budget), mainly in the form of process reforms and related IT investments, as well as knowledge initiatives. Moving forward, given the nature of the agenda—which is not a blueprint, but rather fully integrated in the way the Bank does its business—further investments will be prioritized as part of the annual planning process. We consider the trade-offs that will have to be made under this approach as necessary to adjust the pace and direction of change to lessons learned and to the need not to disrupt the delivery of services to clients.

70. **Beyond the importance of mindset shifts and trade-offs, Management has identified a few lessons from this first phase of change.**

- The first lesson is a long-standing one in change management: change cannot be blueprinted. Parts of the original agenda, like the Open Bank agenda, have been much more transformative than anticipated, while others, like simplification, have proven more challenging. Strong analytical basis for change has been a condition for change, but has, at times, led to “paralysis through analysis.”

- The second, related lesson is the importance of staff engagement and feedback—but in a targeted, practical way. A history of task forces leading nowhere has tended to foster cynicism rather than action. Ineffective consultations—such as those leading to changes in the performance management form in 2011—have led to mistakes. Rather problem solving-oriented consultations (e.g. with Sector Managers about the span of control of their jobs) and regular staff feedback (through a biannual "pulse survey" of staff) have more potential to impact the agenda and create more appetite for change.
- The third lesson is the delicate balance between pilots and scale: experiments do foster innovation, but scaling up success and phasing out failures is critical. For instance, in the area of knowledge management, separate initiatives by individual sector practices have not led to the needed transformative outcome. A harmonized approach seems appropriate, so that starting in FY13, the integrated "Global Knowledge Management and Collaboration" program supported by all the Networks will create the scale and harmonization that enable enhanced connectivity, while increasing accountability through better oversight of knowledge. Similarly, in operations, simplification efforts have proven elusive when piecemeal because informal, uncoordinated practices have undermined them.
- Lastly, the importance of measuring progress, incentivizing change, and focusing on quality and results are key. Without adequate measurement of quality and impact we will not be able to make informed decisions about what works and what doesn't and how best to allocate scarce resources. This is particularly true for the Knowledge Agenda where better measurement of the quality and impact of Bank work is a priority.

71. Modernizing the Bank is a large and challenging agenda encompassing work on processes, instruments, policies, and cultural change. Much work has begun, but much remains to be done. Management is committed to staying the course. The critical priorities in FY13 will be to:

- make a step change in simplification, quality assurance, and accountability, including developing options to reduce overlaps and duplication in our structural organization;
- develop quality and impact indicators for knowledge and improve governance and management of the knowledge portfolio;
- take the results agenda to the next level, in particular by building in client and beneficiary feedback;
- adopt a package of measures to scale up our work in FCS;
- make attention to gender part of the Bank's DNA—including from conceptualization through M&E—and incorporate gender indicators in M&E frameworks;
- tackle HR reforms, in particular with the introduction of a new approach to performance and talent management, benefits and compensation, and global mobility; and
- begin to deepen synergies and collaboration across the Bank Group.

72. Management will report back on this agenda at the 2013 Spring Meetings.
73. Questions for the Development Committee's Consideration:
 - i. Would Ministers like to offer comments or suggestions on the Modernization reforms already undertaken?
 - ii. Do Ministers wish to offer guidance on the proposed next steps?