EAP PROGRESS IN IMPLEMENTING GAC PHASE I: A RETROSPECTIVE

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This note provides a retrospective on East Asia and the Pacific (EAP) region’s experience in implementing the World Bank’s Governance and Anti-corruption Strategy (GAC) during its first phase (FY08-FY10). We highlight a range of the work that we consider is central to work undertaken over the last 3 fiscal years. In large part, this work centers around the challenge of improving the implementation of public policies — an effort that involves gaining a greater appreciation of the factors that restrict the Bank’s ability to support our clients in identifying, addressing and managing those constraints.

The report focuses on the progress and challenges we have experienced in our country, sector, and project interventions. The experiences highlighted here are the basis for an emerging understanding of the elements of good practice in implementing GAC in the EAP region, and also provide a basis for setting reasonable expectations for the impact of our work in coming years. We discuss these expectations in the final section of this note along with an explanation of the steps the region will take to support their achievement.

I. Background

The World Bank’s Strengthened Engagement on Governance and Anti-corruption was announced in 2007. The EAP GAC Implementation Strategy, presented to the GAC Council in 2008, reflected the diversity of countries in the region (ranging from middle income to low income to fragile and conflict situations) and the range of governance resources they could call upon. Our experience meant that we prioritized work in selected countries (4 pilot Country Governance and Anti-corruption [CGAC] countries — Cambodia, Indonesia, Mongolia, and the Philippines), particular sectors (finance, transport, social safety nets, and natural resource management), and aspects of the project cycle. The Regional Governance Hub was also created to support GAC implementation and to enhance the impact of GAC efforts on development effectiveness. The EAP GAC Implementation strategy prioritized mainstreaming governance and anti-corruption work in four areas: natural resource management, finance, social safety nets, and transport.

The GAC work that has taken place over the last 3 years in these areas reflects underlying differences in the Bank’s program of work and demonstrates the scope of the GAC agenda. The different emerging themes, which are described below (along with illustrative examples from priority and other sectors) are joined in that they all ultimately represent explorations of how to improve the implementation of public policies through enhanced transparency, accountability, and participation. Work on GAC in projects in EAP has featured a range of activities designed to enhance the ability of task teams to support the implementation of governance elements found in World Bank assisted projects. The work has been conducted under the leadership of the Central Operational Services Unit (COSU) Director through the COSU team (including the EAP Anti-Corruption Focal Point - another staffing innovation introduced in the region) acting in strong partnership with the Regional Governance Hub, with support from Asia.
Learning. The work has also benefited from input and connection to the GAC-in-Projects effort led from Operations Policy and Country Services (OPCS).

II. Organizing to support GAC in EAP

In order to support the implementation of GAC Phase I in EAP, a Regional Governance Hub based in Bangkok and reporting to the Vice-Presidential Unit (VPU) was created in January 2009. Taking into account the Bank’s previous and ongoing governance work in the region and the evolving regional efforts to improve governance, the Hub was set up to coordinate GAC efforts, foster dialogue and provide support to teams at country, sector and project levels.

The Hub’s activities are focused on achieving greater impact of the Bank’s governance work through greater selectivity, more effective connections among work areas, and better learning from experience. The Hub has worked with country teams on substantive and organizational issues, and facilitated the sharing of knowledge on GAC between teams through events bringing together teams from the CGAC countries, videoconferences (VCs) that enable teams to gain a better understanding of efforts in other countries in the region, and the posting of profiles on country programs on EAP GAC websites and the Governance Hub Newsletter.1 The Hub leads/collaborates on research with internal and external stakeholders, and contributes to project teams and development of regional, country, sector and project-level governance strategies, analytical tools and approaches.

Other arrangements complement the Regional Governance Hub. A Director-level regional GAC implementation committee provides strategic direction. At the country level, Governance Teams have been established in Cambodia, Indonesia, and the Philippines to enable regular discussions about governance and consideration of GAC strategies. More informal arrangements for consultation on governance issues exist in Mongolia and Vietnam.2 A dedicated anti-corruption focal point ensures synergy with the work of the Regional fiduciary and safeguards teams in COSU. Other GAC implementation support comes in the form of extensive training covering GAC fundamentals and specific GAC issues, e.g. for government staff on techniques for addressing corruption, complaint handling mechanisms, investigation of financial crimes and stolen asset recovery.

III. Achievements

EAP’s progress in implementing GAC involves a specific set of achievements that cut across country, sector, and project engagements. The following work reflects the scope of the GAC work that has been undertaken in the last three years and the emerging themes that characterize our progress in GAC implementation.

1 For more information on the Hub, please see Annex 1
2 See Annex 2 for an overview of the organizational arrangements that have been put in place by EAP to manage and oversee GAC implementation.
1. **Better understanding of the governance environment is driving more effective strategies, programs, and dialogue.**

One of the primary thrusts of the first phase of GAC has been enhanced analytical work on the governance environment. Governance-focused research is intended to provide insights into the topography of reform – identifying the parties who matter in making and implementing policy choices, understanding the incentives and dynamics that underlie their behavior and attitudes towards reform, better understanding organizational capabilities and interactions, while exploring possibilities for the creation of winning multi-stakeholder coalitions for change. We expect that the research findings will have strong implications for the type of policy outreach that is required to foster improved development effectiveness at the country level and that concrete and visible changes will be made in our policy outreach.

There are numerous examples from our CGAC and non-CGAC countries where our governance work has indeed shaped and changed our policy dialogues. The impact of research is perhaps clearest in Mongolia, where in 2007 the country team conducted an in-depth political economy analysis focused on five policy bottlenecks along the mining value chain where reforms had stagnated or where there was backtracking during the boom years. The analytical work proved to be instrumental in the team’s decision to intensify policy outreach on mineral and mining revenue issues, especially through increased engagement with influential Parliamentarians and civil society organization (CSO) leaders in South-South exchange. The research also led to a much greater use of cross-country comparisons with other mineral-rich developing countries in development dialogues. Related analysis on the constraints to policy implementation convinced the team to take extraordinary efforts to consult with local government officials within the process of designing support for municipal reforms.

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3 See Annex 3 for an overview of the Mongolia CGAC effort. A more extensive discussion of the research conducted in Mongolia can be found in Fritz, V, Kaiser K, Levy B, World Bank 2009 Problem-Driven Governance and Political Economy Analysis: Good Practice Framework.

4 The Mongolia team is dedicated to continuing to extend its policy outreach work, partnering with the Governance Hub, WBI, and CommGAP on a pilot 18-month effort to integrate strategic communication into one or more of its governance reform efforts.
Box 1: Country Case: Mongolia

In 2007, the Mongolia team decided to refocus its country engagement strategy around mining and mining-related issues – a decision prompted by the increasing economic dependence on mining revenues and the opportunities for economic and social growth provided by the enormous increases in public monies derived from extractive industries.

In that same year, the country team conducted an in-depth political economy analysis focused on five policy bottlenecks along the mining value chain, areas where reforms had stagnated or where there was backtracking during the boom years. Using multiple tools (i.e., focus groups, a public opinion survey, voter incentives analysis, and stakeholder mapping), the Bank team sought to identify “good enough” outcomes where reform was politically possible, identify key stakeholders influencing the reforms, and define how the World Bank could more effectively support reform.

The work deepened the team’s understanding of the weak links in the chain and identified common “drivers” influencing policy: the uniquely powerful role of Parliament; strong electoral incentives for populist policies; lack of effective checks and balances in the country’s young institutions; and sovereignty as a justification for sub-optimal investments. The work, including the public opinion survey, also helped to identify some important information gaps. While public interest in mining issues was quite strong, the quality of information about good practices in the management of mining and mining revenues was perceived to be quite low. Finally, the analysis helped the team to gain a more subtle ability to distinguish between those groups or individuals whose support was critical for making policy choices and those groups and individuals whose support was essential for implementing policy decisions once they had been made.

The work contributed to important shifts in the Bank’s strategy and program in Mongolia, including the need to support Government efforts to put in place a more robust fiscal framework, to strengthen public investment management and to improve the efficiency and effectiveness of social transfers. The analytical work has proven to be instrumental in underpinning subsequent work in:

a. More intensive policy outreach on mineral and mining revenue issues, especially through increased engagement with influential Parliamentarians and civil society organization (CSO) leaders in South-South exchange and use of cross-country comparisons with other mineral-rich developing countries.

b. Aligning multiple World Bank operations towards a common focus of improving governance across the mining value chain;

c. Building indigenous capacity to analyze mineral and economic policy options drawing on international analysis and the experiences of other resource-rich countries.

d. Strengthening demand-side accountability activities that reinforce good governance at key points on the mining value chain, with a strong link to the Bank operation in Mongolia. New accountability approaches include engagement with international transparency exercises (EITI) as well as greater community involvement.

The recent passage of a landmark Fiscal Responsibility Law, patterned after a similar law in Chile, is one indication that the governance-informed approach is increasing the effectiveness of the Bank’s support for sustainable development in the country.
Changes in policy outreach due to governance analysis have also been a major feature of our work in Vietnam. The *Vietnam Development Report 2010 – Modern Institutions*, a multi-donor effort led by the World Bank, reflects on the shifts that have taken place in the governance landscape in the last few years and analyzes the need for new forms of accountability as Vietnam devolves responsibility to service providers and lower levels of government. The broad-based outreach that has followed its publication has enabled active interaction between Bank staff and a wide range of officials in the executive, the party, and the legislature on governance issues including corruption, the nature of conflict of interest, the role of civil society and the media, and the importance of getting feedback from citizens and the users of government services. This later point has been reinforced through the complementary medium of the *Vietnam Innovation Day (VID) 2009 – More Accountability and Transparency, Less Corruption*. This innovation marketplace resulted in the financing of 25 creative transparency and accountability projects and demonstrated to both counterparts and donors the range of problems faced at the grassroots level and the willingness and ability of groups to find ways to address those problems. The Government Inspectorate, the Vietnam counterpart for the 2009 VID exercise, was so encouraged by the results that they are currently working with the Bank to make this a bi-annual event.

The examples above illustrate how our governance analysis has led to a more targeted approach to policy outreach at the same time that it has broadened out the groups that we have sought to engage in policy dialogues and the content of those dialogues. We have also seen evidence that our governance analysis has changed how we structure our outreach. In the Solomon Islands, previous analytical work by the Bank and other donors had suggested a range of policy priorities and given rise to a range of recommendations in the area of public sector management. Those recommendations and the approach taken had generated little interest among decision-makers and elites in the Island eager to pursue economic growth and not public sector retrenchment. A deeper understanding of the political dynamics of the situation convinced the team of the necessity of structuring the analytical work conducted within the *Sources of Growth* study specifically to attract and involve a range of key political players understood to be instrumental in determining future policy directions and implementation actions. In this work, policy outreach has been integrated into the analysis itself.

**Governance analysis in sectors**

The exploration of the governance environment has not been confined to studies at the national level. Over the course of the last three years, our sectoral work has become increasingly informed by studies of the operative governance context. This development is most evident in our work on natural resource management, where intensive efforts have been undertaken to gain a more robust picture of the political economy around mining and other forms of resource.
extraction. The political economy analysis of the mining sector in Mongolia, which has been previously discussed, has been mirrored by similar analyses in Lao PDR and Papua New Guinea. Analogous exploration of stakeholder identities, interests, and the outcomes of their interactions have been performed in such diverse areas as the textile and rice sectors in Cambodia, and energy distribution in the Philippines. This work has utilized a variety of methodologies, from political economy analysis to efforts more akin to anthropological studies, and has resulted in a range of products – from internal reports to papers that have been the basis for broad discussions. The analysis has been conducted by cross-sectoral teams that have brought together sectoral staff with Poverty Reduction and Economic Management Network (PREM) and Justice for the Poor colleagues. It has often been informed by the work of local research groups and others with deep knowledge of the local dynamics.

The increased attention to governance analysis has significant influenced our sectoral engagements. We have already described how the analysis in Mongolia informed our subsequent work in the sector – much of which focused on increasing transparency around mining policies and revenues and strengthening participation. The work on transparency has fed into and been supported by international public and private sector efforts to encourage transparency through the Extractive Industries Transparency Initiative (EITI) program and increased engagement with non-governmental organizations (NGOs) like Revenue Watch. A similar set of themes have come to the fore in Papua New Guinea due to the natural resource management political economy analysis. The deeper understanding of the importance of local officials in the dynamics of policy implementation in Mongolia led to an extra-ordinary effort at consultation as part the development of the Ulaanbaatar public services improvement project.

2. **Task and country teams are engaging more productively on governance risks and corruption.**

A second dimension of GAC implementation has been a concerted effort to enhance the ability of Bank teams at the country, sector, and project levels to understand the nature of the governance risks that exist to achieving specific development objectives. Greater appreciation of governance-related risks enables a more pro-active and constructive response to risk – informing choices made in the content of our portfolios, as well as how are engagements are shaped to address and minimize those risks over time. In keeping with the principles that underlie the strategy, the Bank’s efforts to incorporate governance risk analysis into our operational practices is expected to be done is such a way as to assist our clients and partners’

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7 Work conducted in EAP on the political economy of Natural Resource Management is part of a larger international study of NRM that has been generously funded through the GPF Trust Fund. Overall study findings will be available in FY11.
9 See Annex 5 for a discussion of the World Bank program of support in the mining sector in Papua New Guinea.
ability to recognize, manage, and reduce governance-associated challenges to translating policy choices into developmental impact.

EAP has begun to take up the challenge of implementing this dimension of the GAC Strategy – with the Philippines at the forefront of this effort. The 2010-2012 Philippine Country Assistance Strategy (CAS) includes a strong emphasis on good governance as a cross-cutting theme. Part of this effort includes creating a process to evaluate the extent of governance related risk associated with potential new projects. The Risk Filter that has been established relies on a combination of assessments conducted by the Government of the Philippines, as well as information on past performance in World Bank-assisted projects, and specifically tailored political economy-informed examinations of sectoral dynamics, to estimate the level of risk associated with a proposed operations very early on in project preparation. This analysis enables country management to make informed decisions about the risks the team is taking on in determining which projects to green light – a choice which is important in order to prevent the creation of a portfolio that is excessively tilted to high risk/high reward efforts. The Risk Filter is fully operational in the Philippines and has already been applied to several project proposals. While it is too early to detect the impact of the filter on the make-up of the country program, the existence of the filter provides the possibility for shaping the composition of our country engagement around a dynamic understanding of governance risk.10

At the same time that the Risk Filter enables informed decision-making by World Bank country management, it is also acting as a platform for discussion with the government about the nature of governance risks in the country, the tools that exist to assess risk, and possible approaches to addressing risk factors. The discussions precipitated by the Risk Filter operate as one among several governance engagement platforms that have been established in the Philippines. The External Advisory Group (composed of respected leaders in business, civil society, academia, and retired government officials), the independent integrity assessment reviews conducted at a sector level, and the detailed governance and corruption analysis undertaken within the context of project design serve to engage the government and other stakeholders in repeated discussions on governance and corruption risks and establish the basis for increasingly intense collaboration on addressing these issues. The different features of the approach taken by the Philippine country team reflect a commitment to understanding governance-related risks to development effectiveness across all of our engagements and an equal commitment to engaging with a broad group of clients on addressing those risks.

10 The Risk Filter includes many of the same features as the newly instituted Operational Risk Assessment Framework (ORAF) – with a primary focus on the sector level risk assessment. The experience in the Philippines suggests the type of analysis that may be critical for the ORAF process to add value in shaping individual engagements and overall strategies.
Box 2: Country Case: The Philippines

The 2010-2012 Philippine CAS includes a strong emphasis on good governance as a cross-cutting theme. One dimension of that emphasis has been the creation of a process to evaluate the extent of governance related risk associated with potential new projects that takes place early on in project development.

While the risk review process is internal, the methodology for defining governance risk builds in part on emerging systems in the Philippine government for assessing governance at the agency level. Data from various government procurement and anti-graft authorities are all utilized within the Bank’s Governance Filter process. These government systems are still relatively new and the information derived from them currently operates as something like an information baseline. This baseline is then complemented by data on past performance in Bank projects (where applicable) and the results of analytical work on risk such as public expenditure reviews (PERs), country procurement assessment reviews (CPARs), etc. Most importantly, tailored studies designed around specific issues are commissioned in order to provide a rich information source on sectoral or agency dynamics that are understood to potentially constrain development effectiveness and/or significant reputational risks (see Annex 6 for a longer description of the Philippine Governance Filters).

The Governance Filter provides a platform for research and internal discussions on the nature of governance risk in different sectors and in potential operations. At the same time, it supports an informed dialogue with the government on these same issues, and provides an opportunity to work closely with the client on improving its own systems for assessing performance and governance challenges. Work on the Filter is one of a range of activities designed with similar purposes in mind. These efforts include:

- The creation of an External Advisory Group, an informal body composed of well-respected leaders from the private sector, academia, civil society, and ex-government officials, in order to provide senior management with the opportunity to have quarterly discussion on a range of issues relating to governance and ways to enhance the Bank’s developmental impact.
- Workshops, organized at a sectoral level, to define core governance challenges through discussion between the Bank team and knowledgeable individuals with extensive experience working in the sector.
- An intensive integrity development review of the Philippine Department of Social Welfare and Development, conducted in partnership with the agency and the Office of the Ombudsman, which pilots the type of work needed to move from identifying governance challenges to coming to a common understanding of how those challenges will be addressed in the short, medium, and long-term.
- Far-ranging efforts to improve management and prevent corruption built into World Bank supported projects, such as the National Roads Improvement Program and the Social Welfare and Development Reform program.

This work complements longer-standing efforts to improve management and accountability in the Philippines, which has featured extensive support for procurement reform, internal audit, and civil society engagement in oversight and monitoring.

All of the items mentioned above demonstrate the commitment of the Philippine team to increase awareness of governance issues in its individual engagements. The team has also pushed the frontier of this effort by examining the interactions within our portfolio of activities. A study of the Bank’s work at the local level is exploring the extent to which our support is informed by a consistent approach to improving governance and development effectiveness. The study represents a new chapter in efforts to integrate governance into Bank’s operations in the Philippines – one that will undoubtedly open new opportunities for improving the Bank’s impact on development in the country.
While the effort in the Philippines represents the most ambitious effort to incorporate governance risks analysis into operational practices, it is not the only such effort. The team in Papua New Guinea, for example, has also demonstrated how an analysis of governance risk can serve as a cornerstone for dialogue with the client. In an effort to create the grounds for a constructive re-engagement with the client, the Bank undertook a retrospective study of the Gazelle Restoration Authority – a PNG governmental body credited with successfully leading extensive efforts to deal with the after effects of a natural disaster that received extensive support from the World Bank over the course of 10 years. Lessons drawn from the GRA experience in regard to how to manage governance-related challenges became the focus of discussions between the Bank and the government on how to establish a more productive partnership and have been incorporated in the design of future projects.

**Constructive engagements on corruption risks**

The work described above provides examples of how governance risk analysis undertaken at a national or sectoral level has influenced the Bank’s engagement strategy and enabled a constructive engagement with the client on risk. Our experience in Indonesia demonstrates the ability to use analysis of corruption risks at the project level to generate a similarly positive and influential collaboration with the client on reducing the impact of corruption on development effectiveness.\(^\text{11}\)

Since 2003, all Bank supported projects in Indonesia have included Anti-corruption Action Plans (ACAPs) that explicitly identify governance-related risks to achieving project objectives and set out how those risks will be mitigated and managed. Experience with the ACAPs has been somewhat mixed. Action plans have not always been derived from a shared understanding of the nature and extent of the risks to the achievement of objectives. Independent reviews of the ACAPs revealed a pattern of uneven and partial implementation of the action plans – a result determined to be derived from limited ownership and inconsistent support for implementation of the plans.

The empirical findings spurred on a number of changes in how ACAPs are approached. The most significant change has been greater engagement with KPK (the Commission to Eradicate Corruption) on the development of mechanisms to prevent, identify, and sanction corrupt practices within government programs. Work in the roads sector best illustrates the new approach. In 2008-2009, with World Bank support, KPK conducted a study of the national road system to identify corruption risks. Based on this study, the Ministry of Public Works (MoPW) prepared an anti-corruption action plan designed to improve oversight of the national roads system. In April 2010, this plan was launched with a workshop jointly organized the MoPW, KPK and the World Bank.\(^\text{12}\) In this manner, Bank supported projects and programs have become

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\(^{11}\) See Annex 7 for a brief overview of the Indonesia’s country team support for anti-corruption activities.

\(^{12}\) It is important to understand that we are not making a claim that the effort in the road sector in Indonesia will succeed in preventing all forms of corruption. Instead, we are suggesting that the manner in which the anti-
platforms for assisting KPK to develop constructive and useful working relations with the Indonesian government ministries and agencies with responsibility for implementing projects.  

3. **Sector specific approaches to managing risk are emerging, tailored to sector needs and priorities.**

The need to find ways to manage governance risks has increased as our understanding of those risks has expanded. Strategies for addressing governance risks are emerging that reflect sectoral differences in the nature of challenges to policy implementation.

**Poverty Reduction and Economic Management**

The implementation of improvements in public sector management, administration, and regulation is frequently constrained by the weight of historical practices and the resistance of parties inside and outside of government benefiting from status quo operations. The PREM group is exploring ways to overcome these constraints by increasing the transparency of system performance and amplifying the voice of forces pushing for improvement.

PREM’s efforts to support improved governance have often suffered from an inability to come to agreement with clients on the outcomes that this work is designed to achieve. The absence of a shared understanding of what constitutes “good” or “better” governance has restricted the ability to find common ground for collaboration and has often led to a narrow focus on processes and inputs. Historically, this characteristic of governance work has been perhaps most pronounced in efforts around core governance systems – such as work in the field of public financial management (PFM) or the regulation of financial markets. While governance failures in these areas were often all too obvious, work designed to support better performance was hampered due to the lack of a framework that associated procedural and organizational features and outcomes. The development of such frameworks or standards – such as the Public Expenditure and Financial Accountability (PEFA) framework in PFM or the Report on the Observance of Standards and Codes (ROSC) in financial systems - has dramatically changed this situation and has created the basis for active monitoring of system performance. A related phenomenon exists in the area of anti-corruption where the United Nations Convention against corruption plan was developed represents an important progression in the manner in which we approach our anti-corruption work.

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While KPK is the leading institution combating corruption in Indonesia, the majority of corruption cases are investigated and prosecuted by the Attorney General’s Office (AGO). In recognition of the AGO’s crucial role, the World Bank is strengthening its Research and Development Bureau so that the institution’s reforms are based on evidence from strong field research and public consultation. For example, consultations with communities are leading to a change in the remedies for misappropriation of funds in community-driven development projects. Following an initial pilot research project with the Bureau, discussions are taking place to expand research and formulate policy recommendations, and the Bank will support implementation of the government’s access to justice strategy.
Corruption (UNCAC) has established an outcome-oriented framework for assessing anti-corruption efforts. In this manner, work on public sector management and financial sector regulation reflect the growing importance of international frameworks in governance and may serve as a precursor for efforts in other sectors that define and frame governance challenges around measurable performance outcomes.

EAP PREM has been quick to take advantage of these frameworks to increase the transparency of performance. Financial sector assessments have been conducted in China, Indonesia, the Philippines, Cambodia, and Papua New Guinea. The public sector group has been similarly active in working with clients on PFM assessments. Importantly, our work on monitoring performance of governance systems in EAP is changing in some countries away from the direct application of assessment tools to one of support for the country’s own performance assessment systems. For example, systems for assessing agency-level procurement and internal audit performance have been established in the Philippines (with support from the World Bank) and Thailand is experimenting with assessing the quality of governance across all agencies (with the support of the World Bank).

Efforts to increase the transparency of system performance have been complemented by work on increasing the demand for improvements in that performance. Most countries have achieved progress in their PFM systems, including in the challenging environments of Cambodia and Indonesia. However, improvement has been uneven, with some countries lagging (such as the Philippines or Papua New Guinea and Solomon Islands) and some elements are particularly difficult to effect (such as public procurement). Recent studies have shown that improved PFM tends to occur in top end reforms – the enactment of laws and administrative procedures that are under the control of central agencies and have fallen off in those areas that involve decentralized activities (including many aspects related to spending and accounting, like procurement). Experience in EAP in PFM conforms with this pattern, where progress in the robustness of PFM systems becomes weaker the closer the systems get to effecting change in the way money is spent and accounted for in the delivery of services.

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14 See Annex 8 for a more in-depth discussion of the range of GAC-related activities undertaken by Poverty Reduction and Economic Management (PREM) Finance and Private Sector Development Unit, and Annex 9 for a review of the work undertaken by the Public Sector Group.
Box 3: Strengthening Sector Governance through Innovative Research

The EAP region is actively engaged in an extensive analytical program to help clients, development partners and staff better understand and address sectoral governance issues and the governance-related constraints to achieving developmental effectiveness. Much of this work is financed through Trust Funds including the Multi-Donor Governance Partnership Facility (GPF), Australian Government (AusAID) and Bank-Netherlands Partnership Program (BNPP). To the greatest extent possible, analytical work is being conducted by cross-sectoral teams in order to draw up a wide range of expertise and enable greater utilization of research findings in operational work. Significant on-going project include:

- **Local level Political Economy Analysis** – a regional project to develop frameworks/tools to understand how programs working at the village level get captured by different groups and how to design project interventions targeted at the socially excluded (Cambodia, Myanmar, Indonesia, Timor L’Este).

- **Political Economy of Extractive Industries** – a global study to better understand the political drivers that influence the extractive industry value chain involving a number of EAP countries (Mongolia, Timor L’Este, Lao PDR. Papua New Guinea). This research has helped our country teams better define engagement strategies that take these factors into consideration.

- **Political Economy of Decentralization Reform** – a global volume with regional case studies on Cambodia, Philippines, Vietnam on developing a framework to help development partners understand the relevance of political economy issues for programmatic support on decentralization.

- **Governance Dimensions of Social Safety Nets in Asean** – a regional study to develop a framework to assess governance dimensions of safety net programs, as a response to the Global Financial Crisis. The assessment also looks at current programs in Vietnam, Indonesia and Philippines which are being scaled up and provides suggestions for strengthening program design and implementation.

- **Development of Sector Assessment Methodologies in Transport** – A cross-regional collaboration between SAR and EAP to pilot methodologies for undertaking governance assessments in the transport sector with an emphasis on understanding the dynamics of implementing public sector roads projects. Work has been initiated in India and Vietnam involving staff from transport, PREM, and the Governance Hub. This research is being shaped to complement around work undertaken by INT on related topics.

- **Strengthening Reform and improving public procurement performance** – this project brings together AFR, EAP, and WBI to pilot new approaches to supporting procurement reform. The project includes the creation of analytical approaches that explore possible entry points for increasing the speed of procurement reform, efforts to improve the management of reform implementation, and support for establishing multi-stakeholder coalitions to drive progress. Indonesia and Mongolia have been selected to participate in this program.
Several innovative efforts have been initiated in EAP to address these constraints. In Lao PDR and Mongolia, PFM efforts have focused on ways to effectively capture and utilize revenue derived from exploiting natural resources. This work has linked international attention on the transparency of natural resource payments with local interest on how revenues are allocated to policy priorities and structural reform. In the Philippines, our support to internal networks of civil servants with a common vision of needed PFM reforms has been coupled with efforts to empower non-governmental groups to monitor PFM performance.\textsuperscript{15} Engagement with Parliament on public financial management has featured in our work in Thailand, is an expanding element of our work in Mongolia, and has been initiated in Lao PDR. Efforts to strengthen civil society oversight of budgets are underway in Mongolia and the Philippines, and there is an active program to support civil society monitoring of procurement being undertaken across the region (in partnership with the World Bank Institute).

**Human Development**

Improving service delivery is the focus of the Human Development (HD) group. Recent analysis has emphasized the importance of enhancing accountability in strengthening delivery performance and much of the work of the HD group has centered on increasing the ability of clients and beneficiary groups to hold service providers to account. Reducing governance-related constraints, understood as eliminating factors that disenfranchise beneficiaries and enhancing the ability of individuals and communities to effectively demand quality services, are an integral part of the HD effort.

The group’s lending activities and analytical pieces have sought to enhance accountability through multiple entry points, including: (i) encouraging independent monitoring of spending; (ii) increasing local community involvement; (iii) providing better incentives for service providers; (iv) ensuring transparency in the sources and uses of funds; (v) improving central regulatory oversight; (vi) establishing campaigns to improve access to information; (vii) instituting various redress mechanisms; and (ix) introducing innovative disbursement instruments such as results-based financing.

Annex 10 provides details on EASHD’s governance work in its analytical and programmatic work, and demonstrates the variety of manifestations its risk management support has taken. Indeed, clients working in education, health, and social protection are frequently motivated to engage with the Bank in large measure to access the Bank’s expertise in establishing processes that enhance implementation impact by reducing governance problems. For example, the Philippines Social Welfare and Development Reform Program and the associated Technical Assistance in Good Governance and Anti-corruption supports the Department of Social Welfare in developing a set of uniform, objective, and transparent criteria to select the poor, integrating risk-mitigating measures within core program design such as a proxy means test (PMT) based targeting system,

\textsuperscript{15} WBI has been an active contributor to efforts to build internal and external constituencies for PFM reform through its Governance Program.
as well as enhancing the capacity of beneficiaries and the general public to oversee program implementation through public information campaigns and a grievance redress system. A regional study on the nature of governance risks in social protection programs, done in collaboration with the Regional Governance Hub under Association of South-East Asian Nations (ASEAN) auspices, is but another example of how work on identifying and addressing governance issues functions as an integral part in HD’s engagement on improving the implementation of service delivery programs.\(^{16}\)

**Transport**

The implementation challenge in the Transport sector largely revolves around introducing practices that improve the government’s ability to manage its portfolio of road assets – a challenge that includes finding ways to meet the transportation needs of users through a mix of maintenance and improvement of existing roadways, and the construction of new roads. The most pressing set of governance-related risks in improving developmental impact often center on practices that impinge on the effective use of public funds in asset creation. In particular, corruption in roads contracts has been singled out in country after country as being a major issue requiring attention and mitigation. In response to the nature of the risk, governance work in the Transport sector has emphasized establishing mechanisms to identify and prevent corrupt practices.

We have previously discussed one anti-corruption approach promoted by the Transport sector (and the country management unit) in Indonesia – close collaboration with the national anti-corruption agency (KPK) on an analysis of corruption risks in the road sector followed by the creation of an action plan to address primary risk areas. Subsequent support for the implementation of the action plan has been provided, in part, by intense oversight during the course of regular supervision missions. Two slightly different approaches to building the client’s capacity to address corruption were developed in the Philippines within the context of the Philippine National Road Improvement and Management Program Phase II (NRIMP II).\(^{17}\) The first element focused on preventing corruption in the procurement process through the employment of an Independent Procurement Evaluator (IPE). While responsibility for procurement was retained by the Department of Public Works and Highways (DPWH), the IPE was given authority to independently review all facets of the procurement process in order to enable detection of improprieties like bid rigging and collusion. This innovative arrangement has served to build client capacity to undertake high-quality procurement while significantly enhancing scrutiny over procurement practices in the short run.

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\(^{16}\) Research on the nature of governance risks has also been conducted in a number of other settings. See, for example, Social Development Good Practice Note 130 for a review of the governance and anti-corruption innovations in the Da Nang Priority Infrastructure Investment Project.

\(^{17}\) See Annex 11 for a discussion of the various anti-corruption elements embedded in NRIMP II and the manner in which they have been implemented.
At the same time, the ability to detect corruption during the course of project implementation has been augmented through support for a stronger and better informed voice for civil society and road users. Working together with the client, the Bank helped foster the establishment of a non-governmental alliance, Road Watch, to provide independent monitoring of project procurement as well as the performance of DPWH and the road sector as a whole. Road Watch (Bantay Lansangan) has published a comprehensive road quality scorecard that has increased transparency and identified implementation weaknesses that the DPWH is acting on. Up to now, Road Watch has reported several cases of weak supervision, poor construction methods, and weak oversight by the DPWH in domestically financed projects. Just as with the IPE, the creation of Road Watch does not change the agency’s responsibility for overseeing performance – it works to increase the chance that those responsibilities will be accomplished effectively by promoting hybrid forms of accountability that unite formal and informal processes. Work in devising both the IPE and Road Watch was supported by assistance from the EAP Anti-corruption Focal Point and from the Integrity Vice-Presidency (INT).

Collaboration between INT and the Transport sector also featured in the final stream of experimental anti-corruption efforts – participation in the regional pilot of the global Construction Sector Transparency Initiative (CoST). Like EITI in extractive industries, CoST is a multi-donor, multi-stakeholder effort to increase transparency around costs in construction. The CoST approach emphasizes efforts by a range of stakeholders (including public and private parties) to make information about public construction projects more available – including information on the basis of project selection, tender evaluations, changes in bidding documents and/or contractual terms, and final contract price. Both the Philippines and Vietnam are participating in the pilot phase of work. The hope is that the global nature of the effort will successfully harness the growing power of international NGOs to push for local action while the multi-stakeholder collaboration that takes place within countries will establish a stable coalition for transparent and ethical practices in the construction sector.

4. **Project work is being leveraged to promote wider system change.**

The fourth dimension of GAC implementation has been the use of Bank-supported projects as platforms for promoting change in how policy implementation is achieved. This step is fundamental if our increased sensitivity to governance and corruption issues is going to translate to more targeted and strategic engagements with greater sustained developmental impact. Work in this area is largely incipient due to the limited duration of the first phase of GAC implementation. There is, however, a history in the region of using projects to leverage changes in systems for managing and overseeing policy implementation that is being drawn upon to understand how that leveraging might operate.

The experience to date has demonstrated the ability of projects to be used to drive broader governance changes in three different ways:
• **Projects as catalysts for revenue and expenditure transparency.** There are a large number of public sector reform projects that have worked to increase transparency of revenue and expenditures as part of their overall approach to improving public financial management. These “governance” projects have increasingly been joined by projects that are not primarily PFM efforts but include features that serve to leverage changes in financial transparency. The mining projects in Papua New Guinea and Mongolia that have been previously mentioned are examples of this phenomenon. Perhaps the most extensive leveraging can be found in the Nam Theun 2 project in Lao PDR. This large hydropower project encompasses an extensive set of work on ensuring transparency in the collection and utilization of revenues derived from the operation of the hydropower plant – arrangements that affect the entire system for financial management in the country.  

18 Nam Theun 2 is a hydropower and development project in central Lao PDR. The project is a transformative for Lao PDR in the following ways: (1) it will provide approximately US $2 billion in government revenues over the next 25 years for priority poverty reduction and environmental programs; (2) it is a practical demonstration of a socially and environmentally sustainable approach to hydropower for a country with major hydropower potential; and (3) it has significantly strengthened the policy environment in Lao PDR, in areas ranging from environmental protection to public financial management. The project was approved in 2005 and reached commercial operation in April 2010.

• **Projects fostering enhanced systems for accountability, involving mechanisms that feature collaboration between state and non-state parties.** As with financial transparency, a number of PFM projects directly seek to strengthen formal oversight and accountability systems by improving accounting or auditing. Many projects have developed project-specific mechanisms for increased oversight. A much more limited set of engagements feature efforts to have system-wide impact on accountability arrangements. The National Community Empowerment Program (PNPM) in Indonesia in one such engagement – where in the course of an over 10-year engagement, the Bank has supported the development of what has grown to be the primary government vehicle for poverty alleviation. PNPM features a broad range of accountability mechanisms including an active and well used community complaint process, independent monitoring, enhanced auditing, and processes that link formal and social accountability mechanisms to strengthen development impact. Recent projects in education (BOS-KITA in Indonesia) and transport (NRIMP-II in the Philippines) have contained similarly ambitious attempts to reshape accountability process across entire sectors.

• **Projects as platforms for strengthening anti-corruption and control systems.** Examples of projects being used to strengthen anti-corruption systems have already been mentioned in this text. Projects in the Road sector in Indonesia have been used to support constructive engagements between the KPK and a sector ministry. Projects in

19 The National Community Empowerment Program (PNPM Mandiri) is the premier community-based poverty alleviation program of the Government of Indonesia with an annual budget of $1.5 billion. PNPM is based on the Kecamatan Development Project (KDP) initiated in 1998 by the Government of Indonesia with support from the World Bank.
the social welfare in the Philippines served as the foundation for robust analysis of corruption risks by the Office of the Ombudsmen and the ministry, and the creation of an action plan to address those risks.

5. **Practical support has been provided to task teams in supervision and risk mitigation**

In addition to efforts to foster broad, system-wide changes, the region has also provided support to individual task teams in regard to project design, specific transactions, and in response to complaints and allegations of corruption in Bank-supported projects that are being examined or investigated by INT. This represents important progress since it provides task teams with the type of just-in-time support and assistance that is so vital to engaging with clients on governance matters.

At an upstream level, in line with the Bank’s processes, governance-related risks have been assessed as part of the design process for all new projects. Careful attention is paid to those projects where previous associated operations have had significant problems, or where the nature of the operation implies inherent risks. Projects deemed “risky” are flagged to management and required to adopt measures to enhance governance and thus mitigate risks. COSU has been instrumental in the roll out and use of the Management Review of Investment Lending (MRIL) and Operational Risk Assessment Framework (ORAF) processes, helping Task Teams to identify and analyze risks, and plan mitigation measures early in the project cycle.

Support is also provided within project implementation. For example, Task Teams and Country Teams are alerted by the Region’s Anti-corruption Focal Point of any problems identified by INT, be they generic or specific in nature. The Focal Point ensures synergy with the work of the Regional fiduciary and safeguards teams in COSU. Enhanced efforts at the project level to address governance issues inherently create a portfolio of governance problems and investigations and the region has taken the necessary steps to enable effective management of that portfolio.\(^{20}\)

We have piloted Thematic/Integrated Fiduciary Supervision Assessments (TFSA/IFSA) in order to develop more effective ways to determine the extent to which supervision is achieving its objectives. TFSA/IFSA pilots have been carried out in Cambodia, Indonesia, Lao PDR and the Philippines over the past two years. These interventions have proven cost-effective in terms of mobilizing expert staff (rather than on a project-by-project basis), and take some of the supervision load off of the individual Task Teams. The participation of national consultants in these assessments also contributes to building local capacity. TFSAs/IFSAs identify systemic issues and enable more objective supervision of the projects. Processes, materials and tool-kits continue to be refined.

\(^{20}\) Annex 12 provides an overview of the work done by the COSU group in support of GAC Implementation, and features a discussion of some of the specific project level interventions that have taken place.
We have examined the extent to which strengthened governance arrangements at the project level have been implemented. We have undertaken independent reviews of the anti-corruption action plans found in Indonesia and Cambodia (“good governance frameworks”) in an effort to determine the extent to which the plans have been implemented. Initial findings in both countries revealed highly uneven levels of activity and similarly uneven degrees of ownership of plan elements by both Bank and client teams. The reviews also led to discussions with project teams on ways to enhance implementation and subsequent efforts to address those concerns. Recent reviews conducted in Indonesia found much higher levels of ownership and application of ACAP actions – a testament to the impact of concerted efforts with clients and staff on better understanding corruption and increased attention to implementation support.

We have supported the training of staff and clients in skills necessary for implementing GAC activities within projects. Training for staff in GAC-related issues has been rolled out by COSU (with Asia Learning and in collaboration with the Bank’s GAC-in-Projects Working Group and the Governance Hub). In addition to broad training on GAC fundamentals, clinics have been organized to discuss options for dealing with pressing governance issues in specific sectors and projects.

Training for government staff on techniques for addressing corruption has been an increasingly frequent feature in projects in EAP. For example, in the Da Nang Priority Infrastructure Investment Project in Vietnam, implementing agency staff members were given additional training on ways to identify potential indications of corrupt, collusive, fraudulent or coercive practices in procurement. Moreover, by combining the results of financial audits and technical audits, the project was able to more effectively detect indicators or risk. The Indonesia team has been particularly active in organizing capacity building sessions with task teams on a range of GAC issues, including how Indonesian law defines corruption and approaches to enhancing oversight and monitoring. The expertise of the Indonesia team was utilized in a recent capacity building program in Cambodia on the effective implementation of complaint handling mechanisms.

A final group of training activities has been around the Stolen Asset Recovery (StAR) Initiative. Specially-designed training courses have been organized for government officials in Indonesia, Thailand, and Vietnam on a range of issues relating to the investigation of financial crimes, and stolen asset recovery.\(^{21}\)

These knowledge and learning activities have been supported by an online community of practice, websites, and VCs organized by the Regional Governance Hub. The work has also benefited from significant contribution from WBI on learning around GAC.\(^{22}\)

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\(^{21}\) See Annex 13 for more details on the capacity building efforts related to GAC conducted in EAP.

\(^{22}\) See Annex 14 for an overview of the work done by WBI in EAP in support of GAC Implementation.
IV. Continuing Challenges

To a certain extent, all of the work that is taking place as part of the GAC agenda is a continuing challenge since none of it can be said to have generated sustained impact on the ground. The work that has been identified in the earlier section on achievements reflects a set of promising beginnings and not finished and completed efforts. Sustaining those efforts in ways that lead to real changes in practices and behaviors within the Bank and client governments will require consistent and persistent work, especially if those changes are going to have consequences for developmental outcomes.

In the following section, we focus on 5 key challenges we face in the next phase of GAC implementation in translating our commitment to the GAC agenda into improved development outcomes.

1. Refocusing our efforts on clients

There has been some tendency in the initial phase of GAC implementation to focus efforts on improving the Bank’s ability to understand the governance environment or the Bank’s ability to identify and mitigate risks. While these are important dimensions of our work, it is essential that our interest in developing our own capacities does not cause us to lose focus on the client. Country ownership and local leadership of efforts to improve governance is a fundamental principle of the GAC Strategy and needs to be reflected in all facets of our GAC engagements.

Translating this principle into action requires finding ways to reach a shared understanding with clients on governance challenges and an emphasis on supporting the adoption of practices that improve policy and program implementation. It is also requires us to find ways to engage with reluctant clients on governance issues.

It is also essential for us to find ways to integrate China and the China experience into our GAC work. It is important for any Government reservations to be seriously addressed in order to make substantive adjustments which may be required and to find ways to enrich our dialogues through closer association with China’s development. The imperative to establish broader connections with China on governance and anti-corruption merely acknowledges the fact that a development agenda that excludes China is seriously suspect in the Asia region.

We may well find that emphasizing client ownership within the governance and anti-corruption agenda may lead to an evolution of the issues that are addressed. Our initial set of work has often centered on fiduciary matters and transactions, sometimes to the exclusion of issues that might have more profound governance consequences – such as land rights and land management or aligning accountability systems with the decentralized provision of services. Our future efforts are likely to reflect a more balanced and client-focused definition of the essence of the governance challenge.
2. **Moving from piloting to mainstreaming**

The first stage of GAC implementation has featured a number of pilot efforts at country, sector, project and region levels. The pilots, which are on-going, have helped to clarify for us our approach to GAC implementation, at the same time that they enabled us to gain a better perspective of what is reasonable to expect in the next phase of GAC – in regard to the scope of the effort and the impact that work is likely to have.

The move from piloting to integrating GAC into our operational practices encompasses a range of actions. Future country and sector strategies will be informed by well-tailored upstream governance analysis using analytical methodologies that have are fit for purpose. We expect that this analysis and the work that follows will influence our efforts along four core dimensions:

- Policy outreach – broadening and making that outreach more targeted;
- Country engagements – more tailored to country context and more actively managed in reference to risk;
- Capacity of our clients to implement policies – through enhanced ability to identify and manage implementation risk in short term and reduce risks in the long-term
- the engagement of non-governmental parties in the exercise of public authority – through greater opportunities and capacity to participate in policy implementation, monitoring and oversight

Defining expectations is in many ways the easier part of the process. Providing the support and resources required to translate those expectations into impact represents a much greater challenge. We will need to extend the support we have been providing to our teams in order to ensure that they have access to required tools, skills, and expertise. In addition, moving from piloting to full integration in our operations requires us to develop simple and practical frameworks to track results, using nascent country monitoring systems and information to the greatest extent feasible.

3. **Distinguishing and emphasizing development objectives**

**Creating the space necessary for progress**

The GAC Strategy brought together, for the first time, our work to improve governance and our work to fight corruption in a unified approach targeted at improving development effectiveness.
It is important not to downplay continuing challenges in addressing the divide between these different approaches – a divide that is often characterized as the distinction between development and fiduciary concerns.

We are fortunate that experimentation is happening and we have examples of several innovative approaches to marking out a pathway to improved governance. Some of them are technical in nature, like the creation of an Independent Procurement Evaluator function in the Philippines. Other examples, such as a number drawn from Cambodia, point the way to what progress might look like. Work on the customs automation project in Cambodia initially attempted to address border agencies coordination and process streamlining through the creation of a new entity, the Electronic Single Window. Although initially agreed with government, this approach was never implemented. Rather, the lead border agency, the customs department, embarked on an automation project, which helped it experiment with reform, strengthen its leadership, and create comfort to tackle broader issues in a second stage. This alternative change management strategy better reflects the political reality of these border coordination issues, but also the experience in other countries where change requires a lead agency - typically the customs department - with the comfort to lead others into computerization. In addition, while more modest, the initial steps of customs automation have led to gains appreciated by the private sector. Another example is the work done by the International Finance Corporation (IFC) on the creation of a government-private sector forum – the only venue for institutionalized dialog for investors' issues. The Bank, with IFC, has experimented with the possibility of strengthening business associations' analytical capacity (for instance recently through an analysis documenting the steps for border clearance) to support the demand for a better investment climate, using the Forum as a venue for this dialog. This approach reflects experience where change happens and sticks when it comes out of such negotiation process.

In both of these examples, progress has come about by creating space in the relationship for change to happen while at the same time enhancing the capacity of the government and non-governmental parties to take advantage of that space. Adaptations like these prove to be much more difficult when relatively rigid standards are applied and mandates. For example, the Bank’s ability to support progress in the development of local procurement systems – a critical dimension of efforts to improve implementation effectiveness – are often stymied by the mandate that local systems reflect all of the Bank’s procurement principles and practices. This approach acts to destroy the space for development, at the same time that it often constrains procurement performance.

Continued progress in implementing GAC will require the Bank to address rigidities in our approach to governance as well as fiduciary matters. While we have progressed in finding ways to join together our anti-corruption and governance efforts, we have done so by finding clever ways to reduce the tensions that continue to exist. This, however, is only an interim solution.
Recognizing that incentives to strengthen country systems are insufficient.

Widespread corruption in public procurement often poses the most immediate risk to our client’s ability to implement its programs and encourages an emphasis on actions designed to prevent and identify corruption in this area. The tendency to focus on enhancing procedures to detect procurement corruption is reinforced by our requirements to our own stakeholders and corporate responsibilities to protect our reputation. In addressing the tension between safeguarding the Bank’s and partners’ resources and working to develop country fiduciary and program management systems, arguably too much of our governance effort in focused on ensuring compliance with the Bank’s procurement rules. While this tendency is understandable, addressing developmental challenges requires us to ensure that our short-term fiduciary concerns do not overwhelm our medium-term commitment to building country systems. Addressing the current imbalance will require corporate action as well as dedicated efforts on the part of the region.

Going beyond a narrow focus on identifying corruption.

The region has already taken significant steps towards moving beyond identifying corruption towards more a broader view on the governance constraints to effective policy implementation. From a sector perspective, that broader view highlights issues relating to: clarifying responsibilities for implementation; aligning responsibility and accountability for performance; establishing accountability arrangements that promote performance while deterring misbehavior; increasing the transparency of performance to officials and beneficiaries alike; enhancing the participation of civil society and beneficiary groups across the implementation process; enhancing the capacity of public officials and the private sector, and addressing corruption.

At the project level, the balancing of short-term prophylactic assistance in preventing corruption with medium-term support for improving the management and the machinery of implementation is likely to increase the prominence of certain work, including: designing project implementation arrangements (that support the transition away from distinct PIUs); contract design that effects the allocation of risk and incentives for performance; implementation and utilization of information management systems to support more effective project implementation; and enhancing transparency through closer examination on what information is needed, by who, in what form in order to enable participation and greater accountability.

4. Providing adequate support

We have sketched out above an ambitious approach for the second phase of GAC. Effective implementation of these plans requires ensuring continued, predictable resourcing for governance analysis, dialoging, implementation support, capacity building, and monitoring. The region has been relatively successful in attracting financial resources and in building
Partnerships across the Bank and with external partners that serve to increase resource availability. These arrangements will need to be enhanced and extended in order to provide the type of resources needed in the upcoming period.

Along with money, limits on the availability of staff time and expertise need to be addressed as we work to extend GAC implementation across the region. The region is rich in individuals and groups with governance expertise, from the wealth of public sector management expertise to be found (for example in Singapore), to cutting edge skills in using IT in the public sector experience (for example in South Korea), and experience in civil society monitoring and oversight (in the Philippines). It is important for the next phase of GAC to include significant efforts to make these skills and resources more accessible to staff and clients. Situating the Regional Governance Hub in Bangkok was based on our appreciation of the importance of accessing regional resources and expanding our regional partnerships will be essential for the long-term sustainability of our contribution.

Increasing access to non-Bank expertise and resources reduces some of the GAC-related demands on staff time. However, finding staff time to dedicate to this agenda is likely to be a continuing challenge. Task teams are often over extended and struggle to fulfill the basic requirements around project preparation and supervision. While lending volumes are expected to diminish in the coming years, we can expect staff to operate under very tight time constraints given the need to service the existing portfolio of engagements. In such an environment, implementation success is likely to hinge on our ability to approach GAC not as a stand-alone activity but one that is integrated into other operational practices. Increasing the speed by which we move to a more risk-based approach to investment lending, for example, might serve to improve identification of governance constraints and risks at the same time that it saves staff and client time (in low-risk operations). Moving to more outcome-based engagements may likewise act to increase attention on governance factors that constrain performance while reducing some of the staff requirements around checking for transactional compliance.

In considering how we will meet the challenge of providing adequate support, we recognize that we will need to plan for long-term, resource-intensive engagements with post-conflict and fragile states. Governance challenges are most acute in these areas, and experience has demonstrated the need to dedicate extensive resources to building credible institutions and process that promote societal stability. Addressing governance constraints in these environments may require us to examine how our own procedures and rules can be adjusted in ways that emphasize the function of the rule or process while adapting their form to suit severe capacity constraints.

5. **Extracting better value from our experiences/learning.**

The fine core challenge for the next phase of GAC that we want to highlight revolves around getting the greatest value out of experience and learning. This challenge relates to the need to
make certain that we are selective in our efforts, and that our work is informed, to the greatest extent possible, by information and analysis on what has been accomplished in previous efforts.

Addressing this challenge operationally breaks down into three separate areas. The first is to establish mechanisms to make certain that we capture the work that is and has taken place in the region on governance both inside and outside of the Bank. The Governance Hub is actively working to ensure that promising initiatives are documented and shared through it newsletter, VC series, and web-sites. These initial steps will need to be linked to work going on in other regions in order to enable teams to gain the full benefit of past experiences. Groups in the Bank are working to synthesize experience into improved guidance in such areas as engagement strategies, social accountability mechanisms, complaints procedures, etc. These efforts should be supported and the resulting guidance material will need to be made readily accessible to clients and staff alike.

The second and related stream of work is to undertake and support rigorous research on the impact of different governance measures. In the short term, this may mean analyzing the monitoring we have been doing to see what is taking place in regard to the development of core systems and the prevention of corruption in procurement. Gaining a better grasp of where work is succeeding and stalling can lead to directed exploration of the source of the problems and can prevent the frequent trap of concentrating too much on the indicators and too little on the underlying phenomenon. Another dimension of the effort is to make greater use of INT's knowledge and expertise in understanding corruption risks and in integrating data from complaints with data derived from other sources (like post review or audits) to create an information database on performance issues. INT has indicated an interest in establishing a closer partnership and initial efforts have been very promising.

The final aspect of work in this area is to define practices and procedures that enable us to make use of our deep knowledge of the dynamics of implementation in sectors across EAP due to our long history of involvement in project implementation. Our national and international staff and the networks of relations they have built up over time with clients and partners represent our primary resource in understanding the constraints under which policy implementation occurs, the distribution of authority that shapes implementation activities, and the pressures and incentives that operate on individuals. Our impact will be greatest when we find ways to combine our implementation knowledge with our broader perspective on the factors that constrain development impact.

V. Next steps

This retrospective exercise will serve as the springboard for defining country and sector GAC priorities for the next 18 months, and identifying the resources that will be required in order to achieve the
desired results. We expect that our regional GAC prioritization will be a useful input into planning for the Bank-wide GAC Phase II strategy, and that the Bank strategy will influence our forward planning.

Country and sector GAC priorities will undoubtedly differ but will benefit from a common understanding of the work that has taken place to date in implementing this agenda. As has been discussed in the body of this report, that work has introduced new approaches to our country, sector, and project engagements and helped to clarify where we might expect our GAC-related interventions to have impact. Based upon our experience to date, we believe that our GAC work will influence our efforts along four core dimensions:

• Policy outreach – broadening and making that outreach more targeted;
• Country engagements – more tailored to country context and more actively managed in reference to risk;
• Capacity of our clients to implement policies – through enhanced ability to identify and manage implementation risk in short term and reduce risks in the long-term
• the engagement of non-governmental parties in the exercise of public authority – through greater opportunities and capacity to participate in policy implementation, monitoring and oversight

Our efforts up till now also suggest future directions for our regional work. In light of our experiences, we expect that GAC Phase II will include focus on:

1. Creating clear monitoring frameworks – to assist teams to monitor changes in the governance environment, organizational practices, and results at the project level;
2. Supporting well targeted governance assessments at country, sector, and local levels;
3. Building capacity of staff and clients to identify and address key governance risks;
4. Enhancing the impact of anti-corruption work by developing an integrated strategy that draws upon expertise in INT, COSU, PREM and regional centers of excellence.
5. Increasing access to well-documented lessons on options for addressing different implementation challenges in varying environments, including lessons on clarifying responsibilities, aligning responsibility with accountability, creating incentives for performance, increasing transparency, enhancing participation, and improving procurement.
6. Expansion of our knowledge base on how to enhance governance at the project level – including organization of project implementation arrangements, contract design, getting value from information systems, and establishing meaningful access to information.