

## **Group of External Advisors for GAC Implementation**

### **Report on the World Bank's Implementation of The Governance and Anticorruption (GAC) Strategy**

**December 10, 2008**

#### **BACKGROUND**

The Group of External Advisors (GEA) acknowledges the important Bank effort in the first year of implementing its Governance and Anticorruption Strategy (GAC) and the high quality of the Bank staff, who presented to it. The Group believes the strategy is at the heart of the Bank's efforts to reduce poverty.

Per the Bank's design, the Group notes that its review was based on study of the GAC One Year Progress Report and two days of interviews with Bank staff.

Accordingly, what follows are the Group's initial views of important issues in the future implementation of the GAC strategy for consideration by the Bank – issues which will, in part, guide our review a year hence.

#### **1. BANK LEADERSHIP**

**A.** Building on his Integrity Day remarks, there is a need for a comprehensive statement from the Bank President on the GAC strategy which is aimed at employees, clients, and the public, and which candidly addresses issues surrounding GAC. This statement should, among other things:

- Provide a powerful re-statement of the vision behind the Governance and Anticorruption strategy – it is an integral part of Bank activities and central to sustainable development.
- Demonstrate that there is complementarity and positive interaction for achievement of development goals between capacity building in nations and integrity, transparency, and accountability in the Bank's programs.
- Discuss the needs, problems, and mitigants when the Bank provides resources to high risk nations.
- Address employee concerns about the challenges of simultaneously promoting poverty reduction, improvement of in-nation governance/corruption reduction, and program integrity.

**B.** There should be more intense day-to-day ownership of the GAC strategy by senior management – either through a single MD with direct responsibility and accountability for the strategy, with strong support and cooperation from the other MDs, or with clarification of roles and responsibilities for each MD.

C. Senior Bank leadership should overcome current problems within the Bank of ad hoc responses and ambivalence about the GAC mission across with clear statements about institutional and individual responsibility and accountability.

- Define precise responsibilities of staff and operational units – and key personnel – in assessing GAC needs, setting goals, developing systems and processes which are embedded in Bank activities, and effectively implementing programs.
- Promptly implement the Bank’s existing needs assessment of current capabilities and capacities of staff and close any ‘capabilities gap’ through education/training or hiring of new people on a clear timetable.
- Ensure accountability through individual goals and objectives. Design and perform appropriate performance reviews on GAC responsibilities for all affected employees as part of their customary review processes – and develop incentives to reward exceptional performers.
- Build GAC issues into the Bank’s existing staff surveys and 360’ evaluations of key people.
- Take all other appropriate steps to make GAC central to the Bank’s culture – truly to make it ‘everyone’s business’ — as well as to systematize and integrate GAC into Bank’s mission.

D. Regional Vice Presidents should collectively agree on good practices for embedding GAC in all operations. These Regional VPs should then implement them in their regions, including enhanced supervision, skills and resources in operations with high GAC risks.

E. Country Directors have a critical role in GAC implementation which must be recognized and supported. Best Country Director practices should be identified and disseminated.

## **2. CANDID DEFINITION OF KEY CHALLENGES FACING GAC AND CONCRETE GOALS AND OBJECTIVES FOR 2009 AND 2010**

A. Although the GAC progress report defines future objectives, the Group is concerned that there is not sufficient specificity, milestones and accountability. Need to discuss even more candidly the issues/problems in GAC implementation based on clear, concise statement of facts.

- B. Need to focus in greater detail on need for changes in key areas such as the Bank’s:
- organizations
  - systems
  - processes
  - tools
  - evaluations
  - education



**C.** Need to state crisply and clearly the priority actions which should be taken in 2009 to implement GAC so that progress can be measured and Bank leaders and staff measured against those actions.

**D.** Develop a review process that is more fact-based and candid about problems for setting 2010 goals and objectives.

**E.** Need to focus evaluations:

- On regular basis for programs – evaluations conducted at project, country and regional level – and concisely state key lessons learned for broad dissemination.
- On special basis in 2009, the Quality Advisory Group should conduct a bench-marking review of progress on GAC. And, in 2010, the Independent Evaluation Group should assess, among other things, whether GAC is embedded in Bank operations, whether it is effective in reducing corruption and whether it is effective in improving development effectiveness, reducing corruption country governance and accountability – and, if not, how to alter Bank practice.
- On select basis: use of review by peer institutions and other outside evaluators on discrete, high impact dimensions of GAC strategy, e.g. diagnostic tools or project management techniques.

### **3. EDUCATION, TRAINING AND CROSS FUNCTIONAL TEAMS**

Need to provide base-line education for all Bank employees on how GAC is fundamental to the Bank's mission.

Need for timely, comprehensive and systematic approach to education and training for those employees with direct GAC responsibilities.

**A.** Define key decision points in Bank processes

**B.** Assess whether skills of decision-makers include necessary breadth about political economy and about governance challenges to capacity building and program integrity and effectiveness

**C.** Address skills gap systematically through:

- Developing core education and training program for Bank as a whole, including core training materials and case studies.
- Developing supplementary training for budget support funding and for investment projects in specific nations and sectors in addition to core training.
- Assessing need for teams with different but relevant GAC skills at key decision points – and then create them.
- Providing necessary outside skills if not available inside Bank.

**D.** Review best practices in education and training at other IFIs and private sector organizations:

- Special attention should be given to making learning come alive through development of case studies and lessons learned which can be taught across Bank. Need to train the trainers.
- Develop data banks of internal and external experts – and key documents – on different dimensions of GAC strategy. Provide appropriate access to these resources for Bank personnel.

#### **4. PREVENTION, ACCOUNTABILITY AND EFFECTIVENESS**

Need for systematic, core Bank systems, processes and tools which are essential to achieving the foundational goals of prevention, accountability and effectiveness in Bank programs. Country and program variations can be built off this foundation.

**A.** Need to understand differences in types of countries, sectors, and leaders and understand implications of those differences articulated in methods of assuring prevention, accountability and effectiveness, promoting good governance and preventing corruption.

**B.** Development or re-examination of Bank-wide methodologies, management systems and tools, including:

- Diagnosis of country risk and project risk, including early warning systems on emerging problems and trends especially in light of financial crisis and changing private and public sector roles in the economy.
- Program design and control systems to mitigate such risk.
- Essentials of robust country project management and Bank supervision, with focus on assuring effectiveness and integrity at key milestones.
- Auditing and evaluation processes for: (a) determining that money was properly spent; and (b) lessons learned to feed back into central prevention “bank” and subsequent dissemination across WBG.

**C.** Periodic assessments of whether methodologies and prevention tools are state-of-the-art, including of assessment of such specific elements of sound practices as, e.g.:

- procurement
- contracting
- disbursements/financial management
- project management.

**D.** Every new project should have a governance and anticorruption plan for all phases of that project.

**E.** Increase involvement of civil society (including user groups and community organizations) at key decision-making points: concept development, project scope, design, contracting, implementation, monitoring and evaluation.

- Special attention to the increased participation of third parties in monitoring Bank operations and fiduciary control. Assess this trend, benchmark it in different countries and regions and report on good practices at end of 2009.
- F.** Address “ring-fencing” and risk explicitly in policy papers and examples.
- Define limiting cases: pure “ring-fencing” with Bank controls and pure integration in client nation systems of governance
  - Explain gradations along the spectrum between the limiting cases. Demonstration projects can be important at different points on that spectrum.
  - Large issues about trade-offs between Bank controls and reliance on country systems should be surfaced and candidly discussed in Bank.
  - Require explicit analysis and decision at appropriate level.
  - Analysis of third party service delivery: Define need, assess anticorruption risk, set appropriate standards for prevention and accountability.
- G.** Improve due diligence on companies allowed to bid and/or provide services.
- H.** Importantly, country assistance strategies should:
- Analyze the governance and corruption constraints on development.
  - Address those constraints.
  - Be consistent in such assessment methods and such actions across Bank in similar situations to extent possible.
  - Evaluate effectiveness (see 2.d. above)
  - Include robust participation by stakeholders at all stages.

## **5. DETECTION AND COMPLAINTS HANDLING**

- A.** Affirm central importance in Bank itself and in all projects by encouraging broad participation of all stakeholders in the detection and lodging of concerns.
- B.** Assess systems in Bank for handling complaints from its employees without retaliation and with prompt, professional handling of concerns.
- C.** Design of complaint-handling systems in all investment projects – and good practices sharing in such design
- D.** When country systems are used for funding, the Bank needs to recognize possible problems and support systems for anticorruption detection and complaints handling
- E.** Recognize importance of transparency for stakeholders to advance detection and lodging of concerns.
- F.** Where appropriate, the Bank should cooperate with country accountability and anticorruption institutions to address specific problems arising from projects.

## **6. REMEDIES**

- A.** Develop good practices about anticipating possible problems and how to build in appropriate remedies at front end of project.
- B.** Analysis of effectiveness about different kinds of remedial actions at different stages of project when issues are identified through good project management and monitoring and when remedial actions short of cancellation are appropriate.

## **CONCLUSION**

The Group of External Advisors believes that putting governance and anticorruption upfront and center is key to achieving the Bank's mission of poverty reduction. We appreciate the work that has gone into the first year of implementation of the GAC strategy.

From a review of implementation and intensive discussions over two days with Bank staff, the Group has highlighted six areas that we believe will particularly require enhanced focus and concerted effort over the next year of implementation. These include: (a) a re-statement of commitment from the top leadership to this agenda; (b) candor about the challenges; (c) heightened focus on GAC-related education and training; (d) enhanced core Bank systems, processes, and tools to address prevention, accountability, and effectiveness; (e) enhanced attention to detection and complaints handling mechanisms; and (f) remedies.

The Group will re-convene at the end of the second year of implementation to review progress made on the above issues, as well as seek to address future challenges. We are looking forward to taking stock of the achievements of the second year, and in the interim, are available to be helpful in any way.

PREPARED BY:

**Karina Constantino-David**  
**Maja Daruwalla**  
**Ben Heineman,**  
**Christopher Kolade,**  
**Huguette Labelle**  
**Genaro Matute Mejia,**  
**Joseph Rugumyamheto**