



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
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Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



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**REPORT OF THE EXECUTIVE DIRECTORS
STRENGTHENING WORLD BANK GROUP ENGAGEMENT ON
GOVERNANCE AND ANTICORRUPTION**

Attached for the April 15, 2007, Development Committee Meeting is a report to the Executive Directors and accompanying paper entitled "Report of the Executive Directors Strengthening World Bank Group Engagement on Governance and Anticorruption". The accompanying paper consists of (i) a one-page summary of the guiding principles for engagement on governance and anticorruption; and (ii) the Executive Summary of the document that was endorsed at the meeting of the Executive Directors held on March 20, 2007.

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DEVELOPMENT COMMITTEE

REPORT OF THE EXECUTIVE DIRECTORS

STRENGTHENING WORLD BANK GROUP ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION

At the 2006 Spring Meetings, the Development Committee asked the World Bank Group (WBG) to set out a broad strategy for helping member countries strengthen governance and deepen the fight against corruption. In September 2006, the WBG presented a paper, "Strengthening Bank Group Engagement on Governance and Anticorruption," at the Annual Meetings in Singapore.

The Development Committee on that occasion issued a communiqué (DC2006-0017) which included the following guidance:

"Actions to promote good governance are crucial to successful development and poverty reduction, and helping member countries on these issues is therefore important to the Bank's mission and to achieving the MDGs. Tackling corruption effectively and firmly is a significant part of this. The principal objective of the Bank's governance work should be to help develop capable and accountable states to deliver services to the poor, promote, private sector led growth and tackle corruption effectively. We supported the Bank's engagement in governance and anticorruption work. Country ownership and leadership are key to successful implementation. Governments are the key partners of the Bank in governance and anticorruption programs, while, within its mandate, the Bank should be open to involvement with a broad range of domestic institutions taking into account the specificities of each country. We also emphasized that predictability, transparency, and consistent and equal treatment across member countries are the Bank's guiding principles. In stepping up attention to governance and anticorruption in Country Assistance Strategies, we asked the Bank to further develop and use disaggregated and actionable indicators, recognizing that IDA resources will continue to be allocated through the existing Country Policy and Institutional Assessment and Performance Based Allocation system. We recognize that the strategy will evolve with implementation and in light of experience, but the paper sets out a framework for continued Bank engagement in this work and the further consultation which is planned with partner countries, with the Fund and with other donors and multilaterals, with civil society, and with the private sector. Given the importance of this issue, we stressed the importance of Board oversight of the strategy as it is further developed and then implemented, and we look forward to a report from the Board at our next meeting."

In light of this guidance, the WBG undertook an extensive round of international consultations to explore the views of stakeholders as to how the WBG's work on governance and anticorruption can be strengthened to reduce poverty. From November 10, 2006 to January 26, 2007 the WBG held consultations with representatives from governments, donor agencies, parliaments, civil society organizations, private sector, media, and other stakeholders. The consultations were held in 35 developing countries and 12 donor countries, during four global events, and through online web feedback—reaching more than 3,200 stakeholders worldwide. Summary reports from these consultations are posted on the World Bank's external website.

Management presented the feedback from these consultations to the Executive Directors on January 30, 2007. As agreed with the Board, Management subsequently updated the paper that was presented to the Development Committee in Singapore, to reflect key messages from the consultations and respond to issues and concerns stated in the Development Committee Communiqué. This updated version of the paper was discussed at a meeting of the Board's Committee of Development Effectiveness (CODE) on March 7, 2007. Suggestions and comments made at the CODE meeting were then incorporated into a revised version of the paper that was discussed at a formal meeting of the Executive Directors on March 20, 2007. At that meeting, the Executive Directors unanimously endorsed the Strategy, and agreed to send to the Development Committee for information the attached paper, "Strengthening World Bank Group Engagement on Governance and Anticorruption," which is the Executive Summary of the longer Board-endorsed strategy.

An implementation plan is under preparation and will be submitted to the Executive Directors by the end of the current fiscal year.

**STRENGTHENING WORLD BANK GROUP ENGAGEMENT
ON GOVERNANCE AND ANTICORRUPTION**

MARCH 21, 2007

ABBREVIATIONS AND ACRONYMS

CPIA	Country Policy and Institutional Assessment
DEC	Development Economics
EITI	Extractive Industries Transparency Initiative
GAC	Governance and Anticorruption
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
INT	Department of Institutional Integrity
MDB	Multilateral development bank
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
OECD	Organisation for Economic Co-operation and Development
PBA	Performance-based allocation system
PEFA	Public Expenditure and Financial Accountability
UN	United Nations
WBG	World Bank Group
WBI	World Bank Institute

THE GUIDING PRINCIPLES FOR STRENGTHENING WORLD BANK GROUP ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION

1. The World Bank Group (WBG's) focus on governance and anticorruption (GAC) follows from its mandate to reduce poverty—a capable and accountable state creates opportunities for poor people, provides better services, and improves development outcomes.
2. The country has primary responsibility for improving governance—country ownership and leadership are key to successful implementation, and the WBG is committed to supporting a country's own priorities. A country's government remains the principal counterpart for the WBG.
3. The WBG is committed to remaining engaged in the fight against poverty, and seeking creative ways of providing support, even in poorly-governed countries—“don't make the poor pay twice”.
4. The form of WBG engagement on GAC will vary from country to country, depending on specific circumstances—while there is no ‘one-size-fits-all’, the WBG will adopt a consistent approach towards operational decisions across countries, systematically anchored in national strategies, supported by WBG Country Assistance Strategies, with no change in the performance-based allocation system for IDA countries or IBRD resource allocation system.
5. Engaging systematically with a broad range of government, business, and civil society stakeholders is key to GAC reform and development outcomes—so, consistent with its mandate, the WBG will scale up existing good practice in engaging with multiple stakeholders in its operational work, including by strengthening transparency, participation, and third-party monitoring in its own operations.
6. The WBG will strive to strengthen, rather than bypass, country systems—better national institutions are the more effective and long term solution to governance and corruption challenges and to mitigating fiduciary risk for all public money, including that from the Bank.
7. The WBG will work with donors, international institutions, and other actors at the country and global levels to ensure a harmonized approach and coordination based on respective mandates and comparative advantage—“the WBG should not act in isolation.”

STRENGTHENING WORLD BANK GROUP ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION

1. This paper articulates the World Bank Group's (WBG's) strategy for heightening its focus on governance and anticorruption (GAC) as an integral part of its work to reduce poverty and promote growth. It is an updated version of the paper that was presented to the Development Committee in Singapore in September, 2006. Following the guidance of and issues raised by the Development Committee, the WBG undertook an extensive round of international consultations to explore the views of stakeholders as to how the WBG's work on governance and anticorruption can be strengthened to reduce poverty.
2. **Consultation Overview.** From November 10, 2006 to January 26, 2007 the WBG held consultations with representatives from governments, donor agencies, parliaments, civil society organizations, private sector, media, and other stakeholders. The consultations were held in 35 developing countries and 12 donor countries, during four global events, and through online web feedback—reaching more than 3,200 stakeholders worldwide. Summary reports from these consultations are posted on the web. The consultations uncovered a striking convergence of views which has been incorporated into the updated strategy presented here. All groups of stakeholders acknowledged the special challenges to development posed by weak governance and corruption and welcomed the WBG's interest in providing stronger support for addressing these challenges. The question is not *whether* but *how* the WBG can be a useful partner for GAC reform under different circumstances. Consultations have opened new entry points and potential partnerships and show directions for broader and deeper engagement. They also have created high expectations that the Bank will follow up on the consultations by incorporating the lessons learned and by providing greater support.
3. **Governance and Corruption.** Governance and corruption are not synonymous. Governance refers to the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services. Corruption is one outcome of poor governance, involving the abuse of public office for private gain. Public office is abused when an official accepts, solicits, or extorts a bribe and when private agents give or offer bribes to circumvent public policies and processes for competitive advantage and profit. It is also abused through patronage and nepotism, the theft of state assets, or the diversion of state revenues. Corruption can also take place among private sector parties, yet interface with and affect public sector performance.
4. **The principal purpose of the WBG's engagement on governance and anticorruption is to support poverty reduction.** On a daily basis, poor people around the world are unable to access health clinics, schools, or other essential services because their public systems are unresponsive or because they themselves cannot or will not pay bribes. Corruption and weak governance often mean that resources that should fuel economic growth and create opportunities for poor people to escape poverty instead enrich corrupt elites. Where transparency and accountability mechanisms are weak or lacking, poor people's needs are often marginalized and development outcomes suffer. In some cases, extremely poor governance and corruption have contributed to financial and economic collapse, public alienation, and even violence and failed

states, with disastrous consequences for the poor. Thus, improving governance and reducing corruption are crucial to helping poor people escape poverty and helping countries to achieve the Millennium Development Goals (MDGs).

5. The WBG's GAC work thus aims to help develop capable and accountable states and institutions that can devise and implement sound policies, provide public services, set the rules governing markets, and combat corruption, thereby helping to reduce poverty. The behavior of the state, and of other key stakeholders such as the private and financial sectors, shapes the quality of governance and impacts development outcomes. Excessive regulation, for instance, increases the cost of doing business and often provides opportunities for corruption. By contrast, reforms that clarify the role of the state, reduce excessive regulatory burden, and promote competition can result in stronger firms, more jobs, and better public services. Hence governance reform and anticorruption are essential to helping the WBG in its main mission to serve the poor.

6. In addition to its developmental mandate to reduce poverty, the WBG also has a fiduciary obligation, enshrined in its Articles of Agreement, to ensure that its funds are used for their intended purposes. Aid funds face risks from corruption and weak governance, and both donors and recipients want assurances that this assistance will be protected. In the spirit of the mutual accountability framework of the Monterrey Consensus, efforts to strengthen governance and increase aid flows need to be pursued in tandem to help countries achieve the MDGs.

7. ***An Evolving Agenda.*** GAC has been on the WBG's agenda since James Wolfensohn's 'cancer of corruption' speech at the 1996 WBG-IMF Annual Meetings; the 1997 *Helping Countries Combat Corruption: The Role of the World Bank*; the 1997 World Development Report, *The State in a Changing World*; and the 2000 World Bank strategy paper, *Reforming Public Institutions and Strengthening Governance*. Over the past decade, there has been a wealth of accumulated research and experience—with country-based innovations often leading the way. Governments around the world are trying to improve governance and tackle corruption, and they are seeking support and learning from international experience to craft and implement complex programs of reform, build supporting coalitions, and monitor their impact. Development institutions have the opportunity and responsibility to help them, and the Bank is responding through the scaled-up engagement set out in this paper.

8. ***Guiding Principles.*** The process of preparing this strategy—including guidance from the Bank's Board, the Development Committee, and global multistakeholder consultations—has helped crystallize seven guiding principles for GAC work by the WBG going forward. These guiding principles reflect an emerging consensus, and build on the lessons of experience. The principles are:

1. The WBG's focus on GAC follows from its mandate to reduce poverty—a capable and accountable state creates opportunities for poor people, provides better services, and improves development outcomes.
2. The country has primary responsibility for improving governance—country ownership and leadership are key to successful implementation, and the WBG is

committed to supporting a country's own priorities. A country's government remains the principal counterpart for the WBG.

3. The WBG is committed to remaining engaged in the fight against poverty, and seeking creative ways of providing support even in poorly-governed countries—"don't make the poor pay twice".
4. The form of WBG engagement on GAC will vary from country to country, depending on specific circumstances—while there is no 'one-size-fits-all', the WBG will adopt a consistent approach towards operational decisions across countries, systematically anchored in national strategies, supported by WBG Country Assistance Strategies (CASs), with no change in the performance-based allocation system for IDA countries or IBRD resource allocation system.
5. Engaging systematically with a broad range of government, business, and civil society stakeholders is key to GAC reform and development outcomes—so, consistent with its mandate, the WBG will scale up existing good practice in engaging with multiple stakeholders in its operational work, including by strengthening transparency, participation, and third-party monitoring in its own operations.
6. The WBG will strive to strengthen, rather than bypass, country systems—better national institutions are the more effective and long term solution to governance and corruption challenges and to mitigating fiduciary risk for all public money, including that from the Bank.
7. The WBG will work with donors, international institutions, and other actors at the country and global levels to ensure a harmonized approach and coordination based on respective mandates and comparative advantage—"the WBG should not act in isolation."

In work on governance and anticorruption, including interactions with other partners, WBG institutions must act within the constraints imposed by the Articles' general limitation on interference on a member's political affairs and on basing decisions on a member's political character or on non-economic considerations. In keeping with existing practice, as part of the overall framework of cooperation with its members, in undertaking multi-stakeholder engagement, the WBG will, in consultation with government, make sure to work within the country's constitutional and legislative framework, seek the approval of government where it is required by its operational policies and procedures, and avoid engagements that are not consistent with the Articles framework.

9. ***Lessons of Experience.*** The WBG's strengthened governance and anticorruption strategy builds on more than a decade of global experience working with country, donor, and civil society partners. Key lessons include the following:

- A large body of research shows that in the longer term good governance is associated with robust growth, lower income inequality, child mortality, and illiteracy; improved

country competitiveness and investment climate; and greater resilience of the financial sector. Research also indicates that aid projects are more likely to succeed in well-governed environments.

- Institutional reforms can succeed, especially when there is committed country leadership and coalition of reformers, so WBG programs must work closely with reform leaders in government and in collaboration with a broad range of stakeholders.
- Governance challenges are far from uniform across countries, so the WBG's strategies must be differentiated and strongly based on local knowledge, innovation on the ground, and extensive consultation and collaboration with local constituencies.
- Strengthening accountability requires capacity in government and institutions outside central government, such as parliament, civil society, media, and local communities, as well as an enabling environment in which these stakeholders can operate responsibly and effectively.
- Excessive regulatory burden and unwieldy public sector enterprises can be associated with poor governance and corruption. A thriving, competitive, and responsible private sector can be a strong source of support for better governance.
- Even when opportunities for governance reform at the national level are limited, there may be entry points at the local level. In some settings, the entry point might be bottom-up participatory reform, such as community-driven development, especially when it also supports the development of local government transparency, capacity, and accountability.
- While there has been progress in tackling administrative corruption, deep-seated political or systemic corruption—including the link between money and politics and the capture of state institutions by some powerful interests at the national and local levels—is harder to address. In these cases, traditional public sector management interventions need to be supplemented with transparency and related reforms as well as wider engagement with multinationals, the domestic private sector, the financial sector, and civil society. The pace of change often will be slow. What is important—and must be the basis for assessing impact—is that the trends show sustained improvement over time.

All of these lessons point to the need for significant Bank engagement on the ground, and a long-term perspective that recognizes that governance reform is a continuing endeavor, with large variations from one country to another.

10. ***Scaling up Based on the Lessons Learned.*** Over the past decade, the WBG has engaged in many GAC initiatives at the country, sectoral, and project levels, with country-based innovations often leading the way. The WBG's experience with supporting reforms has been mixed. While many initiatives have been successful, generally they have been *ad hoc* and not consistently applied across countries. Moreover, donors have not been consistent, sending mixed signals to governments about the importance of GAC reforms, weakening their potential

effectiveness. While some countries have shown improvements in governance and anticorruption, others have deteriorated. In order to make greater progress, there is a need to build on lessons learned and more systematically scale up successful approaches in a consistent manner across countries. For the Bank, a scaled-up approach also means reviewing its own staffing, skills, use of resources, and the incentives guiding managers and staff.

11. ***The Bank Group Strategy.*** The WBG's strategy is to help developing country governments, in light of their distinct national challenges, to identify their own priorities for improving governance and to articulate and implement programs responding to those priorities, in a manner that is effective and sustainable over the long term. The strategy takes a comprehensive approach that involves working at the country, operational, and global levels to enhance and integrate governance and anticorruption measures, deploying the full range of WBG activities to assist partner countries in achieving demonstrable results for sustained poverty reduction. The strategy seeks to build on lessons of experience, to systematically scale up programs that have a track record of success, including programs strengthening public management and governance in infrastructure, extractive industries, health and education, and the financial and private sectors. Many of these programs focus on increasing transparency of decisionmaking, and involve beneficiaries and other stakeholders in policymaking and oversight. In addition, the strategy aims to ensure the highest fiduciary standards in Bank-financed operations, in large part by preventing opportunities for corruption through improved project design, greater disclosure, enhanced participation, and strengthened monitoring and supervision.

12. ***Country Level.*** A central focus of the Bank's work is supporting the development of more effective and accountable states, in partnership with other actors, including multilateral and bilateral organizations. Reforms to strengthen the accountability and transparency of state institutions are an increasingly important focus of partner countries, and, thus, the Bank needs to provide more consistent, continuous, and systematic assistance to government programs in governance and anticorruption. For IDA borrowers, lending and grant allocations will continue to be based on the Bank's performance-based allocation system; for IBRD borrowers, allocations will continue to reflect creditworthiness as well as performance and governance concerns. In all cases, consistent treatment of countries will be a key objective.

13. ***Consistent Approach Across Countries.*** A systematic and disciplined CAS process, with careful upstream attention to GAC challenges, will be the basis for ensuring a consistent approach across countries. This process will ensure that the strategy is matched, in a transparent and consultative manner, to the challenges that poor governance may pose for growth and poverty reduction in the country. The evolving, complex, and diverse nature of country circumstances makes it undesirable to rigidly classify countries in any way; no lists or rankings of countries is being considered. Instead, in countries where governance is a central issue for poverty reduction, formulating and implementing the CAS will be supported by appropriate diagnosis and feature governance as a central theme, in support of the country's own priorities. There are a variety of ways to incorporate governance in CASs, with no "one-size-fits-all approach." Even in the most poorly governed countries, the WBG will seek to stay engaged, in some cases with shorter interim strategies while agreement is pursued with the government on medium-term priorities. If there is a substantial probability that the governance environment will change during the CAS period in a way that will significantly affect aid effectiveness, alternative scenarios for implementation of the program may be specified explicitly in the CAS, with

triggers for moving between scenarios. These triggers will consist of monitorable actions to be taken by the government. If any further mid-course correction is warranted, a Progress Report or other appropriate document will be presented to the Board for discussion.

14. ***Governance Performance and WBG Assistance.*** For IBRD-eligible borrowers, the CAS sets out IBRD lending envelopes that derive from the Bank's creditworthiness analysis, which explicitly considers governance as it impinges on political stability or economic policies and outcomes. In IDA-eligible countries, this linkage is achieved through the performance-based allocation system (PBA). The high weight assigned to governance in the PBA, through the Country Policy and Institutional Assessment (CPIA), ensures that better governed countries are allocated a higher per capita share of IDA resources. The Bank will continue to rely on the PBA for allocating scarce IDA resources across lower income countries.

15. ***Staying Engaged, Even in the Most Poorly Governed Settings.*** The WBG will seek to stay engaged, even in the most poorly governed countries. In these exceptional circumstances, where the central government cannot adequately administer the proceeds of Bank-financed operations, the WBG will seek creative ways of engaging to provide services directly to the poor using instruments such as community-driven development and third-party delivery systems which do not rely on central government administration for disbursing resources. The Bank also will seek to use policy dialogue, analytic work, and technical assistance to try to build support for a stronger engagement on governance. In the rare instances where the Bank and the government cannot agree on an effective program of governance reform, the Bank will prepare an interim strategy note outlining the limited areas of engagement which are viewed as having the potential for positive development impact as well as presenting triggers for moving to a regular CAS when progress is made. In these circumstances, IFC and MIGA may still play key roles as partners in pursuing a socially responsible investment policy (as elsewhere), as strategic engagement with the private sector remains a potentially important means for change in high-risk settings.

16. ***Entry Points for Reform.*** The scope, sequencing, and speed of GAC reforms will be tailored to the country context and the government's program. Where country leadership is undertaking major governance and anticorruption reforms, the Bank will match such resolve by rapidly scaling up technical and financial assistance to support these reforms. Where weak governance and corruption pose obstacles for development and government commitment is more uneven, the Bank will strive to find appropriate entry points—scaling up support for government programs to improve governance and combat corruption, ensuring that governance issues are adequately addressed in the sectors in which the Bank engages, and seeking to expand government interest in reform through country dialogue, analytic work, and technical assistance. The range of entry points include:

- *Helping strengthen state capability and accountability.* In all countries where governance is a challenge, there will be a continuing focus on public financial management of both revenues and expenditures, procurement, auditing, the judiciary, and legal reforms, as well as a renewed engagement with governments on civil service and transparency reforms. In addition, greater systematic attention will be given to addressing governance issues in infrastructure, extractive industries, health, education, financial and private sectors, strengthening local governments and

community participation, and building capacity in supreme audit institutions and other formal oversight institutions.

- *Expanding private sector engagement.* The WBG, including IFC and MIGA, will engage more closely with the private sector to address corruption, for example by supporting national and sectoral business coalitions for change and voluntary codes of business conduct. The WBG will also continue to deepen its support for improving the enabling environment for the development of competitive private and financial sectors and increased private investment.
- *Engaging more systematically with a broad range of stakeholders.* As stated in the Development Committee Communiqué, “Governments are the key partners of the Bank in governance and anticorruption programs, while, within its mandate, the Bank should be open to involvement with a broad range of domestic institutions taking into account the specificities of each country.” While working with the government as its principal counterpart, the WBG will scale up existing good practice in working with a broad range of stakeholders. The aim is to help strengthen state accountability, thereby also providing impetus for gains in state capability. For instance, as affirmed by the consultations, the Bank, consistent with its mandate and in collaboration with other multilateral and bilateral organizations, will continue to support initiatives that: enable citizens to access information and participate in the development of policies, spending priorities, and service provision; promote community participation to improve local governance; strengthen the enabling environment and capacity of civil society and the media to monitor public policymaking and implementation; and encourage greater oversight over public procurement, asset declarations, and other important dimensions of government performance. The Bank will revise its disclosure policy to improve the Bank’s own transparency, and will enhance current guidance to staff in order to consistently apply best practices on consultation and participation in Bank-financed operations.

17. **Project Level.** At the project level, the Bank’s strategy aims to improve the development impact and integrity of Bank-funded projects. Actions to prevent opportunities for corruption—the best way to mitigate fiduciary risk—include:

- Helping countries to strengthen country systems, as the long run solution to mitigating fiduciary risk in Bank-financed operations, while also taking measures to protect Bank-financed projects in poorly governed settings;
- Incorporating concrete good governance and anticorruption objectives in sectoral programs, tailored to each sector’s distinctive features and potential risks;
- Working with governments to identify risky operations and ensure upstream risk mitigation, including preparing anticorruption action plans as part of high-risk operations where appropriate;
- Improving the quality of project design, supervision, and evaluation, and enhancing third-party monitoring of Bank-financed projects by improving the timely disclosure

of project information (including anticorruption action plans) and increasing upstream consultation and participation throughout the project cycle, based on lessons learned and good practice;

- Focusing on fiduciary quality concerns during joint reviews with governments of the Bank's project pipeline and financing portfolio; channeling resources and attention, especially during supervision, toward projects deemed to be of high risk; and
- Establishing anticorruption teams, particularly in the field, to review project design, risk rating, and anticorruption action plans and, together with governance advisers (especially field-based), also to serve as a focal point for dialogue on governance and anticorruption issues with governments and other stakeholders.

Where operations are co-financed, the Bank will coordinate with those partners.

18. The Bank's Department of Institutional Integrity (INT) will continue to investigate allegations of corruption in Bank-financed projects, and when corruption is detected, the WBG will publicly sanction corrupt firms and promote follow up actions by government and internally. In addition, the WBG will enhance collaboration between the Bank's investigative team and the country's own anticorruption institutions. Feedback from the consultations urged that INT take additional steps to improve its transparency and partnership approaches. Currently, INT is being reviewed by an independent panel of experts, with the goal of strengthening INT's operations and effectiveness.

19. IFC and MIGA will work directly with the private sector to strengthen ethical corporate practices across their operations, encouraging clients to join public-private coalitions for reform, and reinforcing that integrity is "good for business."

20. **Global Level.** Finally, at the global level, the Bank will support harmonized approaches with other international actors. The strategy aims to strengthen the WBG's bilateral and multilateral partnerships in accordance with the Paris Declaration, with a view to:

- Harmonizing governance and anticorruption initiatives with the IMF, United Nations, regional development banks, and other donors, including in public financial management, procurement, and judicial reform;
- Promoting coordinated action in countries where governance and corruption problems pose challenges for development, including consulting with other partners when considering limited engagement;
- Recognizing the limitations of the Bank's legal framework, there should be a division of labor among donors—to be articulated in the CAS—with others taking a lead in areas that are outside the Bank's mandate or comparative advantage;
- As part of a process of joint sanctions reform by the multilateral development banks (MDBs), making investigative rules and procedures more consistent, strengthening

information sharing, and establishing mechanisms to recognize each other's sanctions decisions;

- Continuing to work closely with the private sector, civil society, youth, and the media to support change coalitions such as the Global Integrity Alliance as well as sector-specific initiatives such as the Extractive Industry Transparency Initiative (EITI) and Publish What You Pay, while raising the cost of corrupt behavior through increasingly harmonized MDB sanctions and the WBG's new Voluntary Disclosure Program;
- Supporting implementation of key international conventions such as the OECD Anti-Bribery Convention, the UN Convention against Corruption, and regional initiatives;
- Helping enhance a country's ability to track, freeze, and confiscate the proceeds of corrupt behavior, including through technical assistance for asset recovery and monitoring of use of recovered assets; and
- Working with developed countries, the OECD, and the private sector to provide assistance on anti-money laundering, and greater cooperation to address tax havens and asset restitution.

21. ***Monitoring for Results.*** Monitoring is key to accountability. Recognizing that IDA resources will continue to be allocated through the existing Country Policy and Institutional Assessment (CPIA) and Performance Based Allocation system, the Development Committee asked the Bank to further develop and use disaggregated and actionable indicators. Disaggregated and actionable indicators can serve two purposes—to inform the CPIA and to help track progress in specific reforms implemented by governments. Over the past year there has been significant progress in the development and use of disaggregated and actionable indicators, such as the public financial management indicators developed by the multidonor Public Expenditure and Financial Accountability (PEFA) initiative. Aggregate worldwide governance indicators (gathered by DEC and WBI) are research products that draw on a wealth of information from non-WBG efforts to monitor governance and exist alongside many other products (e.g., enterprise surveys) to provide comparative information for policymakers; they are not official ratings by the WBG, and they have no formal role in any WBG operational decision-making. During the recent consultations, the majority of stakeholders endorsed an approach of using a mix of indicators—aggregate governance indicators, country monitoring and evaluation systems, specific disaggregated indicators, and outcome indicators—judiciously and with care, keeping in mind their strengths and limitations for particular purposes.

22. ***Role of the Board.*** The Bank's Board will continue to have an important role in the development of the Bank's country strategies, to ensure that they are consistent across countries and continue to have broad support in the international community. If country circumstances change in ways that warrant a shift in the Bank's approach, an appropriate document will be presented to the Board for discussion. In addition, for all CASs that present alternative scenarios, the CAS and the midterm CAS Progress Report will continue to state clearly which scenario applies as well as what conditions would trigger alternative scenarios. New country developments will continue to be discussed at Steering Committee meetings, and Management

views on appropriate financing levels will be presented to the Board in a timely manner. In the exceptional cases when changes in country circumstances warrant a significant change or a suspension of Bank's operations, Management will seek the Board's support. The Board will continue to be involved in reviewing individual projects, including any that are delayed because of corruption concerns. In addition, the Board has provided guidance and feedback on refining this strategy and will provide oversight as it is implemented.

23. ***Going Forward.*** This strategy implies a change in how the WBG does business, including providing incentives to managers and staff to engage proactively on the ground on governance issues; addressing staffing, skills, and resource needs to operate effectively in challenging governance settings; and developing a stronger results framework, with greater progress on strengthening country monitoring and evaluation systems, specific disaggregate governance indicators, and outcome indicators. The emphasis of the strategy will be on the front lines, tapping into local knowledge and engaging closely with partner countries. Operational guidance to staff will be developed, reflecting ongoing innovations in the field. Bank country teams will be reporting back to the stakeholders that participated in the consultations, to share with them how their inputs were reflected in this enhanced strategy and to engage them in the implementation phase. Given the complexity of the effort, the WBG will also need to proceed pragmatically. In addition, partnerships will need to be strengthened, including with local institutions such as universities, civil society groups, and businesses to increase the Bank's technical know-how and develop common approaches. Furthermore, given the importance of learning in these fields, the Bank will continue to support research on causes and effects of governance and corruption and their links to growth and development. This agenda demands innovation and experimentation as well as rigorous monitoring and evaluation of results—all in a spirit of openness to learning what works, what does not, and why. The specific initiatives needed to fully operationalize this strategy will be outlined in an Implementation Plan, to be prepared and submitted to the Board by the end of the current fiscal year.