

Governance: A Participatory, Action-Oriented Program

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The Governance Learning Program Mission

*Through rigorous and participatory
action-oriented learning programs,
to support stakeholders in concretely
improving governance capacity
in their countries, thus reducing poverty.*

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Program Justification

The Past

The Governance work in the past was characterized by a sizeable number of somewhat disparate set of one-off, stand-alone, activities, with (formerly called) EDI carrying them on its own. These activities were focused largely on awareness-raising (emphasizing narrow issues of corruption). They were carried out by EDI without linkages or partnerships Bank-wide, courses were face-to-face and thus the limited number of participants implied high unit costs, while impact was relatively modest. Substantively, the emphasis was on narrow issues of bribery/administrative corruption, without addressing 'grand corruption' or linking to the broader challenges of governance; and there was an artificial divide between governance at the national, subnational and firm-levels. Also, there was a dividing 'wall' between traditional

public sector management on the one hand, versus 'voice' and participation (including collective action methods involving parliaments, civil society, the media, etc), on the other.

Current Strategy and Looking Ahead: Key Elements and the Governance Program Cycle

At about the time of the transition from 'EDI' to 'WBI', a major strategic realignment of the Governance began to take place, which by the time of the WBI-wide programmatic realignment (at the end of FY01) was already well underway. The implementation of the new integrated Governance Program is still ongoing, yet its pace over the past six months has led to substantial results already. Key elements in the revamped strategy of the relaunched Governance program are summarized in the Governance evolution synthesis table below, indicating in stylized fashion on the left column the 'past' starting point, while on the right-hand column we suggest either

Table 1: Governance Program—The Evolution and Revamp

<i>Past...</i>		<i>...to Present and into the Future</i>
1. One-off/Standalone activities	→	Strategic program cycle approach
2. Generic course participants	→	Country focus/selectivity ("G-5")
3. WBI on its own	→	Partners as precondition
4. Awareness-raising	→	Concrete impact on the ground
5. Face-to-face only	→	With IT and DL tools (VC/web)
6. High-cost deliveries	→	Unit cost efficiency
7. Focus on bribery/corruption	→	Governance; Effective use of public resources, and of policy-making
8. National vs. subnational	→	National and subnational and urban governance
9. Client vs. staff learning	→	Client with staff learning (evolving)
10. Traditional classroom	→	Action-learning approach
11. Softer content/qualitative	→	R&D/Empirical rigor/quantitative/indicators/survey diagnostics are key
12. Anti-corruption 'silo'	→	Good Governance for Anti-Poverty and Input to Sectoral Reform
13. Basic evaluation	→	Rigorous impact evaluation (evolving)
14. Standalone within WBI	→	Integrated: Input to other WBI programs and to regions

where we are today, or in some cases, where we are aiming to get to. A key tenet in the strategy is the close interface and partnerships with Operations and the Networks within the Bank, as well as with DEC, LEG, and outside partners. The new strategy is also aligned with the Bank's public sector strategy, and, in collaboration with the PREM Network and the regions, envisages a joint approach to staff learning.

What is Governance?

Related to the analytical and empirical R&D/research work conducted: *Governance is the process and institutions by which authority in a country is exercised:* (i) the process by which governments are selected, held accountable, monitored, and replaced; (ii) the capacity of governments to manage resources efficiently, and to formulate, implement, and enforce sound policies and regulations; and, (iii) the respect for the institutions that govern economic and social interactions among them. We have operationalized governance from this definition, by unbundling its definition into components that can be measured, analyzed, and worked on in concrete fashion. Each of the three main components of Governance can be

unbundled into six subcomponents, namely: i) Voice and Accountability; ii) Political Stability and lack of Violence; iii) Quality of the Regulatory Framework; iv) Government Effectiveness; v) Control of Corruption, and, vi) Rule of Law. Clearly, from this approach a broadening of the approach has taken place, transcending narrow corruption concerns. See <http://www.worldbank.org/wbi/governance/>.

Objectives

Operationalizing the Main Objective of the Governance Program

As stated, the Program Mission is: 'to support a participatory country-based process led by domestic stakeholders in improving their governance capacity through rigorous and action-oriented learning programs'. Such programs are based on frontier know-how and R&D in the governance field. In-house operational research and empirical and diagnostic surveys are a key input to the learning programs, as is operationally relevant research in DEC and outside of the Bank. Special efforts go into the **translation** of applied research findings into

their implications for policy and institution-building. Such R&D therefore is one of the 'glues' that ties the various learning components together.

Since the empirical evidence we have gathered clearly attests to the *enormous variance* in the type of governance vulnerabilities across countries, as well as in the quality of governance across different dimensions and institutions within each country, *localizing know-how* working closely with experts and policy-makers within the country is key in our diagnostic work, learning programs, and advisory services. This process of joint in-depth diagnostic at the country level with partners and experts within the country (already there has been such in-depth diagnostic work or work is ongoing in over 15 countries), coupled with the explicit upfront objective of localizing knowledge and priorities in each particular setting, not only supports institutional development with the partners we work with, but as importantly provides for a concrete process of bi-directional learning: the Bank learns much from the country stakeholders and domestic experts themselves. Ultimately it is the client who formulates the action programs, with WBI learning activities being an input to a participatory process.

ACTION-ORIENTED COUNTRY-BASED FOCUS

A sharp move away from traditional "training" of participants has taken place. At the center of such realignment lies the central focus on attaining concrete impact on the ground at the country level, to be measured in terms of meaningful institutional change as a key component of capacity building (moving well beyond passive know-how transfer approaches). In order to progress we are moving away from viewing isolated training activities as deliverables, instead taking a 'strategic program cycle' approach to learning programs, where the upstream work would typically involve R&D, analytical and diagnostic work at a country (or set of countries/regional) level, in conjunction with partners. Further, the learning and workshop

activities within the particular governance sub-theme would be interlinked, so as to further the goal of concrete action programming.

This implies developing and implementing country strategies where the main objective is to promote transparency and accountability throughout the learning program cycle. Country strategies will be tailored to the needs and conditions of a country, but will also take into consideration the links between various components via a country learning program cycle (starting with R&D) and the focus of learning inputs on problem solving/action learning events that bring together staff and clients. *Learning activities within countries are closely aligned with operational priorities and scheduled to contribute to the upstream development of governance-related loans and technical assistance.* This action-programming and country focus orientation is the more concrete 'glue' linking the various subcomponents of the governance program together (complementing the R&D and empirical 'glue'). In terms of draft illustrations of governance country strategies, see Annex 2. Finally, this action-learning and action-oriented focus, to be carried out in close partnership with the networks (PREM and PSI) and regions, are also expected to be implemented in the context of staff learning offerings (with clients).

Contents and Design

Analytical Background: A Two-pronged Approach

The substantive governance focus is to be centered on: i) Effective Use of Public Resources (broader than narrow conceptions of Public Expenditure Reviews—instead emphasizing the Governance (or lack thereof) in the *implementation* of public resource allocation), and, ii) Shaping and Implementation of Rules, Regulations and Policies of the State (where the understanding of the forces shaping such policies/rules is key, and varies enormously from country to country depending on modalities of governance and types of corruption).

In both substantive areas, prioritization of the agenda for reform will be driven by the role of misgovernance on creating conditions of poverty and on its specific impact on the lives of the poor.

An Integrated Action-Oriented Learning Program Cycle for Governance at the Country Level

Key stages/components in this integrated cycle are: i) initial vulnerability assessment based on Worldwide Governance Indicators Database and Analysis; ii) in-depth Empirical Diagnostics at the Country Level, based on new methodologies developed at WBI and with involvement of country institutions; iii) set of learning programs consistent with strategy to elaborate action program; iv) action program formulation by country, with WBI support through its highly participatory learning program approaches, v) with WBI support, presentation and broad participatory discussion of draft action program in large national or regional workshops by country team; vi) follow up in implementation (with regions, networks), and further specialized learning programs during such implementation; vii) monitoring and evaluation.

The 'Forgotten' Link: Misgovernance and Poverty

Although this link has often been underplayed, there is a growing body of cross-country evidence indicating how harmful misgovernance and corruption can be for the poor, for income growth, and for income distribution. This takes place through several mechanisms, as synthesized in Table 2 below (detail can be found in Chapter 6 of *The Quality of Growth*)

Consequently, this governance-poverty alleviation nexus is to be an increasingly important component of the learning program, specifically including: i) learning programs/courses on governance and poverty, focusing *inter alia* on the nexus between governance, budgetary execution, service delivery, and poverty alleviation; ii) learning program on the role of Parliament, Governance and the PRSP; iii) governance diagnostic analysis includes a central component on this nexus (see, for instance, results of the Peru governance diagnostics; iv) increasing focus on poorer/PRSP countries; v) governance learning country strategy notes to integrate fully the poverty reduction objective; and vi) R&D/development of new modules linking specifically governance issue with poverty alleviation.

Table 2: Misgovernance and Poverty

<i>"Immediate" causes of poverty</i>	<i>How misgovernance and corruption affect "immediate" cause of poverty</i>
Lower investment and growth	<ul style="list-style-type: none"> • Unsound economic/institutional policies due to vested interests • Distorted allocation of public expenditures/investments • Low human capital accumulation • Elite corporate interests capture laws and distort policymaking • Absence of rule of law and property rights • Governance obstacles to private sector development
Poor have smaller share in growth	<ul style="list-style-type: none"> • State capture by elite of government policies and resource allocation • Regressiveness of bribery "tax" on small firms and the poor • Regressiveness in public expenditures and investments • Unequal income distribution
Impaired access to public services	<ul style="list-style-type: none"> • Briber imposes regressive tax and impairs access and quality of basic services for health, education, and justice • Political capture by elites of access to particular services
Lack of health and education	<ul style="list-style-type: none"> • Low human capital accumulation • Lower quality of education and health care

Multi-tiered and Multi-sectoral Approach

The shaping of rules/regulations and the use of public resources occur at sub-national, national, and international levels through the interplay between corporate responsibilities/strategies and national/sub-national governance (as evidenced in the recent work on state capture by the corporate elite utilizing the World Business Environment Survey). Developing strategies for improved governance entails understanding key issues in urban and municipal governance, decentralization, and fiscal relations, as well as the manner in which developments in one area impact on the others, and on the central government and the business environment. The governance program is fundamentally multi-sectoral in nature given the recognition that good governance is an 'umbrella' issue, and thus an umbrella program in WBI. Consequently, the links with poverty alleviation, environment, finance and investment climate/ private sector development, *inter alia*, are already concretely built into the empirical tools and learning program approaches.

Identification of Clients: Integrating Staff and Client Learning

Improvements in governance occur through altering the resources brought to bear on strategic points in the design and implementation of policy. Resources to promote transparency and accountability come from within a country, and from international financial institutions and donors. In recognition of the need to strengthen the relationship among the various constituents for governance, learning activities are designed for client groups, Bank staff, and for joint Bank staff-client participation. In this way, the learning programs expand the opportunities for Bank staff and clients to work together to design and implement change using a common language and a common set of tools

Country Focus and Groupings:

The 'G-5' Approach

Synergies and economies of scale emanate from strategically grouping a number of countries together in this integrated action-oriented approach. Further, strategic and careful selection of 'participants' that comprise each country team takes place. An illustration is the core program in anti-corruption, which has grouped seven country teams in each course.

New IT Frontiers

For increased leverage and much higher cost efficiency, as well as for being able to enhance significantly the capacity of 'staying the course' during the particular governance program cycle, the use of new DL-based tools is central. This involves not only the new DL centers and VC facilities and related video-conferencing based approaches, but as importantly the use of web/internet based technologies, as well as related IT frontier use of tools for e-governance learning: internet-based surveys, interactive web-based data/empirical work on governance and use of 'option finder'/Synthesis techniques, among others. Another important corollary of this approach is the need to streamline the number of activities, and to be selective vis-à-vis themes and countries we pre-commit to (for which rigorous criteria for entry have been devised and are already under implementation).

Main Learning Programs and Components in Governance

1. National and Sub-national Governance
2. Effective Use of Public Resources
3. Legal and Judicial Learning Program
4. Media Development and Accountability
5. Parliamentary Strengthening
6. Private sector–Public sector Nexus
7. Governance R&D as key input to all operational learning components above.

Below we review these programs in brief, while the details will be relegated to the annexes.

PROGRAM 1: NATIONAL AND SUB-NATIONAL GOVERNANCE

An important component of the World Bank's approach to improved governance in client countries is to empower their clients to foster accountability and transparency. WBI, in close coordination and collaboration with other units within the Bank, plays a central role in empowering client countries through its learning and action-oriented programs, to addressing various aspects of policy and institutional reforms which are critical to improving the quality of governance and consequently reduce corruption. A prerequisite though for World Bank work on anti-corruption in any particular country is a clear commitment from leadership. It also requires a commitment from broad coalitions among government, parliament and civil society so as to ensure collective action. Through this logic, our program is able to provide an innovative, action-oriented, non-lending activity illustrating a new way of doing business in which the client is totally empowered to be in the driver's seat without lending-related conditionality. The activities are interlinked and include:

- Governance and Corruption Diagnostic Surveys, and related tools, monitoring of governance indicators and statistical capacity building at country level (these will increasingly link with and draw also from ongoing efforts Bank-wide, such as IGRs, Public Expenditure Tracking, etc.).
- Statistical Capacity Building for Monitoring of Governance at the Country Level.
- Development and implementation of anti-corruption programs (participatory courses on anti-corruption program formulation, national/regional/sub-national workshops and specialized workshops in such areas as coalition-building and a mini-course on

governance for youth. For more information please refer to http://www.worldbank.org/wbi/governance/ac_courses.htm

- Political funding and governance
- Governance and Youth

The action-oriented nature of assisting countries with their formulation of action programs in this component effectively implies that inputs, modules and resources from other components are at the disposal of the country in such process of formulation (and thus the notion of 'glue' tying the various components together, alongside empirics/R&D).

PROGRAM 2: EFFECTIVE USE OF PUBLIC RESOURCES

The program on Governance and the Use of Public Resources assists countries to achieve better public sector performance, and more effective use of their public resources. The primary focus of the initial year of the program (FY02) will be in the area of public fiscal policy. Activities in the areas of public service delivery and public administration will be developed in subsequent years. Program components include:

- *Principles of Governance and the Use of Public Financial Resources* examines critical processes in the use of public monies, including budget formulation, execution and monitoring, as well as key procedures in the use of money such as procurement.
- *Action Planning for Improvement in the Use of Public Financial Resources*. The second component is focused on the development of action plans for improving the use of public financial resources. Selection of topics is made in consultation with World Bank Operations staff and based on findings of rigorous analytical studies. Participation in learning events is organized around country teams made up of important stakeholders identified by the Bank and other partners. Workshops will be organized in three areas

in FY: (i) Budget Execution; (ii) Expenditure Effectiveness; and, (iii) Procurement

- *Governance and Poverty*. The final component concentrates on the link between governance and poverty and explores a variety of approaches to improve governance through increasing transparency and accountability and broadening participation in the use of authority.

PROGRAM 3: LEGAL AND JUDICIAL REFORM FOR IMPROVING GOVERNANCE

The action-oriented program on Legal and judicial reform has a participatory learning approach involving civil society and key members of the legal and judicial community. It integrates analytical and empirical rigor in addressing fundamental issues relating to performance of a country legal system including incentives, systemic and preventive issues as well as enforcement. The program is sensitive to the fact that challenges to legal systems can come from a variety of directions, both political and economic, and that the priorities for legal development vary based on national characteristics and the stage of development of the rule of law. The learning program started in 2001, at the demand of various countries and regions (Asia, LAC: Bolivia, Peru, Paraguay) and has since been requested by several additional regions and countries (Africa, LAC, ECA among others). Program contents have been developed by WBI in close collaboration with the Legal Department (LEG) and the Poverty Reduction and Economic Management (PREM) Network of the Bank, with extensive involvement of non-Bank expertise.

The program has been shaped by the results of governance diagnostic work done for the legal systems of several countries (see <http://www.worldbank.org/wbi/governance/judicial.htm>). Based on the priorities identified in this diagnostic work and other empirical studies, activities highlight concerns over the weaknesses in the Rule of Law and its application, the role of the judiciary for improving governance and addressing corruption, and

issues of independence and transparency in the judiciary (looking at the main obstacles to transparency), as well as addressing the challenge of capture of the judiciary by economic interests in some settings. For an illustration of the challenges and empirics on rule of law issues (and their links to governance), see <http://www.worldbank.org/wbi/governance/pdf/misruleoflaw.pdf>.

PROGRAM 4: MEDIA DEVELOPMENT AND ACCOUNTABILITY

It is well documented that the press can act as a catalyst for improved governance and other institutional reforms. A more reliable flow of information, by helping to keep governments accountable and citizens informed, translates into a more efficient and equitable use of resources. As the linkages between a functioning media and better economic outcomes have become clearer, the Bank has come to view the media sector a partner in fighting corruption, disseminating information, and giving voice to often marginalized communities. However, in many member countries, the media is held back by repressive legal structures, state controls, under-trained journalists and mismanagement. The Media Development & Accountability program (see <http://www.worldbank.org/wbi/governance/journalism.htm>) is designed to strengthen the role of the press and the broadcasters in several ways:

- *Policy and Regulatory Environment for Media*: Tracking the legal structures, state controls and ownership patterns that inhibit a free and functional media.
- *Management and Structure*. Capacity-building for managers of news organizations so that they are better able to maintain financially viable media companies, independent of state or special interest capture.
- *Journalist Training*: Equipping working journalists with the skills and understandings they require to cover economic and social change.

PROGRAM 5: PARLIAMENTARY STRENGTHENING

In carrying out their three core functions (legislative, oversight and representative), parliaments are a bridge between the executive and civil society. They provide a critical element in the governance system of checks and balances and are an essential vehicle for social inclusion, giving a voice to the people, at the national level. They are the institution through which governments are held accountable to the citizenry and, of course, they are responsible for the enactment of new laws. They thus can play a crucial role in curbing corruption. However, it must be recognized that in too many countries, parliaments are not living up to their potential: far from providing effective oversight and representation, parliamentarians are engaged in corrupt practices themselves.

This program (see <http://www.worldbank.org/wbi/governance/parliament.htm>) aims at strengthening parliament's role in promoting government accountability and oversight and, in so doing, helping curb corruption. Two broad components are envisaged: i) Government Accountability and Parliamentary Oversight; and, ii) Parliaments, Governance and Policy Reduction (PRSP), the latter to help national Parliaments play an appropriate role in the formulation and execution of PRSPs—recognizing that both Governance and Anti-Corruption issues have been slow and somewhat shallow in their integration into the PRSP, and that the full potential of Parliaments to improve governance and assist in poverty alleviation strategies has not been realized.

Activities include regional workshops to enhance the identification and dissemination of best practice and lessons learned, national action-planning workshops aimed at strengthening Budget, Public Accounts and other oversight committees and support to regional and global networks such as the Global Organization of Parliamentarians Against Corruption (GOPAC) and the African of Parliamentarians Against Corruption (APNAC).

PROGRAM 6: PRIVATE SECTOR–PUBLIC SECTOR NEXUS FOR IMPROVED GOVERNANCE

The objective of this program is to assist governments, civil society, and private sector in the design and implementation of programs aimed at improving corporate citizenship with close link to their governance systems (see <http://www.worldbank.org/wbi/governance/corpethics.htm>). Emphasis is also being put on the combination of Information and Knowledge enhancements with Governance Improving objectives: in most countries, the ability of local policymakers and researchers to collaborate in the implementation of effective and transparent regulation that provides for an enabling environment for PSD is limited and requires some stimulus. Providing this stimulus is the main purpose of the program.

Current activities include:

- Sound Corporate Social Responsibility,
- Corporate Governance and Business Ethics (including Bringing Business Ethics to Public Administration; Corporate Social Responsibility and Community Driven Development)
- Responsible Globalization; Corporate Governance and Social Responsibility
- Capacity-building networks for greater accountability on regulatory policy issues
- Anti-corruption regulation in the public interest
- Transparency in infrastructure concessions

PROGRAM 7: RESEARCH AND DEVELOPMENT IN GOVERNANCE AND ANTI-CORRUPTION: ANALYTICAL & EMPIRICAL METHODS AND OPERATIONALIZING RESEARCH FINDINGS

The work of the Governance program is predicated in continuous learning and adaptation based on latest analytical and research findings, *inter alia* (complementing findings in DEC and outside of the Bank) drawing from our ongoing in house work on this issue (for details, visit <http://www.worldbank.org/wbi/governance/wp.htm>). This component is one of the

'glues' that ties the various subcomponents of the Governance Learning program (the national and subnational action programs being the other, more downstream, 'glue'). An important umbrella component of the overall work of the Governance Program (and beyond) is the continuous gathering, development and use of governance indicators and survey-based empirical datasets, including governance diagnostics (see http://www.worldbank.org/wbi/governance/data_main.htm) This overall Governance R&D component is a key input to all 6 operational learning components above. Utilizing governance datasets for its analysis, it includes frontier analytical issues where work is underway, such as Party/Political Finance and their links to overall governance, the research program on State Capture (by the elite, as per recent work with ECA which is resulting in a rethinking of governance strategies—see <http://www.worldbank.org/wbi/governance/wp.htm#statecapture>), as well as new frontiers on governance empirical diagnostics at the country level (see <http://www.worldbank.org/wbi/governance/tools.htm>), and research work on Worldwide Governance Indicators (see <http://www.worldbank.org/wbi/governance/datasets.htm>).

Exit Strategy and Sustainability

Being fully aware that sustained improvements in governance do not come about through one-off actions but must be reinforced through the actions of an active constituency that is skilled and informed, our programs are designed to build up the capacity of partners to continue work in governance reform, including training in essential governance principles and skills. Activities are designed with the medium-term objective of enhancing local training capacity and the continued production of key transparency and accountability inputs through governance monitoring and other techniques.

The program thus relies heavily on local partners and institutional development of such

partners (such as them carrying out the in-country diagnostics, for instance), as well as Bank units and other international organizations. Building capacity at the institution level in different regions will allow for a diminishing role of WBI over time. Some of the courses are already being delivered by local partners with WBI's declining involvement.

Further, we will continue to innovate and offer new learning programs based on this R&D work, as well as integrate new audiences into our work. In the latter context, we will offer a new program of "Governance and Youth."

Audience/Participants

The emphasis on traditional individual participants/audiences has shifted to country focus, i.e. the notion of country teams as a participant group is paramount in this action-oriented approach. In each program and activity care is exercised in selecting teams best suited to the activity's and overall strategic objectives, typically including, *inter alia*, senior policy makers, regulators, representatives from business associations and other leading private sector figures, Parliamentarians, Judiciary, Editors and Journalists, Civil society, NGOs, and academics. Increasing participation in governance activities by students and youth organizations has been identified as a key short and medium-term objective and will be pursued utilizing a multimedia strategy emphasizing content suitable for this critical segment of the population.

Targeted Regions and Country Focus

While the focus is on concrete country results, the coverage of the overall program is world-wide, with specific national and sub-national anti-corruption programs. Within the country-focus orientation, work is underway on the identification of the priority focus countries for FY02/03, and also on a Governance country strategy note for each one of the priority countries.

Partners

In addition to the centrality of in-country partnerships, close collaboration with the rest of the Bank is paramount within the action-oriented and strategic program cycle approach that drives the Governance learning program—as the process of formulation and implementation of concrete actions will require leadership from the regions/networks. This concretely implies that prior to an activity/program being initiated, partners are identified in the region/network to work together from design to implementation — with clear assignment of responsibilities in the upstream, midstream and downstream stages of the concrete cycle. The collaboration with DEC on the R&D/analytical research components is of high importance and profile as well. Further, international partnerships and strategic alliances are emphasized.

For details, see <http://www.worldbank.org/wbi/governance/>.

Synergy with Other WBI Programs

Given its umbrella nature, and its multi-sectoral implications, the Governance program is a major input to a large number of other programs within WBI, such as the Attacking Poverty program (APP), Knowledge for Development, CESI, Sustainable Development, Decentralization, and others. Further, the inputs the Governance program will draw from other WBI programs are also important for delivery of Governance activities, such as in the case of Decentralization/Municipal and APP.

Leverage with Bank Operations: Country Focus implies Partnerships

As discussed above, there is strong collaboration with Country Teams, Sector Units, Networks, the Legal Department and Resident Missions participating directly in the design and delivery of the program. One of the prerequisites for this program is synergy via CAS, CDF and PRSPs.

Impact Indicators

The ultimate goal of the program is to build the capacity of key stakeholders from the government, private sector, and civil society in client countries to foster the development of the knowledge-based economy in their countries, and to promote institutional reforms for good governance. The relevant variables for program evaluation purposes are key impact indicators measuring progress in these objectives, including: action program formulation and implementation, ability of domestic partners to apply, on their own, methodologies and tools acquired from WBI, and ultimately, monitor improved governance within the country.

Monitoring and Evaluation

Several components of the Program have been evaluated by external evaluators in the past. For instance, the National Governance and Anti-Corruption, Media Development (Investigative Journalism) and Parliamentary Strengthening activities were evaluated in 1998 by the University of Utrecht. This evaluation examined both the program logic and implementation of activities; it noted, among other things, that the program logic was sound, while pointing out that a tighter linkage between a participatory process and action-orientation with results on the ground was warranted. The Parliamentary Program was evaluated by the WBI's Evaluation Unit in 1999, which inter alia recommended a more strategic approach and program design. Similar recommendations were made during the ex ante of the program earlier this year. Such recommendation have been translated into a more focused, strategic and selective approach in the current program (fully linked to the broader governance program), and one that sees Parliament strengthening as a major capacity building objective (rather than focusing on parliamentarians as individual participants).

There are also two other ongoing evaluation efforts. One is by OED, which evaluates the anticorruption program by the Bank Group overall (with modest focus on WBI), and which is expected (the report is to be available within a month or so) to emphasize the importance of the participatory and rigorous aspects of the approach, while being critical of accomplishments in terms of anticorruption efforts on the ground. Further, a graduate student at the University of Utrecht is preparing her Ph.D. on WBI's anticorruption program, which is expected to be finalized next year. Neither expects to provide a comprehensive evaluation of WBI's governance program, however.

Evaluations also looked at cost effectiveness, which in the past has not been stellar (high costs per participant day). Yet over the past two years there has been a major improvement in unit cost effectiveness (hovering around US\$100 per participant day), while neither quality nor effectiveness appears to have been impaired. However, at present maintaining and continuing to improve on the quality dimension ('knowledge deepening') is a major challenge, to which significant resources and efforts will be devoted during FY02 and beyond, and thus future evaluation would be expected to focus on this key dimension. On-going evaluations can be expected to continue to provide valuable feedback, yet the approach to evaluation is to be more comprehensive, and focus on impact on the ground, action-learning aspects, and quality.

While compulsory response evaluations (level 1) will continue, false sense of complacency from the high ratings emerging from such evaluations (85-90% ratings of 4 or 5) will be avoided. In collaboration with WBI evaluation unit and other experts and outsiders as needed, specific courses will be singled out for evaluation of participant learning gains (level 2), and also emphasis will be on impact evaluations (levels 3&4, i.e. 'output' and institutional change, respectively), and in integrating approaches and methodologies from public sector performance (and

service delivery) evaluation systems and diagnostics (as our program applies to countries) to the effectiveness of our own program. With the evaluation unit operationalization of an approach to impact evaluation encompassing action-oriented programs is to be sought, as per detailed presentation in the logframe.

Quality Assurance

Quality assurance for all governance activities is ensured through a variety of mechanisms that monitor content and effectiveness. Overall program content is evaluated and reviewed by an internal World Bank Institute process that examines each of the program components. The content of individual activities is monitored through the universal use of ex post course evaluations that examine the course quality and its impact on the participants. Course quality is also assured by the active involvement of operational staff in course offerings, as well as the use of partners who are leading experts in their respective fields

Risks and Questions

Work on governance carries with it inherent risks. Public statements regarding the intent to undertake reform are much more common than sustained efforts to reduce corruption and improve governance. The goal of governance reform often suffers setbacks following high profile pronouncements not followed by resolute implementation, given political economy constraints and skepticism that arises due to past inaction. Learning events in the area of governance have the potential for being used as substitutes for action and can cover for a lack of commitment to undertake real reform. In addition, governance learning programs risk being undermined if they are not supported by work that continues on the ground. Another risk at this juncture is one of partial delivery given that the program is underfunded in terms of the FY02 administrative budget allocation.

In order to mitigate these risks, the governance program is action-oriented, and the learning activities are designed with the active participation of local partners and operational staff. Government commitment to engaging in serious reform efforts is evaluated *a priori*, and the Governance program requires a clear demonstration of demand for governance activities from the highest level before it agrees to mount a serious training effort. Training activities are planned in collaboration with operational staff in order to ensure that activities are not isolated events and do not generate confusion among local counterparts. In terms of funding, we will explore additional funding at mid-year, and from TFs.

Yet risks can only be mitigated through a participatory and rigorous approach, coupled with selectivity and resolve (including transmitting difficult messages)—they cannot be eliminated; in this field the risk of failure in individual programs is all too real, yet it does not justify moving away from this crucial area in development.

For specifics, see Annexes below at each sub-program level.

Annex 1

Details on the Learning Program

Program 1: National and Sub-National Governance

Analytical Justification

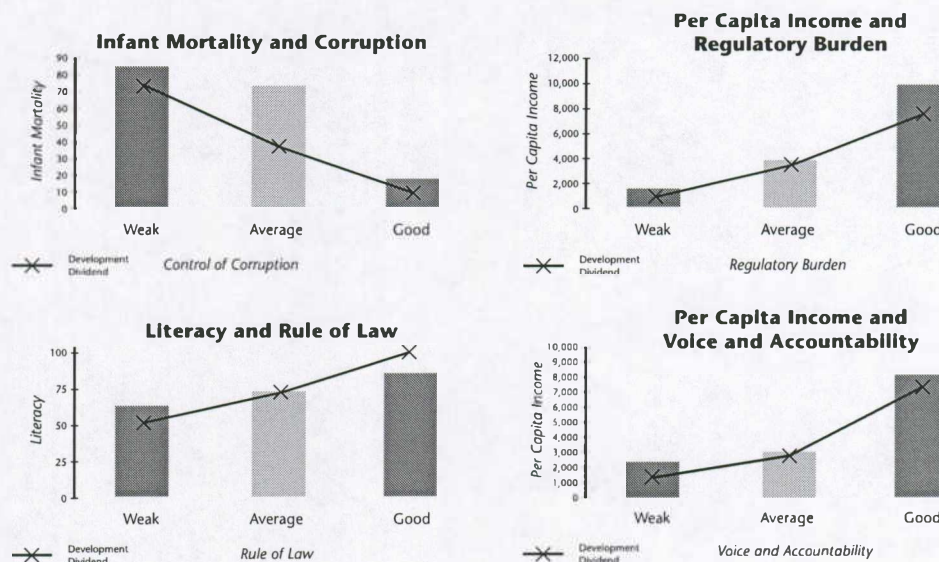
An important component of the World Bank's approach to improved governance in client countries is to empower their clients to foster accountability and transparency. Operationally, this approach involves working with client countries (both government institutions and civil society), in partnership with donors and international NGOs. WBI, in close coordination and collaboration with other units within the Bank, plays a central role in empowering client countries through its learning and action-oriented programs, to address various aspects of policy and institutional reforms which are critical to improve the quality of governance and consequently reduce corruption. For example, through continuous learning and adaptation based on analytical research findings, client countries are

able to benefit from the latest research findings that are integrated into the design and implementation of national programs to improve governance.

This approach highlights and focuses on an integrated, participative, and collaborative method to address the challenges of corruption at both national and sub-national levels. In other words, the key to success of many of these efforts is the extent to which national programs get translated into new procedures and new attitudes at municipal and local governments level—the stage of government most involved in people's every day lives. For example, within a country, the participative approach most often relies on the input and collaboration of various stakeholders in the development and implementation of action-oriented programs—the Executive, Judiciary, Parliament, Civil society, Enforcement and Watchdog Agencies, the Private Sector, State and Local Government, and the Media (or at least a core of such key stakeholders).

For details on all learning offerings and activities, go to <http://www.worldbank.org/wbi/governance/pdf/catalog1.pdf>

Figure 1: The 'Dividend' of Good Governance



Note: The bars depict the simple correlation between good governance and development outcomes. The line depicts the predicted value when taking into account the causality effects ("Development Dividend") from improved governance to better development outcomes. For data and methodological details visit www.worldbank.org/wbi/governance/.

The appreciation of the importance of reducing the damage caused by poor governance, illustrated in the slides above, has raised the importance of designing effective governance reforms that deal both with the symptoms and the cause of the problem. WBI's program on national and sub-national governance assists in the design and implementation of integrated strategies for governance reform. The program has been shaped around a set of core principles based on theoretical and empirical research and on international experience with governance reforms in general.

These principles include:

- Requests from client countries
- Governance reforms need to be based on a solid and rigorous analysis of existing problems.
- Addressing governance problems require the political will and commitment of the government but very little progress will be

made if the private sector and civil society are not actively involved.

- The success of governance reforms is determined by the changes that are experienced. Sustainable governance reforms lead to improvements in public sector performance.

WBI's response to requests from client countries hinges on the fulfillment of a number of pre-conditions:

- A written request from a Head of State or Government to the World Bank asking for help in addressing governance and anti-corruption issues. The program emphasizes a demand-driven approach to ensure there is strong commitment from the top to a transparent, open, and participatory reform process.
- Second, the program suggests the formation of a Steering Committee that includes top

Government officials as well as representatives from civil society and the private sector. Recently, some client countries have formed A-C Coalitions to help strengthen and sustain their constituencies for reform.

- Finally, the program places emphasis on a long-term commitment from client countries to an integrated program that addresses not only corruption, but a broader governance program as well. Consequently, the program discourages “one-off” activities, or countries selecting only parts of the programs due to a lack of commitment to a long-term, comprehensive program.

Through the above pre-conditions, the various components of the national governance and anti-corruption programs (described below), respond to client-country demand for anti-corruption assistance by providing innovative, action-oriented, non-lending activities, that illustrate a new way of doing business in which the client is totally empowered.

Program Objectives

The objective of the program is to promote transparency and accountability, and support the participatory formulation and implementation of governance programs through the following ways:

- distilling and disseminating the most recent lessons of operational research and pilot activities and practices
- helping implement concrete anti-corruption activities,
- assisting in the design and implementation of anti-corruption and other public sector reforms; and
- building capacity through knowledge sharing in key technical areas.

Program Components

Based on the principles stated above, WBI has crafted a set of offerings that emphasize research, participation, coalition building and the monitoring

of key governance indicators which include the following learning programs:

ANTI-CORRUPTION CORE COURSE

The Anti-Corruption Core Course, Controlling Corruption: Towards an Integrated Strategy, is a program aimed at mid- to senior-level policymakers and public officials, as well as representatives from the civil society (including the media) and the private sector. The primary goal of the course is to provide the tools for developing a participatory and integrated action program to combat corruption. The course plan is divided into four inter-linked phases over a 6-month period:

- *Phase One (face-to-face learning activity):* This phase brings together a diverse group of stakeholders representing the government, and civil society, from a number of countries (at least seven) for about a week. The country teams work throughout the week on developing a preliminary matrix of anti-corruption plans, or revising their existing plans and strategies.
- *Phase Two (DL stage on governance thematic areas and action program formulation based on diagnostics):* Specialists and participants in the various countries exchange information via DL and the web, so that participants can continue to learn and share information.
- *Phase Three (Presentation of country action programs):* The country teams present their action plans at an international forum. The participants come as country teams and are selected from government, civil society and NGOs in the participating countries.
- *Phase Four (implementation):* This phase encompasses the implementation stage. Work with the countries is mostly the responsibility of the region/operations in coordination with other donors — though WBI is prepared to continue assisting in a

secondary role, as has been the experience already in several countries.

DIAGNOSTIC SURVEYS

The diagnostic analysis is built on a novel approach developed by WBI that emphasizes the importance of (i) focusing on institutions, not individuals, (ii) surveying simultaneously users and providers of public services, and (iii) collecting both experiential and opinion data in order to obtain a more complete and objective assessment of governance.

The information gathered in each survey is designed to complement the information from other surveys. Three instruments are developed as a set, to be implemented simultaneously:

1. Public Officials Survey: examines public sector performance and governance, with a special attention to bureaucratic efficiency in service delivery;
2. Enterprise Survey: studies the business environment with a special emphasis on public sector governance and corruption. In particular, it examines the perceived obstacles to business development, transparency in public services and in the judicial system, and tax evasion;
3. Household Survey: studies households' perceptions of public service delivery with attention to perceived dishonesty of various public institutions.

GOVERNANCE DATA CAPACITY BUILDING AND MONITORING INITIATIVE

Evaluating governance and its impact on poverty alleviation efforts and climate for PSD/investment is an exercise that needs to be carried out on a regular basis and requires high-quality data. This initiative, developed in partnership with DECDG, aims to assist developing countries by strengthening their statistical, survey data, and analytical capacity, by increasing transparency and access to information using also IT technologies, and by improving the quality of

information on governance issues for both government and civil society generally. An improved governance empirical monitoring capacity allows governments to better prioritize, monitor, and develop governance indicators on a regular basis. It also supports a more integrated and collaborative debate between government and the other stakeholders over the policy making process. Moreover, in order to increase leverage and improve cost efficiency, this initiative promotes the use of web/internet-based technologies, as well as related IT frontier use of tools for e-governance dissemination and learning, including: Internet-based surveys, interactive web-based data/empirical work on governance, and the use of 'OptionFinder'/synthesis techniques, among others.

NATIONAL AND REGIONAL WORKSHOPS ON GOVERNANCE MONITORING

A systematic means of monitoring performance over time by client countries, especially during the implementation of their action plans to improve governance is critical to ensure the sustainability of governance reforms. Diagnostic surveys establish a baseline, above which monitoring is used to increase government accountability to assess change in desired outcomes as a result of government interventions. The challenge therefore is to help countries move away from one-off assessments to developing a systemic approach of regularized monitoring. A pilot course will provide client countries with a set of governance monitoring tools to enable them to scrutinize specific aspects of government performance that are most vulnerable to corruption and state capture, as well as highlight some of the risks associated with monitoring governance, both to the monitors themselves and to the credibility of the monitoring efforts.

NATIONAL AND REGIONAL WORKSHOPS ON COALITION-BUILDING

These workshops will provide tools to help client countries address governance problems by using the

collective action approach through an inclusive and participatory process in the learning cycle—from diagnostic to action. They focus on the importance of shifting the frame of reference from a “quick-fix” and short-term strategy to a long-term approach to address governance problems based on empirical data and collective action. They are closely aligned with other learning programs such as strengthening Parliament, better utilization of public resources, judicial reform, corporate governance, etc., (just to mention a few), because the coalition-building approach to addressing governance problems is utilized in all our learning programs.

SUB-NATIONAL GOVERNANCE WORKSHOPS

These workshops will explore a range of issues related to transparency and good governance at the sub-national level. Topics will vary from empirical tools to evaluate governance problems and monitor improvement, to simplification of administrative procedures, and mechanisms to improve public participation (participatory budgeting and neighborhood public audiences, public accountability, local control and auditing, etc.). Course materials will focus on concrete examples including 150 municipal anti-corruption initiatives produced by local governments for the first offering of the course as well as other successful local governance reforms including the experience in Campo Elias, Venezuela and the efforts made in Porto Alegre, Brazil and La Paz, Bolivia. The lessons from these and other cases will be codified into an indicative manual to enable participants to diagnose their problems and construct viable preventive and curative strategy to address municipal corruption. For municipal government anticorruption capacity building programs, please refer to (www.ruv.itesm.mx./programas/gap) for LAC and (www.mdpesa.co.zw) for Africa.

MINI-COURSE ON GOVERNANCE FOR YOUTH

Today's youths will one day lead societies, build economies, and make decisions that will have an

impact on the lives of future generations. Yet, they are one of the most underutilized resource in helping to address fundamental governance concerns in countries. Youths can be resilient, resourceful and responsive, and there is a need to encourage and establish mechanisms to involve them in playing a role in addressing corruption and improving governance in countries.

This mini-course on governance begins to explore ways of closing that gap by exposing the Youth to an understanding of the various governance-related issues as well as highlighting the important role they can play in improving the quality of governance in countries. The purpose of this mini-course is to encourage youths to more actively participate in improving the quality of governance in their countries. By exposing them to empirical data showing the negative relationship between governance and poverty, this mini-course aims to raise their awareness of the costs of corruption and poor governance. Furthermore, by emphasizing the role they can play in demanding accountability from their government, the course aims to stimulate a dialogue among the youth on concrete ways they can become part of the solution. The ages of those participating in this action-oriented activity will range from ages 14 to 18 in secondary schools in developed and developing countries. Please refer to <http://www.wbigf.org/youth/survey.php3> for data results from an on-going internet mini-survey specifically designed for the Youth.

RESEARCH ON POLITICAL FUNDING

The financing of politics has been a major area of concern primarily because of the lack of transparency and accountability in campaign contributions. Although there are laws in quite a number of countries against illegally funding political parties, research on state capture has provided insights into the links between political influence, grand corruption, and enterprise performance. In some countries, wealthy

groups attempt to buy political influence through illegal funding of political parties while in others, powerful officials corruptly enrich themselves through patronage networks and kickbacks resulting from supporting individuals and/or political parties to win elections. Although this seems to be a very serious problem in both developed and developing countries, not much empirical research has been conducted to analyze the relationship between political funding and good governance. As with “state capture”, WBI plans to undertake research to understand these variations, and what they mean within a particular society, in order to help countries see which institutions are in most trouble, and which are failing to restrain, protect, and/or link in the ways outlined above. The findings of such research will be disseminated to our clients through one of our learning programs—an indication of how WBI’s empirical work drives the design of its learning programs.

Interface with Operations

As indicated in the objectives of this program, WBI supports the formulation and implementation of governance programs in client countries mainly by sharing knowledge through action-oriented programs. WBI’s close interface with Operations throughout the program learning cycle allows for a seamless synergy in ensuring that concrete implementation requests from client countries are supported through mainstreamed Bank operations. To continuously ensure that our interface with Operations is deepened, WBI has developed “country learning strategies” that lay out concretely the kinds of programs that would be implemented in countries. These strategies have been developed with input from colleagues in other parts of the Bank, and are consistent with the broader Country Assistance Strategies and lending programs to client countries.

Program Evaluation

The program proposes to be evaluated based on the objectives stated as follows:

- On disseminating research information—as measured in the new research conducted and shared with client countries and partners.
- On helping countries implement activities—as measured in the linkages and incorporation of our empirical and learning programs with Operations, especially in preparing loan and support programs to client countries.
- On design and implementation of action programs—as measured in the number of countries that have completed the learning cycle—essentially moving from diagnostic to action through completing diagnostic surveys, designing and prioritizing action programs as well as implementing governance reform programs.
- On capacity-building—as measured in the number of countries that have utilized our approach and tools to monitor governance performance.

Risks and Doubts

WBI is not responsible for the implementation of governance reforms in country, especially since some of the specific assistance requests would fall outside of the scope of WBI’s training programs. Therefore, the implementation stage and work with countries would be mostly the responsibility of the World Bank region/operations in coordination with other donors. WBI will be prepared to continue assisting in a secondary role, as has already been the experience in some countries.

Furthermore, since it is a demand-driven program, the outcomes regarding anti-corruption strategies and institutional reforms depend on the level of political will and commitment at the country level, where WBI has no command. WBI will provide client countries with the tools and skills to improve governance and devise strategies to curb corruption, but we can not assure the implementation will be successful or actually will take place, since it is beyond our scope.

Program 2: Effective Use of Public Resources

Analytical Justification

The world community has publicly committed itself in the International Development Goals to working to make deep inroads in poverty over the course of the next 15 years. This commitment has already been supported by a range of new initiatives that seek to reduce poverty in large part by giving countries greater control over their own development agenda. The new poverty initiatives bring with them enormous challenges to the skills and capacities of national and subnational governments since the success of much of the development agenda hinges on the extent to which nations are able to make effective use of public resources.

The Program on Governance and the Use of Public Resources assists countries to achieve better public sector performance, and more effective use of their public resources (including financial and human resources). The Program is guided by two core principles: 1-Successful strategies to improve the use of public resources are guided by a rigorous identification of the fundamental problems in public sector performance; and 2-Successful public resource policies are derived from the combined effect of well-conceived programs and the effective use of authority. These principles carry with them a set of consequences for program activities:

- Program content is determined by the nature of the barriers to satisfactory public sector performance, as opposed to a traditional agenda focused on the professionalization of the bureaucracy and changes in the internal workings of the government.
- Program activities are directed to government and non government parties since the effective use of authority is determined by

the skills and capacities of public and private institutions, and the interactions among these institutions and citizens.

- Program components emphasize the importance of gathering and analyzing information in order to assess the effectiveness of public resource policy, and provide a range of tools designed to generate essential information.

The primary focus of the initial year of the program will be in the area of public fiscal policy. Activities in the areas of public service delivery and public administration will be developed in subsequent years.

The program is structured to make use of a disparate range of resources, including the knowledge and experience of foreign partners, new educational methods utilizing innovations in information technology, and the growing number of locally-based learning institutions. Program participants are expected to be drawn from the full range of stakeholders—including central and local officials, parliamentarians, members of the media, and representatives of the beneficiaries of public expenditure programs. All program elements will be supported by the development of computer-based learning materials. Course design will include the active participation of facilitators and content providers of local educational institutions.

Program Objectives

1. Assist in establishing the foundation for public resource training at regional institutions.
2. Aid in the creation and implementation of strategies to improve the transparency and accountability of public resource policy.

Program Components

COURSE ON GOVERNANCE AND PUBLIC EXPENDITURE MANAGEMENT

The course on Governance and Public Expenditure Management examines critical junctures in the use of public monies. In the past, the field of public expenditure management has largely revolved around issues related to the process of budget formulation and the techniques involved in creating a budget. Recent studies have demonstrated the massive divergence between budget allocations and actual spending in many countries and have raised questions about the priority that should be given to improving budget procedures in countries struggling to reduce poverty. This offering explores the primary problem areas in the use of public funds that have been identified through empirical analysis. These areas include budget formulation, execution and monitoring, as well as key procedures in the use of money such as procurement. The working of core accountability institutions are considered as is the impact of decentralization (and other delegations of authority) on the use of public funds. Throughout the program, the principles of good practice that are presented demonstrate the role of strategic thinking in the implementation of change and the importance of transparency and accountability in changing internal incentives and the external pressure to perform. The use of empirical data to prioritize reforms is discussed and case studies are relied upon to explore these issues in practice.

The course on Governance and Public Expenditure Management is closely aligned with work at the national and local levels on anti-corruption programs since many of the outputs from these activities have highlighted the critical importance of fiscal accountability. Where possible, the course will be sequenced around offerings in the Strengthening Parliament program and the Legal and Judicial Reform program. Coordination with the Fiscal

Decentralization program is also expected due to the close connection between decentralization issues and the use of public resources. It is expected that regional variations of the program will be designed and offered with the active involvement of regional partners in the creation of relevant case studies and local materials. Direct World Bank involvement in program offerings is expected to diminish over time once course materials have been created and initial activities have been successfully organized and completed. In time, WBI's function will be primarily to act as a link between regional partners, using its comparative advantage of access to information throughout the world.

ACTION PLANNING FOR IMPROVEMENT IN THE USE OF PUBLIC FINANCIAL RESOURCES

The second component is focused on the development of action plans for improving the use of public financial resources. Selection of topics will be made in consultation with Bank Operations staff and based on findings of rigorous analytical studies, such as the Governance Diagnostic work described above in the National Anti-Corruption portion of this brief. As in other areas of the Governance Program, actions plans will be developed over a six-to-eight month period of time, and a variety of activities will be designed to support the creation and implementation of plans. Face to face events will bring together all participants for intensive sessions and the sharing of experience, while video conferences will be used to provide support for the development of specific elements of the action plan. Participation in the learning events will be organized around country teams made up of important stakeholders identified by the Bank and other partners. Three topic areas will be considered in FY02.

PROCUREMENT. Empirical studies in many countries have identified procurement as a focal point for the diversion of public financial resources. By contrast, an effective procurement system can

play a key role in the development of internal competition and the attraction of foreign investment. Unfortunately, the issue of procurement is frequently placed at the margin of policy considerations and dealt with as the exclusive domain of procurement specialists. This activity will consider: the use of empirical research to determine the extent and nature of procurement problems; principles of good practice; experience with attempts to reform procurement; approaches to prioritizing reforms; strategies of the implementation of reforms; and techniques for establishing sustainable monitoring of the performance of the procurement system. All activities will be conducted in close collaboration with the World Bank's Procurement Policy and Services Group.

BUDGET EXECUTION. Concerns with budget execution have leapt to the forefront of the public expenditure management agenda due to recent work that has documented how severely spending diverges from budget allocations. Equally troubling have been findings on the lack of reliable data on how money is spent since it is now clear that many countries have no real knowledge of how their public funds are being used. This activity will assist in the development of strategies for improving budget execution. Topics will include: the use of empirical research to determine the extent and nature of problems in budget execution; principles of good practice in prompt and reliable transfers, accounting, auditing, and the operation of integrated financial management systems; experience with attempts to improve budget execution; the prioritization of reforms and strategies to bring in parliament and civil society; and creation of sustainable monitoring of budget execution. To the greatest extent possible, activities will be coordinated with the on-going work of the Financial Management Unit.

EXPENDITURE EFFECTIVENESS. Recent efforts to improve the effectiveness of the public sector have

placed paramount importance on reorienting the public sector to focus on the provision of services to clients and client satisfaction. In developing countries, the ability to emphasize performance is hampered by problems with determining the actual money that is reaching service delivery points as well as problems with determining realistic performance criteria. Movement towards using performance to influence allocations is also restricted due to the limited public resources available to measure performance and analyze data. In addition, procedures to feed back monitoring information into the policy process are largely lacking. This activity is designed to assist in the creation of a strategic approach to improving expenditure effectiveness. Topics to be covered include: the use of empirical research to determine the effectiveness of public expenditures; principles of good practice in tracking expenditures, monitoring performance, and utilizing findings to adapt policies and budget allocations; experience with reform efforts; mechanisms for prioritizing reforms, strategies for implementing change, including involving program beneficiaries and the analytical community; and techniques for establishing a sustainable and constructive system for monitoring performance.

COURSE ON GOVERNANCE AND POVERTY

The course on Governance and Poverty has been designed as a response to new demand and new opportunities presented by the Poverty Reduction Strategy (PRS) process. The PRS process presents an extraordinary opportunity to make significant improvements in governance since it involves the broadening of societal participation in the exercise of authority concurrent with the sharpening of domestic and international attention on achieving a limited set of specified objectives. To date, the relationship between governance and poverty has been only weakly reflected in the PRS process, and expertise that has been developed in several countries on a range of governance issues has been

only marginally utilized. This program component explores a variety of approaches to improve governance through increasing transparency and accountability, with special consideration given to mechanisms to focus government and nongovernment resources on strategic points in the process of policy formulation and implementation. The role of different stakeholders will be explored as will the use of empirical tools (survey and non-survey based) in improving the effectiveness of government actions to reduce poverty.

Program Evaluation

All program components emphasize the role of information in defining strategies for improving the use of public financial resources, and the importance of continuous data collection to determine the impact of reforms. The program is equally committed to subjecting activities undertaken within the program to the same sort of rigorous analysis. The

program will be evaluated based on traditional measures such as participant satisfaction and assessments of the amount of learning that has taken place. These evaluation mechanisms will be supplemented with evaluations of the impact of the program along the following lines:

- Sustainability—as measured by the number of regional activities based on WBI training programs that are organized without the active involvement of WBI.
- Contribution to the field—as measured by the creation of case studies and empirical studies that explore the concrete interactions between governance reforms and more effective use of public financial resources.
- Initiation of activity—as measured by the creation of plans to undertake actions in the areas covered by the training workshops and the institutional capacity building programs.
- Establishment of ways to assess impact—as

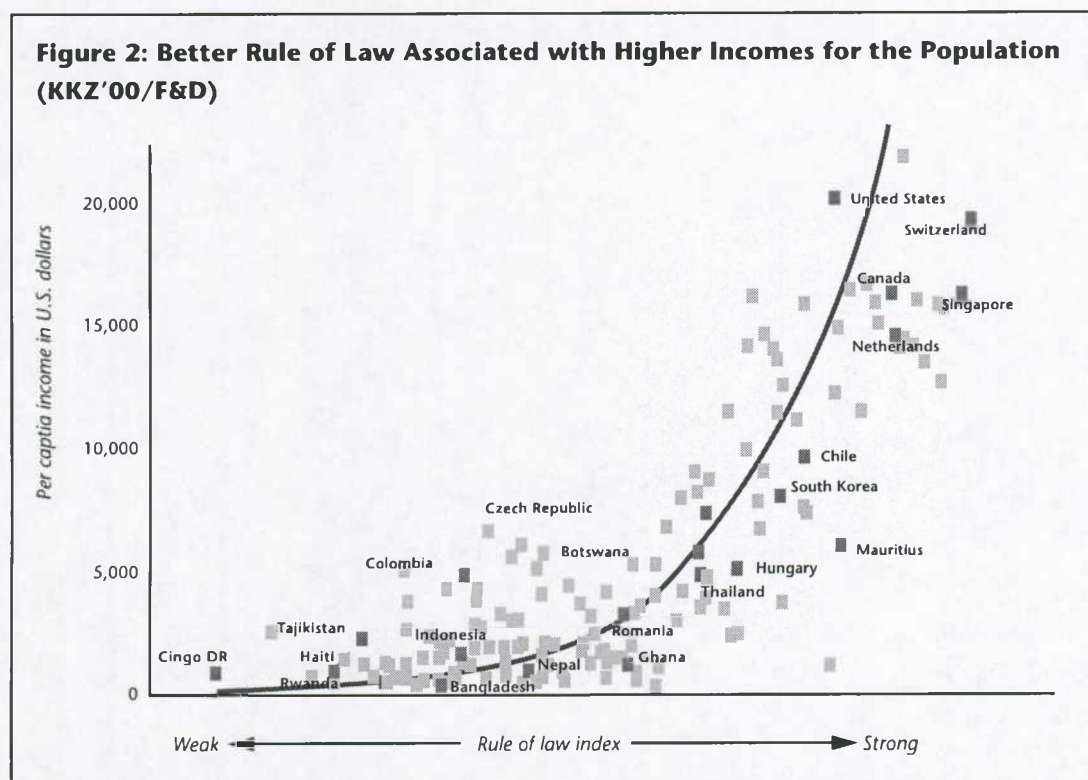
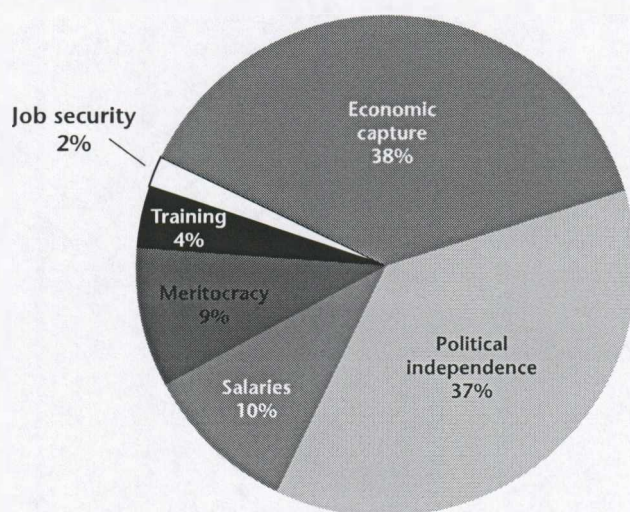


Figure 3: Main Obstacle to Transparent Judiciary



Source: Internet Survey 2001 on Main Obstacle to Transparent and Fair Judiciary (1,155 respondents).

measured by the creation of mechanisms to monitor the impact of action plans and the use of monitoring findings in the assessment of reform efforts

Risks and Doubts

- The Effective Use of Public Resources covers an enormously wide scope of areas, from public finance to public administration. The level of demand for learning activities in these areas is also very large. The program will need to ensure that resources are used selectively where they can be of greatest value to overall Bank efforts in the field of public sector management. Working with operational staff to prioritize areas and countries for work will be critical.
- Each country has its own peculiarities in regard to the way its public sector functions or fails to function. Ensuring that activities are properly tailored for indi-

vidual country situations can be tremendously resource-intensive and can endanger the ability to reach a sufficiently large population. Working with regional and local partners will be vital in order to ensure proper tailoring of content while not renouncing simultaneous work in many regions.

Program 3: Legal and Judicial Learning Program

Analytical Justification

The action-oriented program on Legal and Judiciary, which has a participatory learning approach, involving civil society and key members of the legal and judiciary community, integrates analytical and empirical rigor in addressing incentive, systemic and preventive issues as well as enforcement. The program is sensitive to the fact that challenges to legal systems can come from a variety of directions,

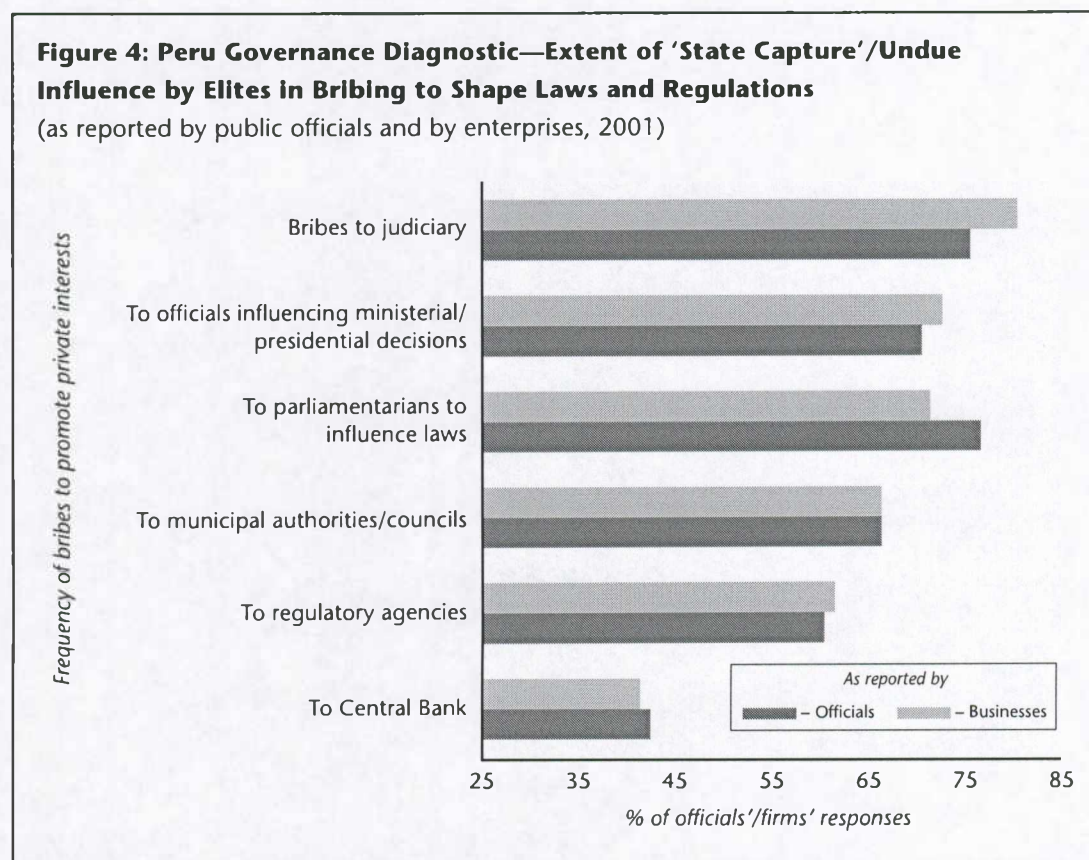
both political and economic, and that the priorities for legal development vary based on national characteristics and the stage of development of the rule of law. The learning program has been developed by the World Bank Institute (WBI) in close collaboration with the Legal Department (LEG) and the Poverty Reduction and Economic Management (PREM) Network of the Bank. Outside expertise input is also involved. It started in 2001, at the demand of various countries and regions (Asia, LAC: Bolivia, Peru, Paraguay). Since then, several regions and other countries have demanded different components of the program (Africa, LAC, ECA among others).

The program has been shaped by the results of governance diagnostic work undertaken within the legal systems of several countries. Based on the priorities identified in this diagnostic work and other

empirical studies, activities highlight concerns over the weaknesses in the Rule of Law and its application (Figure 2), the role of the judiciary for improving governance and addressing corruption, and issues of independence and transparency in the judiciary (looking at the main obstacles to transparency: Figure 3).

Some recently undertaken empirical studies and surveys, even though they show some variations on the obstacles to proper rule of law/judiciary performance (legal/judiciary institutions), also show that the traditional list of obstacles to a properly functioning legal/judiciary system, such as budgetary resources constraints, conventional training of judges, procedures, etc. can and should be challenged. Figure 3 above is discordant with the conventional thinking that the level of salaries or provision of training, for instance are of the utmost

Figure 4: Peru Governance Diagnostic—Extent of ‘State Capture’/Undue Influence by Elites in Bribing to Shape Laws and Regulations
(as reported by public officials and by enterprises, 2001)



importance for a transparent and fair judiciary; it also shows the importance of the phenomenon of capture (political as well as economic) of judicial institutions. This program, based on findings from numerous surveys throughout the world and with respondents of various expertise (economists, judges, lawyers, civil servants, researchers, etc.) intends to focus on the capture phenomenon and its effects on an impartial and transparent justice. This does not mean that low-ranked factors will not be reviewed, but instead suggests that they should be reviewed as part of an integrated package that indeed addresses the more fundamental causes of dysfunctional legal and judiciary systems and points to the fact that misgovernance in the legal/judicial institutions is a challenge not to be ignored.

Program Objectives

The combined activities undertaken by the Role of the Legal and Judiciary in Improving Governance seek to:

- Develop rigorous empirical tools for use in determining the core governance and performance issues for legal and judicial systems and train stakeholders in the use of those tools (including how to utilize findings in the development of strategies for change).
- With extensive participation from different stakeholders, transfer knowledge and experience, and provide tools that can be used to improve performance and accountability in the judiciary and enhance the rule of law.
- Strengthen national institutional capacity to create a national consensus strategy applied by the competent authorities based on the country priorities.
- Promote a dialogue among participants that contributes to consensus building regarding specific measures that will increase the possibilities of successful reforms.

Program Components

The program comprises three sets of activities initiated during FY01. Each activity is planned to expand over the coming years. Program elements include: i) a core course on judicial reform; ii) empirical research on judiciary/legal systems; and iii) country-specific policy advisory services.

JUDICIAL REFORM:

IMPROVING PERFORMANCE AND ACCOUNTABILITY

A core course has been designed to examine fundamental areas for judicial reform. The course brings together stakeholders within a country (including government representatives, sitting judges, law professors, members of the bar, and other civil society groups involved in judicial oversight and reform) and features discussions among country groups, and among different countries regarding the current state of legal performance in countries and possibilities for improvement. Please see www.worldbank.org/wbi/governance/judicial.htm.

In the first pilot program for Asia topics included: judicial appointment and the disciplining and removal of judges, case management, judicial independence and accountability, empirical research in the judiciary, and approaches to fighting corruption within the judiciary. The proposed program will go further, as some recent data has shown strong variations in the performance of the judiciary. However, one clear message has emerged: capture is one of the main obstacles to an independent Judiciary (Figure 3), and bribing to shape laws and regulations (Figure 4), more particularly in the Judiciary is one of the most detrimental types of corruption. This shows the importance of economic capture as a determinant of misperformance. Therefore, a new module will be offered, on measures to mitigate judicial capture by economic interests, which, inter alia, may require: i) an understanding of the elite forces that are capturing the judiciary or legal institutions, ii) measures to increase the economic

independence of the judiciary, iii) promoting civil society and NGOs to play roles in enhancing the transparency and accountability of these public rule of law institutions, and iv) increasing contestability by promoting the involvement of NGOs in taking up some judicial functions (such as ADRs), among others. Particular emphasis will be brought to the issue of capture and its effects. As Figure 4 suggests, bribing does not happen only at the judicial level, but also at the municipal, parliamentary and regulatory levels. Therefore, some clear linkages will be established between this program and WBIGF's various components and appropriate modules under the Good Governance program.

EMPIRICAL ANALYSIS ON JUDICIARY/LEGAL SYSTEMS

Drawing upon previous experience conducting empirical research in the field of governance, a set of quantitative tools are being developed for use within judicial and legal reform efforts. Survey-based instruments have been developed for diagnosing and prioritizing problems in the functioning of legal systems and have been

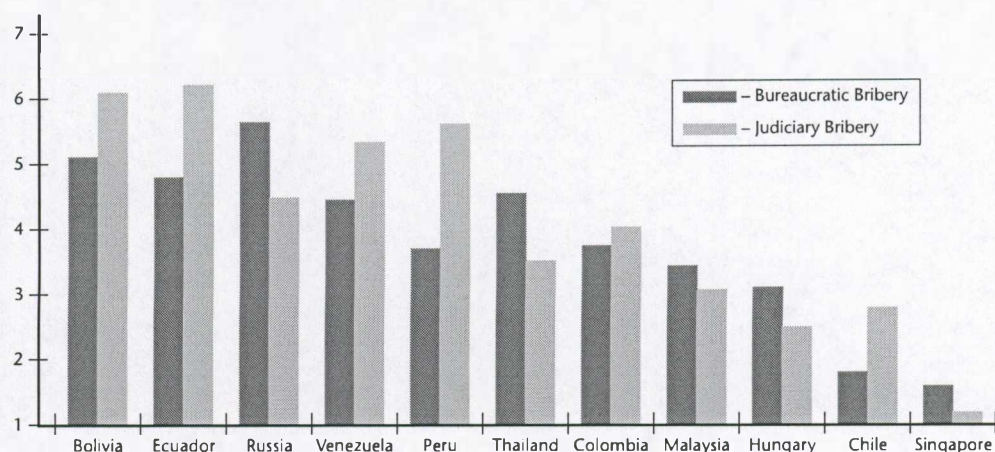
successfully piloted in Latin America. Alternative methodologies for monitoring progress in judicial and legal reform are being developed, in part through compiling international experience in low-cost, sustainable monitoring of legal performance. Activities in this area include working in collaboration with partners on the development of empirical instruments, analysis, and utilization of research findings in policy development and assessment. Particular attention will be given to the protection of property and contractual rights, as well as on institutions that support the rule of law.

POLICY ADVISORY SERVICE AND FOCUS COUNTRY

SPECIFIC ASSISTANCE ON JUDICIAL REFORM

This program element assists countries in the development of concrete strategies to strengthen the judiciary as an essential agent in the fight against corruption and to maintain the integrity of the judicial process. A participatory approach is utilized that includes focus groups, diagnostic surveys and roundtable seminars with key stakeholders (the state, the judiciary, civil society, academia, private sector).

Figure 5: Unbundling Corruption: The Extent of Bribery in the Bureaucracy versus in the Judiciary (Some Illustrative Countries)



Source: Global Competitiveness Survey, 2000.

A pilot program was organized in Paraguay and helped in the design of an action plan to fight corruption inside the judiciary.

Program Evaluation

The program emphasizes the importance of getting continuous data collection to determine the impact of reforms for improving the functioning of a transparent and accountable rule of law institutions. The program will use existing and new data in a rigorous way. To measure the impact of the use of empirical tools in determining the core governance and performance issues for legal and judicial systems we will take into account how many countries have utilized findings in the development of strategies for change. The program will be evaluated based on traditional measures such as participant satisfaction and assessments of the amount of learning that took place (evaluations level 1 and 2).

In addition, the program impact will be evaluated along the following:

- Sustainability—as measured by the number of national and regional activities organized by partners, with little WBI involvement.
- Measuring the impact of the tools provided in the courses and programs: evaluation surveys tools will be used to see which reforms have been implemented and what has been the impact on improving performance and accountability of the rule of law institutions.
- Integration with the judicial reform programs undertaken by other parts of the Bank will be another indicator of the impact of the program to see the capacity to create a national consensus strategy applied by the competent authorities based on the country priorities.
- Initiation of activities—as measured by the creation of plans to undertake actions in the areas covered by the learning program.

Risks

- Much emphasis should be put at the outset on the importance of the rule of law: why and how much the Rule of Law matters? Also, we may find some opposition (from various elites, representing political or economic interests) to our program, and it will be important to get the support of non vested interests. We already have good indicators on the rule of law and influence of elite, that should be systematically shared with our partners and audiences, and fully exploited, as well as the extent of bribery in the judiciary versus the Bureaucracy (Figure 5).
- Differentiating between the determinants and the symptoms of dysfunctional judicial and legal regimes, and better understanding the linkages between corruption and non transparent, unfair systems will be important if we want to move ahead with policy advisory services. Empirical studies and surveys should prove critical in this context, bringing the evidence needed to reach an understanding and agreement with the recipients of our action learning programs.
- Working with broad participatory coalitions will be essential, as the civil society can play an important role in promoting the accountability of rule of law institutions, and pressure groups can mitigate capture by large corporations.

Program 4: Media Development and Accountability

Analytical Justification

A functioning and independent media, long seen as central to democracy, is increasingly understood to be equally vital to improved economic outcomes. As Amartya Sen noted, the press can prevent disastrous economic policies from being perpetu-

Figure 6: Who Owns the Media?

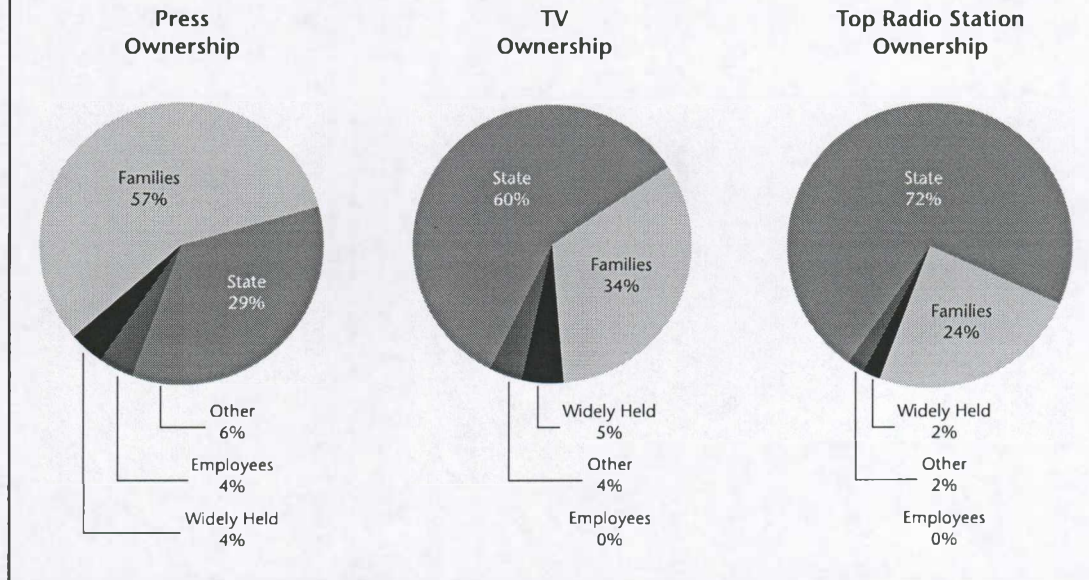
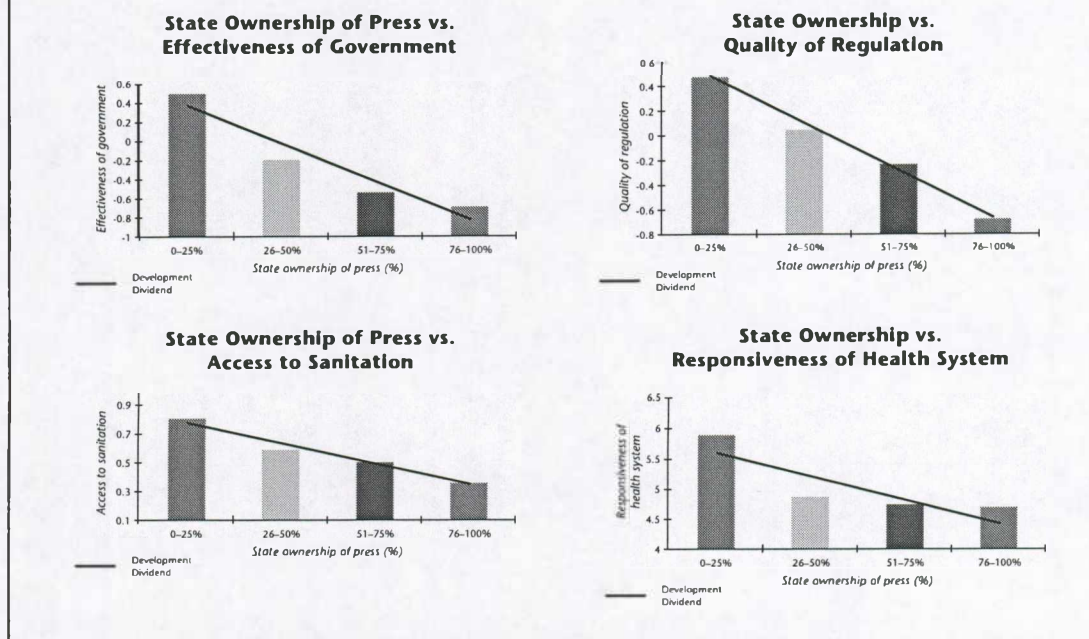


Figure 7: State Media Ownership and Low Competition is Associated with Poor Outcomes



ated and can keep the architects of such policies accountable. The press plays a central watchdog role in any strategy to curb corruption. Market economies depend on efficient information flows so that a variety of economic actors can make informed decisions. Finally, as developing and transition economies integrate into a global knowledge-based economy, the information sector, and in particular the media, becomes a crucial industry to develop.

Recognizing the importance of the news media, WBI for five years has offered training programs for journalists in all regions. The two core courses, "Investigative Journalism" and "Economics and Business Journalism," have been delivered to more than 2,500 reporters and editors in fifty-odd countries, mostly in Africa and Eastern Europe but more recently in LAC and Asia. Increasingly these training programs are delivered through DL technologies, and in collaboration with, or by international and local partners, using WBI materials and other (limited) inputs. A new course, "Covering Budgets and Government Spending," is being offered in East Africa and (planned) in LAC.

In addition to these core courses, WBI has assisted with specialized programs on environmental journalism, reporting on the HIV/AIDS pandemic, ethnic conflict and on financial regulation. WBI also has delivered programs on media ethics, on media's interaction with parliaments, and on access to information. These latter programs, developed in response to the growing recognition of the importance of the media environment, have already had some impact—such as the Freedom of Information Act currently before the Ghanaian parliament and the development of prototype codes of conduct for journalists in East Africa. A far-reaching WBI program is underway in Russia to strengthen the management, and thereby the economic viability, of independent media organizations.

The upcoming World Development Report, *Institutions for Markets*, carries a chapter on The Role of Media in Development, documenting ways that the press has acted as a catalyst for institutional reform. But the study also points to a variety of constraints—vulnerability to arbitrary lawsuits, censorship, state ownership or dependence on state subsidies, blocked access to information—that effectively prevent the press from playing the role it might in many countries the Bank works with. Some of these points were earlier highlighted in the WBI Working Paper on "The Role of the Media in Curbing Corruption" and were explored further in a third study, commissioned by USAID which analyses the "enabling environment for a free and independent media," and similarly finds that an array of legal constraints, structural weaknesses and patterns of excessive state interference often inhibit the development of this critical sector. For example, a World Bank-supported research project showed that in 97 countries surveyed, the state controls 29% of the top five newspapers and 60% of the top five television stations. Private media organizations still face interference from their owners, along with impeded access to information, poor management skills and under-trained reporters.

Program Objectives

The program is designed to strengthen the capacity of the media organizations and journalists to cover economic, political and social change, and in so doing enhance government transparency and accountability. The effects of such improved capacity would ideally be evident, country by country, in a better informed citizenry and a more accountable government. The program would be tailored according to the needs in different regions and country groups. For example, in Africa, there remains considerable demand for journalist training, while in Russia, the greatest need is for improved

management skills and viable news organizations. Elsewhere, the most pressing problems may involve the legal environment in which journalists and media companies try to function. WBI would work always in collaboration with local, regional and international partners, and would seek economical and effective use of distance learning facilities. Media development work would be closely coordinated with other governance programs. For example, training programs for journalists in covering budgets will be aimed at countries receiving WBI programs for parliamentary budget oversight and training for auditors general. By offering a variety of programs supporting media development at different levels, WBI can respond to the most pressing needs in target countries and regions.

Program Components

ENVIRONMENT FOR MEDIA

In putting a greater emphasis on the environment for media, WBI will work on two tracks: first, we will collect the relevant data on the laws and policies that constrain the press in priority countries; second WBI will provide training for media leaders and media associations that are in a position to advance an improved environment for the press in their countries. Meanwhile, the Media Development team will work to make sure that the most crucial issues in this area are part of the larger discussions on governance.

MEDIA MONITORING. As the media environment component of the program takes shape, it is envisioned that WBI/GF monitors—in collaboration with EXT and partner organizations—at least in priority countries, developments relating to media laws, access to information, media regulation and professional codes of conduct. The WBI governance web site would be expanded to include sections on these issues, and hopefully, the “media environment” would be included in any World Bank discussions with

countries seeking support to improve governance and transparency. WBI would also participate in international fora that would serve the long-term goal of building global support for the conditions in which an independent and free media can evolve and flourish. Though a variety of other organizations—from Amnesty International to the Committee to Protect Journalists—are also involved in monitoring threats to press freedom, the Bank brings the added perspective that such threats are a hindrance to improved economic outcomes. In addition, the Bank has an access to senior policymakers that other organizations involved in press freedom lack. However, given the historical involvement in press freedom of a number of other organizations, the Bank should be working collaboratively with other institutions and only where its involvement brings added value.

MEDIA ENVIRONMENT

- *Media Self Regulation:* WBI is already collaborating with the Commonwealth Press Union (CPU) on a Commonwealth-wide program aimed at establishing media self regulation regimes and developing regional codes of conduct; this has been designed to dovetail with the initiative to have Commonwealth Heads of Government (CHOGM) endorse the concept of Press Freedom as an underlying principle of good governance. This activity could be extended to non-Commonwealth countries.
- *New Course on the Media Environment:* Building on earlier access-to-information exercises in which reporters tested the transparency of government agencies (Tanzania, Uganda, Mauritius, Benin, Bolivia, Kosovo) and the promotion of journalist codes of conduct, this course will address some of the environmental factors affecting media effectiveness. It is envisaged that the course could be offered in Africa in FY02 and in other regions thereafter.

This component of the Program links closely with the National Anti-Corruption component, as well as with the Parliamentary Strengthening component.

MANAGEMENT AND STRUCTURE

Journalists in all regions report that some of their most pressing problems stem from management weaknesses that leave news companies vulnerable to being captured by either state or private interests which are less interested in building credible news organizations than in operating propaganda units. An innovative program in Russia, funded by CIDA and designed by WBI in partnership with the World Association of Newspapers and Russian groups, will prove invaluable in structuring programs in other countries. This component in many ways links closely with WBI's Corporate Governance program, which works in partnership with private sector leaders on issues of social responsibility and business ethics.

JOURNALIST TRAINING

The two core courses, "Investigative Journalism" and "Economics and Business Journalism," will continue to be offered, but primarily through distance learning and partnership arrangements. The increased use of the Internet-based learning platforms in both courses, a full version of the "Economics and Business Journalism" course on video and the recent launching of an internet-only Investigative Journalism course means that these courses can be offered at a declining cost-per-participant ratio and with, in some instances, reduced input from WBI.

The Investigative Journalism course component links closely with the National Anti-Corruption component, while the new course, "Covering Budgets and Government Spending" is part of a broader package of programs that include work with parliamentary oversight committees and auditors general. Taken together, these programs

are designed to strengthen countries' capacity to track government expenditure and make sure that budget promises are kept. There are strong linkages, too, between the Business and Economics course and the Corporate Governance program noted above. All three courses are increasingly action-oriented. The "Covering Budgets" course features a limited number of videoconferences, plus on-line mentoring to support the journalists in developing reporting projects on public spending which are to be published or broadcast by their news organizations. Similarly, the "Economics and Business Journalism" program for Africa is being recast to involve fewer videoconferences, more actual reporting work.

The goal of the journalist training program will be to shift primary responsibility for the delivery of the courses to partners—at least in Africa. At the recent meeting of the African training facilitators in Vienna, many indicated interest in originating training programs, with WBI performing a supporting role but no longer taking the lead. Generally, the African network of facilitators would take on greater responsibility for initiating programs. WANAD in Benin is currently in a strong position to take on increased responsibility. In English-speaking countries, there are some training institutes (Zambia) similarly well-positioned, but there are also a number of skilled facilitators lacking any structures that could support a sustained training program. In all likelihood, the "handoff strategy" will require somewhat different solutions for different countries or groups of countries. It is certainly true that WBI would have to assist local partners in lining up cofinancing as well as providing guidance on content, as well as videoconference and Internet support. The shift of responsibility in Africa would occur over a three-year period, after which time and resources would be freed up to support training efforts in other regions.

Quality Assurance, Evaluation and Impact

Following the evaluation of the Investigative Journalism workshops in the University of Utrecht evaluation of the Anti-Corruption program, in 1998, the University has included the evaluation of the media program in the ongoing doctoral research on the robustness and impact of the Governance program in selected African countries. In addition, a META evaluation is underway reviewing past workshops and holding focus groups in three African countries; results are expected later in 2001. Most of the journalist courses will be evaluated in the future with pre- and post-test evaluations, to gauge learning by participants. Through these evaluations, and with a willingness and flexibility to change program design and pedagogy, we will ensure a continuing high level of quality.

The program design allows for action learning—from journalists and government information officers together testing access to information, journalists writing articles on anti-corruption and related governance issues, journalists and editors developing codes of conduct and media organizations developing self-regulating authorities. Impact will be measured through the assessment of such outcomes.

Risks and Doubts

This sub-program is pushing the envelope as far as the Bank's traditional governance and public sector work is concerned. Operations may feel uncomfortable about incorporating such issues as press freedom and media ownership into CAS's and policy dialogue.

Program 5: Parliamentary Strengthening

Analytical Justification

We are living in an "age of parliaments," with a revitalization of legislatures that make them stronger

and more relevant today than ever before. Parliaments have three core functions: a legislative function (law making and participation in the making of public policy); an oversight function (holding governments accountable for their actions); and a representative function (representing citizens and, in effect, giving a voice to civil society at the level of the state). In carrying out these functions, parliaments are a bridge between the executive and civil society. At the same time, it must be recognized that in too many countries, parliaments are not living up to their potential: far from providing effective oversight and representation, parliamentarians are engaged in corrupt practices themselves.

Program Objectives

- Strengthen parliament as an important institution of governance, with a particular focus on: i) financial oversight and government accountability (in those countries where there are existing or planned public sector loans and credits with a parliamentary capacity building component) and, to a more limited extent, ii) representation, participation and voice (for "Parliaments, Governance and the PRSP Process").
- Establish active networks of parliamentarians in support of objective (a) above, relating to parliamentary oversight and the linking of such networks with other networks, such as INTOSAI.
- Link, to the extent possible, WBI's parliamentary capacity building activities with the parliamentary outreach activities of EURVP/EXT. A particular area of promise is "Parliaments and the PRSP Process"—where the Parliamentary Network of the World Bank has already expressed a strong interest in the implementation of PRSPs.

Program Components

GOVERNMENT ACCOUNTABILITY AND PARLIAMENTARY OVERSIGHT

Designed primarily for members of the Public Accounts and Finance/Budget Committees and their staff, together with representatives from Supreme Audit Institutions and other watchdog agencies, the Executive and civil society, the objective of this component is to improve government accountability through parliamentary oversight, principally (but not exclusively) through parliaments' involvement in the budget process, both ex-ante and ex-post. A particular focus is on understanding key issues, best international practice and public outreach/participation.

This sub-program will focus on up to 12 countries worldwide (countries where there are existing/planned public sector loans with a parliamentary strengthening component), where WBI will make a 2–3 year commitment to strengthen parliamentary committees and facilitate the exchange of experience and lessons learned across these countries. It is envisaged that the sub-program will have multiple elements:

1. two-to-three day workshops for committee members, with modules being selected from: i) key national policy issues; ii) the “budget cycle”; iii) “best practice” regarding parliamentary finance and oversight committees; iv) other oversight mechanisms; v) links to the Finance Ministry (for Finance/Budget committees); vi) links to the Auditor General (for PACs); and vii) development of committee work-plans. While the agenda for each workshop will be developed in consultation with the Speaker and relevant Committee Chair, it is envisaged that up to 60% of the workshop content could be “generic” and the remainder will be country-specific. (Future synergy will be developed between the work

with the oversight committees and Strengthening of SAls—a component of the Use of Public Resources course).

2. cross-country/ cross-regional sharing of experiences, through video conferencing and support to regional networks of parliamentarians, such as African Parliamentarians Network Against Corruption (APNAC) and Global Organization of Parliamentarians Against Corruption (GOPAC).
3. a parallel DL program (e.g. three hours/week for six weeks) for parliamentary staff, allowing for a more in-depth transfer of skills and learning process, with the same focus as in a) above. (Here, especially, synergy will be sought with the Public Resource Policy to Benefit the Poor course in EP and the new Use of Public Resources course in GF).

PARLIAMENTS, PARTICIPATION AND POLICY REDUCTION (PRSP)

Intended for Chairs and senior members of key Parliamentary Committees, together with the Parliamentary Leadership (e.g. Speaker, Clerk) and representatives from the national PRSP teams and leading civil society groups, from PRSP countries. The objective of this component is to help national Parliaments play an appropriate role in the formulation and execution of PRSPs. Content Outline:

1. Support to national parliaments to hold short (half- or full-day) awareness raising workshops for Members of Parliament and their staff. WBI's input would primarily be the development of appropriate materials and work with national PRSP teams and local institutions—regional “training of trainers” courses may be held, with face-to-face and DL. This activity could take place in all or most of the parliaments in the 70 PRSP countries.
2. In collaboration with other international organizations (e.g., the Parliamentary Centre,

the National Democratic Institute, UNDP, IPU, etc) and regional/national organizations (e.g., the King Prajadhipok Institute and the SADCC Parliamentary Forum), a series of national/regional two- or three-day action-planning workshops will be designed to help national Parliaments develop strategic plans regarding their oversight of, and participation in, the PRSP process. If funds are available, this activity could be held in about one quarter of the PRSP countries (i.e., about 18) over a two year period.

3. The development of a module for delivery in the DL parliamentary staff training course, noted in (3) above, under "Government Accountability and Parliamentary Oversight."

Quality Assurance, Evaluation and Impact

Following the evaluation of the Parliamentary workshops in the University of Utrecht evaluation of the Anti-Corruption program, in 1998, the Univer-

sity has included the evaluation of the parliamentary program in the ongoing doctoral research on the robustness and impact of the Governance program in selected African countries.

GOVERNMENT ACCOUNTABILITY

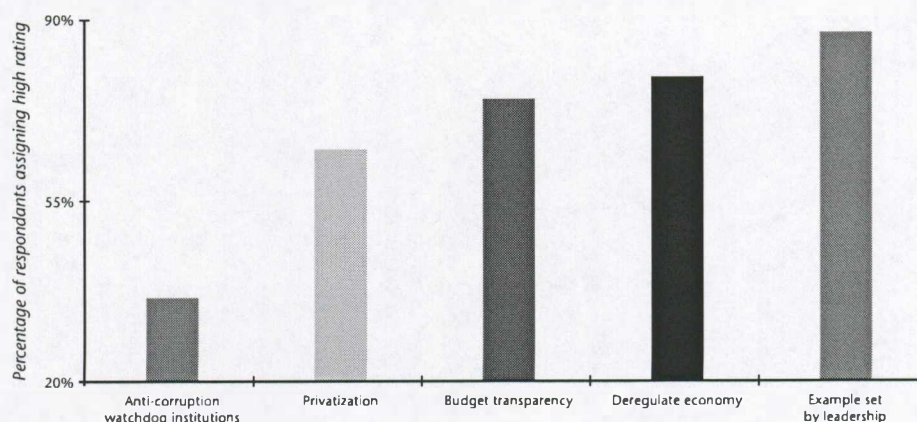
Three forms of evaluation will take place: i) for "full immersion" countries: level 1 and 3 evaluation, plus level 2 for staff training; ii) for Africa and Latin America: coverage under the University of Utrecht; and iii) for other countries, attending regional/DL events: level 1 evaluation.

Impact Indicators: with support from the Dutch GKSP, a set of indicators of parliamentary performance will be developed, which will both enable the measurement of parliamentary performance.

PARLIAMENT AND THE PRSP

Two forms of evaluation will take place: i) level 1 (and level 2 for staff training); ii) level 3 for selected countries. In addition, many donor agencies and

Figure 8: What to Do About Corruption? Responses from High-Level Officials in 62 Countries



* A framework for ethical leadership is essential to excellence in both private sector and public service. "Framework" means not only financial expertise or strategic thinking, but also personal integrity, upholding and promoting values and a code of conduct, and behaving consistently in an honest, ethical, and professional way.

independent think tanks are currently examining the implementation of the PRSP program (indeed, such examinations highlight the lack of parliamentary involvement to date); continuing examination will indicate the extent to which Parliaments have been able to become engaged in the PRSP process.

Through these evaluations, and with a willingness and flexibility to change program design and pedagogy, we will ensure a continuing high level of quality.

Risks and Doubts

Given the Bank's previous reluctance to engage with Parliaments, this sub-program is at the forefront of new Bank activities. An increasing number of Country Directors see value in greater integration of Parliaments into the mainstream of public sector/governance work.

As designed, the sub-program focuses on relatively few parliaments—most notably those that are currently or planned to be part of broader institutional/capacity building loans and credits. An issue that will need to be addressed in the future is what, if any, support should be given to parliaments which are not targeted for Bank support and where parliaments themselves are clearly seen to be part of the problem, rather than part of the solution.

Program 6: Private Sector-Public Sector Nexus

Analytical Justification

In many countries, the corporate governance systems that control enterprise health, value creation, and ensure their high performance and positive social impact do not function properly. At the same time, studies demonstrate that a transparent and sound national governance has a profound impact on the functioning of corporate governance systems, and vice versa. For instance, the surveys conducted in 62 countries indicated that privatization and deregula-

tion are important forces for reducing corruption (see Figure 8). Yet, sufficient efforts have not been made to better understand the nexus of corporate and national governance. Similarly, although corporate governance and business ethics, including developing an "ethics framework infrastructure" for both corporate and public sector can play an important role in fighting corruption, including state capture, additional work is needed to better understand the links between sound corporate governance and corruption.* Finally, the concept of corporate social responsibilities provides new tools for the private sector to play a more proactive role in poverty alleviation. There is a clear need for broader acceptance of corporate social responsibility and business ethics as a vital component of corporate strategy to facilitate the efforts for more equitable development and poverty alleviation. In the same vein, at the public sector level, governance is often weak, leading to misgovernance or corruption. "Regulatory capture" has been defined as a process in which a regulatory body becomes reliant on the regulated industry for information, and (unintentionally) identifies with that industry's interests. But there is also a risk of corruption, in which the regulatory body intentionally favors a company or person, in return for illegal payments. The costs of regulatory capture and of corruption are often hidden, but can be high. If the regulator is captured, prices to consumers are likely to be too high, and established industry practices may be favored against innovations which could lead to greater efficiency. In any case, a weak regulator will be subject to lobbying and other expensive rent-seeking behavior. Corruption leads the regulator to agree to poor outcomes, raises the cost of doing business in a country, and hurts the poor disproportionately. This problem cuts across Bank programs in Governance and in Regulatory Reform.

The Private Sector-Public Sector Nexus sub-program provides a holistic approach to the role of the private and public sector in governance,

including in combating corruption at the corporate as well as national level and has as a main focus coalition building for action, and action-planning and implementation on the part of external clients. The emphasis will be on activities that will take place at the national and subnational levels. Corporate/organizational level activities will be done by more specialized institutions. As countries are at different levels of institutional development the program will be shaped according to specific country needs. The entry point will also vary among countries (for instance, private operators, the media or other bodies that wish to play a prominent role in fighting corruption, including government agencies such as regulatory agencies). The selection of countries will also be determined by our previous activities in these countries, their level of development and needs assessments: our needs assessment studies identified, in order of priority, corruption, underdeveloped legal systems, regulatory capture and lack of government and business leaders who understand the importance of corporate social responsibility and ethics, as main obstacles to governance. The same assessment indicated that our clients expect WBI to play an important role in capacity building related to improving competitiveness according to international standards, motivat-

ing companies to use the triple bottom line, and dissemination of best practices.

Program Objectives

The overall objective of the program is to promote transparency and accountability at the corporate and institutional level. More specifically, the objective is to help put in place the institutions that will (1) enable markets to function efficiently and equitably and (2) improve country competitiveness and investment climate, by improving the ownership and governance structure and by minimizing the risks of corruption of the government by the private operators, of collusion between private operators, and of operators by the government. The program is action-oriented, and countries participating in it will be encouraged to work on action-plans, with the help of WBI as needed. Country/corporate specific modules will be prepared as required.

Program Components

ANTI-CORRUPTION:

REGULATION IN THE PUBLIC INTEREST

The objective of this modular activity is to expose policymakers in developing country Ministries to the principles of effective regulation, and to safeguards

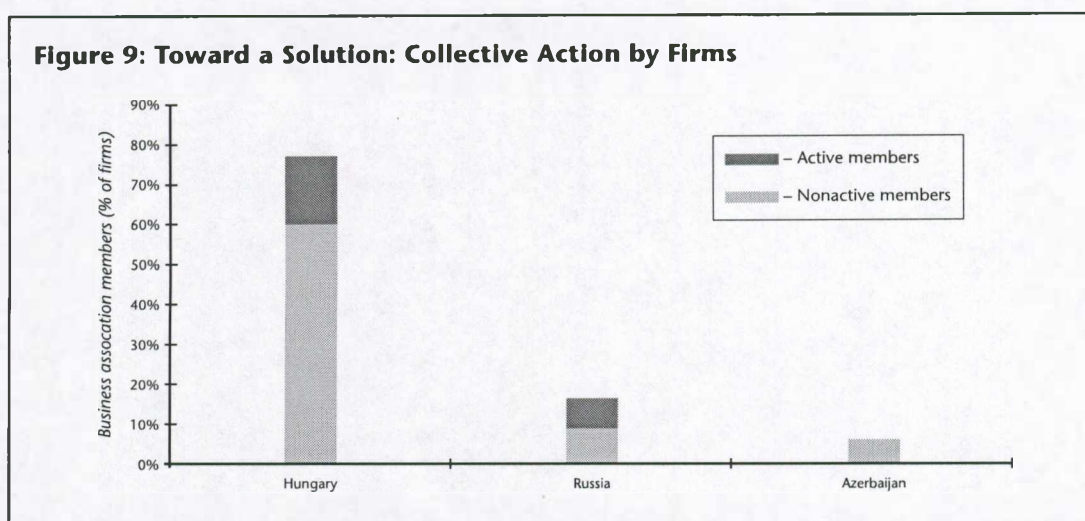
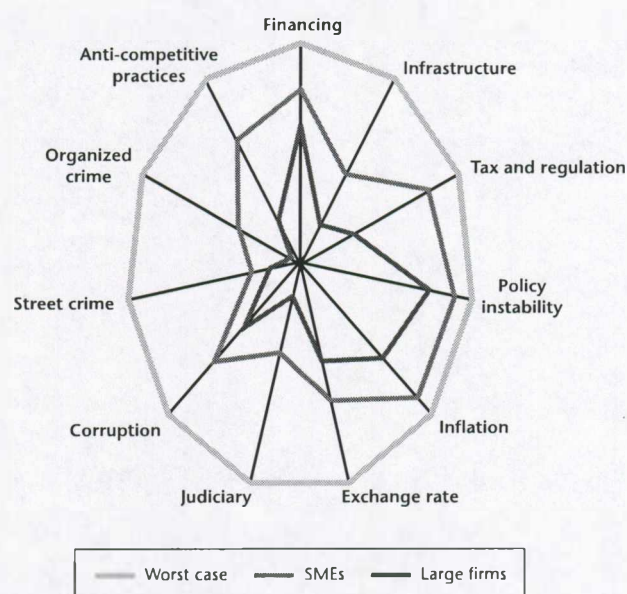


Figure 10: Assessing Governance Within a Country: The View from SMES in Turkey



against corrupt practices. Starting with a discussion of the stylized facts of governance problems which one typically finds in regulatory agencies (with problems being classified according to different criteria including their seriousness in terms of deviation from the social objective functions of the agencies), it aims at discussing possible solutions to these problems, placing emphasis on instruments which increase institutional transparency and accountability on the part of regulators and undertaking a cost-benefit analysis of each of the anti-corruption mechanisms presented before. More transparency and accountability may imply, for instance, more human and material resources not readily available in many jurisdictions. It also looks at the award mechanisms in privatization operations.

The activity will have linkages with the Attacking Poverty program, particularly on the effects of a more transparent regulatory environment that should allow for positive effects on consumers, as well as the Market Solutions for Development Program. The courses will be modular, allowing

development over time, and tailoring to individual audiences. Several modules are suggested, with a view to develop Anti-Corruption Solutions in the Design of Regulatory Agencies, including:

ETHICS IN PUBLIC POLICY. Exploration of the direct and indirect costs of corruption, and identification of the links between good public policy, private behavior, and public trust.

DESIGN OF COLLUSION-PROOF AUCTIONS FOR INFRASTRUCTURE. Addressing one of the alleged key sources of corruption in the context of privatization: i.e. the award mechanisms from a legal viewpoint; and looking at regulation/competition corruption possibilities and prevention (methods including international assistance, OECD Convention), presenting practical scenarios for promoting transparency in infrastructure projects. This module will be used in collaboration with the “improving the performance of key Fiscal accountability institutions” activity of the “Effective use of public resources”

component described above (Program 2), and with the Infrastructure Finance component of the “Market Solutions for Development” program.

TASKS OF REGULATION. They can include setting and enforcing controls, monitoring quality standards, and responding to complaints of discrimination or unfair practices. Significant decisions should be the subject of prior consultation, to increase the information available to the regulator.

ANTI-CORRUPTION PROCEDURES. This module considers ways of ensuring that the regulatory body does not suffer from capture or corruption, and looks at the role of the media, watchdog agencies and NGOs. This modular program is under development, and may include aspects related to competition agencies, with case studies including two sector agencies and two antitrust agencies from different jurisdictions with distinct legal and political traditions. The emphasis will be placed on the peculiarities of each national context, avoiding “one-size-fits-all” solutions. It will then include a module dedicated to the discussion of the general characteristics of the sector agencies as compared to the antitrust authorities with emphasis on the governance problems.

Some modules will be used in the sub-program below, and vice-versa, depending on the needs of the countries. The whole “Private Sector—Public Sector Nexus” is being prepared as a series of modules that can be used in an interchangeable way.

SOUND CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND BUSINESS ETHICS

The main focus is on better understanding:

- the corporate and national governance nexus
- the links between corporate governance and business ethics and fighting corruption, particularly state capture, and
- the role of the private sector in poverty alleviation by using the concept of corporate social responsibility, using parts of the

module of Private-Public Participation in Infrastructure and the Poor under the Market Solutions for development Program.

The approach will help companies use the concepts of corporate governance, social responsibility, and ethics as an important element for developing sustainable competitive advantages, and address the interests of the key stakeholders, including the communities in which they operate, in a more systematic way. Particular attention will be given to the role of business associations. As data demonstrates (Figure 9), countries with more active business associations have lower levels of corruption (case of Hungary); it also shows that the damages of corruption are much higher on smaller firms than larger firms (Figure 10). The role of the Media will be looked at, borrowing from the Media sub-component (Program 5). The additional objective is to assist governments and companies in the design and implementation of programs—an “ethics infrastructure”. The tools, systems, and conditions that provide incentives for professionalism and high standards of conduct will be presented.

The program is modular, allowing development over time, tailoring to individual regions, countries, and audiences as well as action plans development and implementation, and allowing for its use in the Governance and Anti-corruption component under the Good Governance program (more particularly in the “Coalition Building”) subcomponent under Program 1, where the linkages are very clear to capture the role of the private sector in social development. Similarly, the Corporate Social Responsibility component will be used in the Coalition Building sub component, to get a broader understanding of the roles to be played both in the public and in the private sector to improve governance and social development. Putting more and more emphasis on the true need to have a fully integrated program within WBI, showing the linkages between various activities and focusing

on an increased impact, the Corporate Social Responsibility and Corporate Governance activity will also be used in other WBI training programs, such as: Sustainable development, Attacking Poverty, Globalization and Macroeconomics, and Leadership program on Aids.

GOOD GOVERNANCE: BRINGING ETHICS TO PUBLIC ADMINISTRATION, THE PRIVATE SECTOR AND CIVIL SOCIETY

This activity aims at helping client countries to promote good governance and high ethical standards in public administration, private sector and civil society by assisting them to create an “ethical infrastructure.” The activity will include principles of public and private sector ethics, a review of current codes, tools and suggestions on how to write a code, accountability mechanisms, disclosure policies, internal control mechanisms, communication and training techniques —the framework that supports and improves ethical conduct in public service or civil society. More specifically, the activity will deal with the “social, political, and ethical dimensions of good governance”—the nuts and bolts, the toolkit for implementing an “ethics framework.” The focus will be on “From theory to action: how to promote an ethical environment” and include “standards of behavior expected of public servants, private sector and civil society leaders.” Methods will be used to determine how and to what extent values and social norms or laws that govern society actually affect ethical behavior. This module will be part of the Anti-corruption: regulation in the Public Interest component under the Market Solutions for Development program.

MODULE ON CORPORATE AND NATIONAL GOVERNANCE NEXUS

This module focuses on getting a better insight of the critical links between corporate and national governance and the ways they influence each other in a positive manner. Particular emphasis will be given

to the links between corporate governance, business ethics, fighting corruption, and the role of the private sector in poverty alleviation by using the concept of corporate social responsibilities. This module cuts across various sub-programs of Good Governance and Attacking Poverty.

VIRTUAL RESOURCE CENTER ON CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

In order to support local capacity building through more efficient access to information and best practices, a Virtual Resource Center will be created in cooperation with our partners. By compiling and organizing a web site dedicated to CSR and ethics available in many different languages, the virtual center will provide interested parties with the tools necessary to help create effective ethics and CSR programs. Furthermore, it will act as a virtual area where current and new initiatives from around the world can be found to link up and share practices and experiences.

RESEARCH, NEEDS ASSESSMENT, AND DIAGNOSTIC SURVEYS

Several surveys will be conducted aimed at broadening the understanding of some critical issues related to CSR and ethics, values systems, and codes of conduct, as well as the current status of the “ethical infrastructure” in our client countries. Assessments will ensure that action plans are grounded on better knowledge of key incentives for ethically and socially responsible behavior. This will help better assess the learning and capacity building needs and also make the decision-making process and implementation more efficient. To do so, the program will make use of the R&D component of the Good Governance program, and more particularly of the corruption diagnostic surveys. In general, the R&D component will be used throughout the various sub-programs, feeding directly into them.

The modules developed within this program, with appropriate modifications will be incorporated

in other good governance programs such as media development and accountability (and more specifically the Economics and Business Journalism), national governance and anti-corruption, and effective use of public resources.

Program Evaluation

The short-term evaluation of the program impact will be conducted through traditional measures such as an evaluation questionnaire and pre- and post course quizzes. Medium-term evaluation will focus on measuring the quality of the action plan and impact on the ground. This will include evaluating concrete actions such as changes in the regulatory and competition environment, introduction of global standards of conducts, strengthening the “ethical infrastructure” of corporate/ organizational level, and voluntary code of conduct by business associations.

Risks

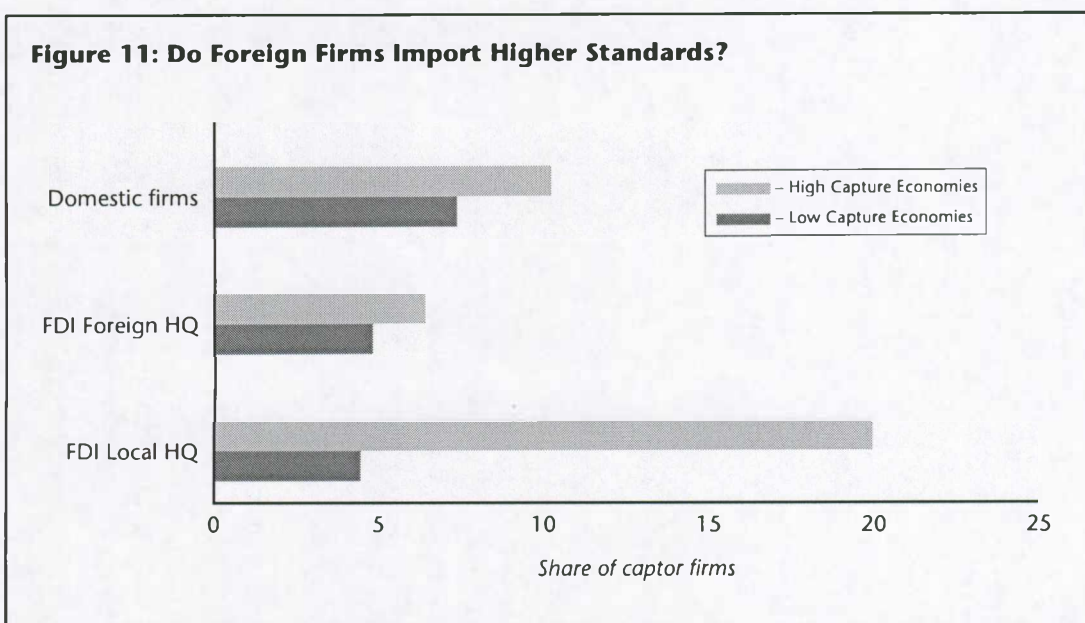
One of the key challenges and risks is to establish a productive balance between the relevant roles the private and public sector should play. The risk is that

a greater government involvement in “creating an environment conducive to PSD” could result in over-regulation and micro-management of the private sector activities. On the other side, the profit-maximization objective of the private sector could undermine the efforts for sustainable and more equitable development.

There is still a fundamental misunderstanding about the business relevance of the concepts of corporate social responsibility and ethics. Without helping companies and the private sector understand the full potential of CSR and ethics in building competitive advantages it would be difficult to get their acceptance to address these concepts while creating their development strategies.

Working with broad participatory coalition is essential. At the same time, developing a common ground for all relevant stakeholders will be a very difficult and risky task. Higher reliance on partnerships, particularly the local ones, will put additional pressure on quality control. Better selection and coaching of our partners will be critical for the overall success of the program. Similarly, bringing best practices from foreign investors could help

Figure 11: Do Foreign Firms Import Higher Standards?



reduce the share of capture in a country when the firm's headquarters are located outside of this country: so particular attention should be paid to the selection of foreign firms' experience (see Figure 11).

**Program 7:
Research and Development in
Governance and Anti-Corruption:
Analytical & Empirical Methods and
Operationalizing Research Findings**

Analytical Justification

Recently, researchers have focused on the link between better institutions and governance, on one side, and development, on the other. Appropriate and effective governance institutions—both national and corporate—are key factors to guarantee growth. The proper choice and functioning of legal, enforcement and market institutions translate in fact in good governance, and, thus, development.

Despite this recent awareness among researchers and practitioners, analytical work on this topic and capacity building activities are unsystematic and preliminary. This is due in part to the lack of an appropriate analytical framework to assess institutions and governance, and in part to the limited development and availability of the empirical resources necessary for a rigorous analysis.

The work of the Governance program is predicated in continuous learning and adaptation based on latest analytical and research findings, inter alia (complementing findings in DEC and outside of the Bank) drawing from our ongoing in house work on this issue (for details, visit: <http://www.worldbank.org/wbi/governance/wp.htm>).

This component is one of the 'glues' which ties the various subcomponents of the Governance Learning program (the national and sub-national action programs being the other, more downstream, 'glue'). An important umbrella component of the overall work of the Governance Program (and

beyond) is the continuous gathering, development and use of governance indicators and survey-based empirical datasets, including governance diagnostics (see http://www.worldbank.org/wbi/governance/data_main.htm)

This overall Governance R&D component is a key input to all 6 operational learning components above. Utilizing governance datasets for its analysis, it includes frontier analytical issues where work is underway, such as Party/Political Finance and their links to overall governance, the operational and empirical research program on State Capture (by the elites, as per recent work with ECA which is resulting in the reshaping of governance strategies, and for which learning modules have been prepared and given in courses such as Knowledge for Development, Anticorruption Core Course, and others). For details, visit: <http://www.worldbank.org/wbi/governance/wp.htm#statecapture>. Further, for the analytical and empirical knowhow on governance empirical diagnostics at the country level, visit <http://www.worldbank.org/wbi/governance/tools.htm>, and for research work on Worldwide Governance Indicators (<http://www.worldbank.org/wbi/governance/datasets.htm>).

The substantial R&D and empirical work that has taken place by the Governance team in collaboration with DEC and others in the World Bank Group and outside has resulted in significant databases and synthesized empirical findings (as illustrated in the charts in the other program descriptions above, not shown in this section).

Project Objectives

The objective of this program is to improve our and our client's ability to assess the quality and the role of governance institutions, to develop an integrated analytical framework, and to promote internal capacity building so

- (i) to create a better understanding of the determinants of good governance among practitioners, government officials, and civil society leaders;

- (ii) to promote statistical capacity building and institutional development by improving the existing diagnostic instruments, monitoring systems and statistical analysis approaches; and
- (iii) to strengthen policy reforms implemented in the regions.

Project Components

NEW FRONTIERS IN DIAGNOSTICS AND EMPIRICAL TOOLS FOR GOVERNANCE ANALYSIS AND REFORM

Designed primarily for government officials, judges, congressmen, civil society representatives, entrepreneurs, media representatives, and the staff of international donor agencies, the key objective of this component is to strengthen the ability of client countries and international donor staff to evaluate the quality and the role of governance institutions using novel empirical diagnostics and techniques developed and used by the WBG. The Program assists participants in the design, implementation, and analysis of surveys to create a governance profile of a country and identify priority areas for improvement. Empirical analysis is combined with nationwide participatory activities that lead towards the establishment of integrated and credible strategies for reducing corruption and improving governance.

GOVERNANCE DATA CAPACITY BUILDING AND MONITORING INITIATIVE

Evaluating governance and its impact on poverty alleviation efforts and climate for PSD/investment is an exercise that needs to be carried out on a regular basis and requires high-quality data. The Governance Data Capacity Building and Monitoring Initiative is a world-wide program aimed to mid- to senior-level policymakers and public officials, as well as representatives from the civil society and the private sector. This Initiative, developed in collaboration with DECDG, responds to the demand for action on governance in devel-

oping countries. It will assess the quality of governance information system (from data collection to analysis and policymaking) in a selected number of countries. The assessment will form the basis for a medium- to long-term strategy for building capacity in governance diagnostics and monitoring. The initiative aims to assist developing countries by strengthening their statistical, survey data and analytical capacity, by increasing transparency and access to information using also IT technologies, and by improving the quality of information on governance issues for both Government and civil society generally. An improved governance empirical monitoring capacity allows governments to better prioritize, monitor, and develop governance indicators on a regular basis. It also supports a more integrated and collaborative debate between government and the other stakeholders over the policy making process. Moreover, in order to increase leverage and improve cost efficiency, this initiative promotes the use of web/internet based technologies, as well as related IT frontier use of tools for e-governance dissemination and learning: internet-based surveys, interactive web-based data/empirical work on governance and use of 'option finder'/Synthesis techniques, among others.

INTERFACE WITH OPERATIONS AND DEC

Because of its nature, this Program can serve as a channel to disseminate knowledge and promote internal capacity building within various parts of the World Bank Group.

This program can facilitate an increase in collaboration and integration of WBI work with the Operations part of the Bank in terms of how they integrate the findings of empirical and analytical work in preparing their lending and other support programs to client countries. To continuously ensure that our interface with Operations is deepened, WBI has developed "country learning strategies" which lays out concretely the kinds of programs that would

be implemented in countries. These strategies have been developed with input from colleagues in other parts of the Bank, and are consistent with the broader Country Assistance strategies and lending programs to client countries.

In addition, WBI focus on translating methodological improvements and progresses into sustainable capacity building and action-oriented programs promote collaboration and exchanges between DEC and WBI.

Program Evaluation

The program proposes to be evaluated based on the objectives stated as follows:

- *On disseminating research information*—as measured in the new research conducted and shared with client countries and partners.
- *On capacity-building*—as measured in the number of countries that have utilized our approach and tools to monitor governance performance.
- *On design and implementation of action programs*—as measured in the number of countries that have completed the learning cycle—essentially moving from diagnostic to action through completing diagnostic surveys, designing and prioritizing action programs as well as implementing governance reform programs.

Annex 2

Draft Learning Governance Country Strategies: Brazil, Indonesia, and Tanzania

Brazil: Governance Learning Country Strategy

Rationale

The Country Assistance Strategy Progress Report of May 2001 notes that the conditions and prospects for sustainable poverty reduction in Brazil have continued to improve over the past few years. These improvements are in particular the result of : (i) successfully continued fiscal reform; (ii) renewed growth; and (iii) an increased Government effort to improve targeted social policies. Among other issues, poverty reduction prospects are said to have improved because of increased public and political attention to poverty problems, leading to increased emphasis on necessary policy reforms and on the quality of social spending, including increased spending on core programs for poverty reduction.

The strategies outlined in Brazil's CAS emphasize fiscal adjustment and macroeconomic stability

as basic prerequisites for poverty reduction. To achieve important improvements in the assets of the poor continuation of reforms for better basic education and health, urban services, land reform and support to small farmers is considered essential. Social protection also needs to be further improved through strengthening and better targeting of the social safety net. Very importantly, it is felt that participatory policies would increase social inclusion and the effectiveness of poverty reduction policies.

CAS PRIORITIES RELATED TO GOVERNANCE

FISCAL REFORMS

- Government of Brazil has continued the implementation of its *fiscal adjustment program* agreed with the IMF, and generated primary surpluses that are consistent with a sustainable public sector net debt path (1999, 2000).

- In order to *strengthen fiscal sustainability* at all levels of government, Congress approved the *Lei de Responsabilidade Fiscal* (Law of Fiscal Responsibility) in March 2000 which includes: (1) national and sub-national governments must establish and attain fiscal targets; (2) ceilings are placed on increases in permanent expenditures; (3) intergovernmental lending is prohibited; (4) governments must disclose and widely disseminate fiscal laws, accounts and reports.
- By the standards of other large federalisms in developing economies, *Brazilian federalism* is fundamentally sound. The principle of sub-national political independence is well established, is not in crisis — but has its challenges, including the propensity of sub-national governments to accumulate significant fiscal deficits, which is now significantly hindered by the Fiscal Responsibility Law (2000). Other concerns include insufficient impact of revenue sharing on poverty reduction and the lack of accountability and efficiency that arises from the lack of division of responsibilities between states and municipalities.

PRIVATE SECTOR DEVELOPMENT

- While the resumption of growth and the declining domestic interest rates have improved the environment for private sector development, *structural constraints* continue to impede faster, equitable growth and broader sharing of the benefits of growth.
- *External private debt financing* is expected to remain at a low level, reflecting the lack of access for all but top-class firms to long-term debt financing.
- *Alternative private financing* sources continue to be small relative to the size of the economy.

- Privatization has improved communication and energy services.
- Privatization progress has been uneven in transport and water and sanitation.

MICRO-ECONOMIC REFORMS

- Important *reforms, ongoing or under consideration*, include tax reform to reduce the inefficiencies created by the current tax system, regulatory reforms (labor, competition, de-bureaucratization, business environment for small and medium enterprises, etc.) financial sector reforms to deepen financial markets, and governance improvements (effectiveness of the legal system, transparency, etc.).

PUBLIC SECTOR REFORM

- The Bank has been less active than foreseen in the CAS on activities related to *judicial reform*. The Government is proceeding on its own with a series of initiatives, including a workshop on judicial reform options.
- The Federal Government has recently expressed interest in Bank non-lending support for *governance reforms* that would help improve Brazil's investment climate. The Bank plans to organize a first joint brainstorming workshop to discuss international experience and develop a work program in this area.
- On issues related to corruption, Bank's assistance is demand-driven. The Bank has recently, with WBI support, responded to a request from the newly elected Mayor of São Paulo to help with the development of an urban governance and anticorruption strategy. The Bank is closely collaborating with DFID, which is active in this area.

R&D/ Diagnostic

The multi-year budget plan called *Plano Plurianual* (PPA) provides a new framework for the prioritization and evaluation of all Government spending. This approach has particular importance for improving the quality of social spending. Key social indicators continue to improve as Brazil makes significant advances in contributing to the International Development Goals (See Table A2.1).

However, the illustrative Governance Research Indicators Country Snapshot (GRICS) (see chart below) places Brazil in the “vulnerable group” in a number of such indicators (illustrative, to be updated with latest 2001 data in November 2001). This suggests that even while its social indicators have shown a steady improvement, much remains to be done in the governance arena in that country.

Areas of Priority for Learning Programs, WBI in collaboration with operations/network

The following are areas to be discussed as possible priority areas of focus. Some of these would have

major implications for WBI learning programs, while for others the role would be much more secondary (this is preliminary, to be discussed). In terms of governance work, the ongoing major pilot in the city of São Paulo is one key activity at this stage (see attachment), one that may pave the way to other similar initiatives. The work will be conducted in close collaboration with operations (and following the guidance of the CMU) and key staff of PREM –LAC. Following initial discussions on this draft, a revised note will be prepared to outline the country learning strategy until end FY’03, with a financing plan that accounts for the budgetary realities in WBI and considers the various partnership funding modalities that would enable a scaling up of collaborative learning activities.

IMPROVING ECONOMIC GOVERNANCE

In light of the (i) federal structure; (ii) the enactment of the Law of Fiscal Responsibility; and (iii) institution of the multi-year budget planning mechanism *Plano Pluriannual* (PPA), WBI should focus on:

Table A2.1: International Development Goals and Progress in Brazil

<i>International Development Goals</i>	<i>Brazil's Recent Progress</i>
Reduce the proportion of people living in extreme poverty by half between 1990 and 2015	Brazil's extreme poverty rate has fallen from 21.3 percent in 1990 to 13.9 percent in 1998
Enroll all children in primary school by 2015	The percentage of children out of school has dropped from 18.2 % in 1992 to 4.0 % in 1999
Make progress towards gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005	Women are generally better educated than men. The average education of women is 5.4 years vis-à-vis 5.2 years for men.
Reduce infant and child mortality ratios by two thirds between 1990 and 2015	Infant mortality has fallen from 47.8 per thousand in 1990 to 36.1 in 1998
Reduce infant and child mortality ratios by two thirds between 1990 and 2015	Prenatal exams by the public health system and gynecological medical consultations have increased rapidly over the last decade
Provide access for all who need reproductive health services by 2015	Contraceptive prevalence rate in Brazil increased from 66% in 1986 to 77% in 1996
Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015	Improvements in environmental management are ongoing

Governance Research Indicators Country Snapshot (GRICS): Brazil

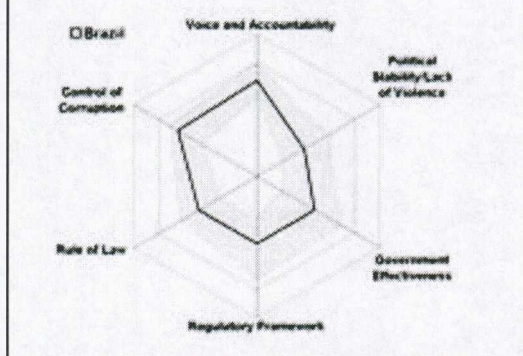


Table A2.2: Vulnerability Ratings

Governance Indicator	Group
Voice and Accountability	Less vulnerable
Political Stability and Lack of Violence	Next to bottom
Government Effectiveness	Vulnerable
Regulatory Framework	Vulnerable
Rule of Law	Vulnerable
Corruption Control	Less vulnerable

- Public sector reforms at the sub-national level (States and municipalities)
- Concentrate on fiscal reform with a sub-national and regional focus - fiscal adjustment program, fiscal sustainability, fiscal federalism, tax reform to reduce the inefficiencies created by the current tax system, regulatory reforms (labor, competition, de-bureaucratization, business environment for small and medium enterprises, etc.) financial sector reforms to deepen financial markets, and governance improvements (effectiveness of the legal system, transparency, etc.)

B) EMPIRICAL DIAGNOSTIC WORK AS A KEY TOOL FOR ACTION PROGRAMMING

The Prefeitura of São Paulo requested a significant program of assistance on a Governance Learning program cycle from WBI (see attached agreed aide memoire). This includes an in-depth governance empirical diagnostics.

More broadly, considering the importance of sub-national entities in Brazil and the fact that the Bank has a prioritization of states for direct state-level assistance, it is necessary to institute a governance diagnostic exercise aimed at states and/or municipalities (report cards) in those states.

C) LEGAL / JUDICIAL REFORM

The Bank has been less active than foreseen in the CAS on activities related to *judicial reform*, crime and violence. On judicial reform, the Government is proceeding on its own with a series of initiatives including a workshop on reform options. The Bank recognizes the importance of crime and violence issues, but given the absence of clear comparative advantages of the Bank and the need to be strategically selective, major activities in this area are not foreseen (CAS Progress Report 2001).

On issues of *corruption*, WBI in the first phase would concentrate on its on-going work (working with operations/network, and in partnership with DFID) with the city of São Paulo to help with the development of an urban governance and anti-corruption strategy.

Process to Attain Integration within Priority Areas

The Brazil Country Team has expressed interest in developing a governance related work plan with WBI. Within the objective of a demand-driven approach, it is advisable to build upon the successes which WBI has had in the past few years with its urban training work and to ensure the successful completion of its São Paulo initiative.

The significant urban training work has the potential to expand and include issues of improving

wider economic governance as outlined above. Upon such an expansion of activity, there may be scope for WBI to explore the demand from sub-national entities for empirical diagnostic work.

In this context, the demand for legal and judicial reform can best be judged once the São Paulo work is successfully completed.

Training/Capacity Building

Expand the on-going urban and city management program to include issues of economic governance and fiscal reform at the sub-national level (state and municipalities). Work with such entities to develop and implement diagnostic work. Complete work on corruption in São Paulo and utilize the experience to probe for demand for similar work.

Partners

Some institutions in Brazil, have been exemplary as our partners, such as the following in replicating our Urban and City Management Course in Brazil:

- Escola de Administratio Fazendria (ESAF), Brasília
- Instituto João Pinheiro, Bello Horizonte

Between the two institutions, they have reached more participants than any other region having replicated the course 5 times in total and trained more than 300 participants. The institutions have prepared the program, produced the material and done all the necessary logistics for the training.

Further, partnerships are evolving in São Paulo in the context of the governance program in that city.

Attachment A: Aide Memoire with the City of São Paulo on a Governance Program

Towards a Workplan of assistance of the World Bank/DFID (UK) for city of São Paulo for Good Governance and Anticorruption Participatory Program

A World Bank mission joined by DFID/UK, comprised by Daniel Kaufmann, Maria Emilia Freire, Claudia Costin, Antonio Magalhaes (all World Bank) and David Biggs (DFID/UK) visited São Paulo from March 15-16th, responding to request for a preparatory mission to explore assistance in good governance and Anti-Corruption (A-C). The mission was also joined by Ernesto May for some of its meetings. It enjoyed hospitality and excellent collaboration from the authorities, for which the mission is grateful.

The prefeita Marta Suplicy has made a major commitment to address misgovernance and control corruption in the city of São Paulo (SP) and has requested support in this efforts. Based on this commitment as stated during her visit to Washington, DC, her subsequent letter to the World Bank, and during the outcomes during the current mission in São Paulo, the World Bank/DFID-UK are prepared to assist the City of São Paulo prepare and implement a good governance participatory program focused on improving transparency, building accountability and controlling corruption.

BACKGROUND ON DISCUSSIONS HELD BY MISSION STAY IN SÃO PAULO

During its brief stay, the mission had an extensive set of meetings with a variety of SP stakeholders, thanks to efficient arrangements by authorities. Productive discussions were held with Prefeita Suplicy and her cabinet staff, representatives of SP regional authorities (administricões regionaes), civil society/NGOs, and academics. Some salient substantive points that were emphasized during

such meetings on governance/A-C challenges facing SP were:

- Recognition of the centrality of interface between authorities, private sector, civil society, which need to work together to address the problem in a participatory fashion, consistent with consensus building and collective action.
- Weaknesses in management of financial and human resources
- Challenges in public procurement and contracting procedures
- Effective external and internal controls
- Effective external and internal transparency and voice/feedback user mechanisms
- Excessively complex bureaucratic regulations
- Current mechanisms and realities of funding of political campaigns is a serious challenge
- Absence of data/information and rigorous monitoring mechanisms on governance

The very interactive discussions during all meetings held also featured some presentations of background materials on concrete experiences from other countries, and were in part focused on governance diagnostic (surveying) methodologies and the interpretation of empirical results (files with the handouts on such presentations available separately).

Drawing on such Bank's international experience in assisting countries in combating corruption and improving governance and on the discussions held during this missions, the following salient points were also underscored during the discussions:

- Fighting corruption is not effectively done by focusing exclusively on fighting corrupt individuals, but by paying increasing attention to issues of prevention and systemic and incentive weaknesses within the key institutions (as illustrated in the above points). Corruption is in large measure the other side of the coin of weak institutions, and hence the need to focus on institutional reforms.

- Progress in addressing corruption and improving governance need not require large scale resources. Many corruption reducing measures can in fact be resource-saving (such as deregulation; effective use of public expenditures; transparent public procurement, etc), while others can be attained with relatively limited resources.
- Voice/Accountability mechanisms involving civil society and the competitive private sector in a participatory fashion, as well as transparent mechanisms within institutions are key in programs to improve governance (based inter alia on appropriate governance surveying and monitoring techniques as well as on related information management techniques).

SUBSTANTIVE COMMITMENT

All the points summarized above were discussed openly with prefeita Suplicy, who echoed them and reiterated their commitment to a transparent and inclusive process of preparation of an action program which concretely aimed at address the key fundamental institutional weaknesses, and she backstopped the need for moving ahead now with concrete preparatory steps, as outlined below.

Strategic Building Blocks of a Good Governance/ A-C program: First Phase in preparing an action program and building capacity for institutional reform.

During this mission the focus was on reaching understanding on a possible program of assistance for the key building blocks of an institutional framework for preparing a program of good governance/A-C for SP. The key components of such institutional framework that were identified, and elaborated below, are as follows:

- i) an institutional structure to define and implement a good governance and anticor-

- ruption strategy (steering committee [SC], and a Technical Unit [TU]);
- ii) An in-depth Governance Diagnostic Assessment;
 - iii) Preparation of an Action Plan based on the diagnostic and the work of the SC and TU;
 - iv) a major Workshop to present and finalize in participatory fashion the action program and to launch such good governance/A-C program,
 - v) Institutionalizing and implementing Monitoring Mechanisms that would build on the benchmark/baseline diagnostic and address the lack of reliable and periodic information and monitoring mechanisms, and
 - vi) As an input to the above components, training/learning programs (seminars, etc.) would be carried out (see below).

The respective responsibilities between the prefeitura of SP and the WB in this framework are suggested as follows, respectively:

I. SÃO PAULO'S LEADERSHIP COMMITMENTS MADE:

- **The Program is by São Paulo for Paulistanos.** Leadership of a good governance program will be in hands of São Paulo prefeitura, championed by prefeita Marta Suplicy. The World Bank, other international partners (such as UK's DFID), and related assistance and expertise will only support and facilitate a process championed and led internally by SP.
- **Concrete Commitment for participatory action:** creation of a Steering Committee (SC). Under SP's prefeitura leadership and coordination, an action-oriented and inclusive Steering Committee (SC) will be established, which will have a key responsibility for the Good Governance and Control of Corruption program for São Paulo. The

SC will have representative membership, including key stakeholders from SP, namely key members of SP prefeitura's cabinet (including Finance Secretary, as well as other key members present in the current discussions, ombudsman, coordinator of regional administrations/subprefeituras, etc), civil society (key NGOs such as Transparencia Brazil, Ethos, Voto Consciente, Inst. Fl. Fernandes, Polis as well as others), and representation from workers, academics/experts, the private sector and from the legislative. The Steering Committee would guide the process, ensure that implementation of the diagnostic surveys take place, oversee elaboration of an action program by a the technical/working group, etc.

- **Detailing the Steering Committee:** it would coordinate the work on good governance and anti-corruption. It will include all relevant members of government and civil society. This group would meet regularly to discuss the drafting of a strategy to improve governance and prevent and combat corruption in SP. The strategy could include both a long term strategy as well as a concrete action plan for the short term. This plan could focus on institutional reform and detail the responsibilities and timing for each action. The survey results could inform the work of this steering committee helping to identify weaknesses and vulnerabilities of the public sector, the major bottlenecks for business development, and public service delivery inefficiencies. Importantly, the governance survey results would help prioritize and sequence proposed anti-corruption institutional reforms.]
- **A Technical Unit (TU) on good governance and anticorruption.** A small technical unit in the prefeitura would work under the general coordination of the

Comite Propulsor (or the Steering Committee, SC) —its board/secretariat. Head of TU reports to SP *prefeita*/steering committee. Its central duties would comprise elaboration of a concrete action program based on an in-depth diagnostic survey to be carried out by non-governmental institution in SP, as well as the inputs of the CI and experts.

- **Governance Diagnostics. Diagnosing in-depth the governance challenge, in order to define priorities and elaborate an action program:** Implementation of a rigorous three-pronged governance diagnostic survey of São Paulo agencies, based on surveys of users of public services (citizens), firms, and public officials, focusing *inter alia* on public service delivery performance, management of resources and corruption, as well as their causes and consequences (and identifying most vulnerable areas). These diagnostic surveys would be a key input to a possible working group/steering committee that would elaborate the action program — identifying empirically not only some of the most vulnerable areas/agencies but what key causes and consequences are.

[On further details of the Governance diagnostics. A rigorous in-depth governance diagnostic will be implemented *inter alia* with the following characteristics: i) full transparency in the dissemination of the results of the surveys of public officials, enterprises and citizens/users of public services; ii) the surveys would be carried out totally independently of the government agency by a local non-governmental organization with appropriate expertise, with methodological inputs by WBI; iii) the analysis will be carried out jointly by survey implementing agency and WBI; iv) governance diagnostic will serve as key input to a major open/transparent and participatory

workshop; and, v) an action program will emerge from this process, endorsed by leadership.]

- **The Paulistanos Participatory Workshop to finalize the Draft Action Program on Good Governance/A-C.** The *Prefeita*, her office with the CI and TU will organize a major participatory workshop for São Paulo to discuss the governance diagnostic survey results/analysis and a draft action program and, at its conclusion, to publicly launch a good governance and anticorruption program for SP.

[Detailing the Workshop. The survey results and the work of the steering committee could be presented and discussed in a workshop. This workshop will be attended by all major stakeholders, including civil society, business, and government representatives, and with the media in attendance/participating. The workshop would not only aim at raising awareness throughout SP general public on the economic and social costs of corruption as well as on the necessary institutional reforms needed to prevent and combat corruption but would in participatory fashion discuss the key proposals for action before they are finalized and the program is officially launched. Thus, the draft action plan prepared by the steering committee/TU will be a key input to the workshop, where various thematic groups/task forces would debate and finalize the recommendations for the proposed reforms. The official action program announced by SP leadership at the end of this major workshop would thus have been subjected to participatory consensus building.]

- **Institutionalizing Monitoring: Moving from Diagnosis to Monitoring.** The surveys mentioned above would also serve as an in-depth benchmark and baseline of a starting

point in institutionalizing a bona fide monitoring mechanism for governance in SP. Such periodic monitoring would concentrate on the identified priority areas comprising a subset of the details covered in the initial diagnostic on feedback on public service provision, governance and corruption from citizens, firms/subcontractors and public officials themselves, as well as focus on policy and institutional implementation progress. It would start as a system based on simplicity and need to get concrete and rapid results on key information required, and would draw on both internal (SP administration, ombudsman) mechanisms of monitoring would be established, as well as encouraging external mechanisms as well through NGOs/civil society. This governance monitoring systems, both from internal and external sources, would be a key tool for efficient and informed policy-making.

- **Appointment of Key Coordinator for setting up this good governance/A-C work in SP administration.** Prefeita Suplicy has designated Helena Kerr, the Secretary of Administration for SP, to be the key counterpart coordinating the collaboration on this first phase of the work's preparation of the components listed above and to coordinate such work with the World Bank and partners (such as DFID/UK).

II. RESPONSIBILITY FROM THE WORLD BANK AND INTERNATIONAL PARTNERS (UK-DFID AND POSSIBLY OTHERS).

- Assistance for the SC and TU and action program elaboration. The Bank would offer advise/assistance in setting up for the SC and TU, drawing from experiences/experts in other countries in Latin America (with the objective of providing policy assistance and guidance to a newly formed SC and for the

TU). Selective training/seminars will also be considered for SC. Furthermore, with results of surveys (and prior to it), the WB would facilitate the work with SC/stakeholders and support analytically the process of elaboration of action plan.

- **Methodological support.** The World Bank would provide methodological support, analysis, terms of reference, etc for governance diagnostic surveys of public officials, users and enterprises and assist in the setup of a SP urban monitoring system
- **Learning/training seminars.** The World Bank would also help organize possible 2-3 day workshops on specialized issues related to the above to be defined, yet possibly including: i) learning from successful experiences in dealing with governance and corruption challenges in Brazil and ii) facilitate organization of Comitê Propulsor, iii) going from in-depth diagnostics to institutionalizing governance. In this context, in the coming weeks both sides will consider the preparation of a specialized and "tailor-made" course for São Paulo (possibly including representation at the State level, and invited experts from other parts of Brazil). It may comprise a course of, say, one-week for 40 top officials, council members, and community leaders — to deal with modern principles of urban and city management, strategic plan, participation, transparency and accountability, in-depth governance diagnostic and periodic monitoring mechanisms, and action plans to deal with corruption at local level.
- **Funding the program.** Most of the resources would come from outside the SP prefeitura, and in grant terms. The Bank in collaboration with other bilateral/international partners (including DFID/UK which has already agreed in principle to support this

program) would find funding resources in two stages:

A) For short term: first stage of preparing the action program, based on diagnostics, SC/TU work, participatory workshop, as well as initial elaboration of monitoring mechanisms/rapidly. For this first stage, funds would be secured as required for: i) carrying out the governance diagnostic work, and initial elaboration of requirements for a governance monitoring system; ii) its analysis and integration into the preparation of the action program, iii) some assistance for the major workshop that would take place; iv) funding for some seminars as per above, as needed, and, iv) some assistance for the SC (steering committee-comite propulsor / TU).

As a next step, a detailed budget and timeline would be drawn, where a more accurate estimate on costs is expected, but at this stage it is already clear that the total costs for implementing the above initiatives would not exceed about half a million dollars or so (i.e. it will be well within the six figures). The World Bank will contribute some of these costs in terms of its own staff and expertise, as well as possibly limited amounts of funding for some other activities, yet significant resources for this process are expected from other donor partners (such as DFID-UK).

In this context of contributions, SP would contribute the work/efforts of some key staff and experts from existing personnel, individuals and details to be determined, as well as logistical support for workshop and related.

B) Regarding the second stage/medium term funding support for implementation of

an action program. As the process of preparation of an action plan gets underway and the details of the commitments by the SP authorities are clear in terms of the priority actions identified for implementation by the authorities, the Bank/international partners would work with the SP authorities to find resources to support such identified priorities for the implementation of institutional reforms for good governance (bearing in mind the need for cost effectiveness, and that such resources would be far from unlimited and mobilized from outside the Bank) .

- Continuity of collaboration in this work to start at present, and onto next mission. The Bank will provide SP with methodological/technical support starting immediately on how to set up an SC as well as begin the process of collaboration on governance diagnostics, for which an initial list of candidate firms would be identified. Furthermore, the Bank will mount a follow up mission in nearest possible future to help detail the preparation of many of the components listed above.

Marta Suplicy, Prefeita of São Paulo

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São Paulo, Friday, March 16th, 2001

Indonesia: Governance Learning Country Strategy

Rationale

The election of President Abdurrahman Wahid in June 1999 closed an era in Indonesia's history and marked the beginning of new efforts to establish effective, transparent and accountable government institutions working alongside a vibrant and competitive private sector. Discontent with widespread misgovernance and massive corruption had been at the center of popular protests against the Suharto regime that ultimately challenged the legitimacy of the government and led to its downfall. The importance of governance concerns was reflected in the prominence given to issues relating to corruption and overall public sector performance in the Wahid government's programs.

Existing empirical data strongly supports the emphasis on governance in the Indonesia development agenda. Information assembled in 1998 based on the World Competitiveness Study indicated poor performance relative to other countries in the region and throughout the world across a wide variety of governance measures. See Annex 1 for data. Exceptional weaknesses were revealed in the areas of political stability and violence, voice and accountability, rule of law, and the control of corruption. Preliminary data from 2000 suggests that improvement has been registered in the ability of people to participate in the political process, but little, if any progress has been shown in other areas. International comparative indexes of corruption routinely rank Indonesia near the bottom of the tables. Problems related to political instability and violence are likely to have only grown during the most recent period. The results of recent empirical studies have indicated that corruption within the judiciary is particularly prevalent.

The World Bank Country Assistance Strategy presented on February 8, 2001 lists "building national institutions for accountable government" as

one of the three focal points for World Bank attention and assistance (along with "sustaining economic recovery and promoting broad-based growth" and "delivering better public services to the poor"). Governance is singled out as the key medium-term challenge for Indonesia. The Country Assistance Strategy identifies legal and judicial reform, civil service reforms, improving public financial management and public procurement, and the management of decentralization as major areas for work in governance. Reducing corruption through strengthening accountability and transparency in the public sector through better procurement, financial management, and audit is defined as a key priority. World Bank commitment to work on a broad governance agenda has been signaled by the dedication of extensive manpower resources to governance issues, including the establishment of a Governance Group in Jakarta.

Recent events in Indonesia have once again focused attention on problems in governance and the vital need to develop functioning institutions of accountability. The removal by the Parliament of President Wahid over questions relating to corruption and competency has demonstrated the fragility of key institutions of accountability as well as the unsustainable costs associated with repeated government crisis. At the same time, high-levels of political instability call into question the amount of attention that will be placed on issues of institutional competency and necessitate a realistic assessment of short and medium-term potential for improving transparency and accountability in government.

The environment for assistance designed to improve governance in Indonesia is therefore mixed. While there exists a strong degree of concurrence among local and international organizations of the critical need to improve public sector performance and enhance accountability and transparency, establishing realistic short and medium-term goals for governance work is difficult given the high-degree of institutional and political instability at the

national level. Resurgent nationalistic sentiments (as well as movements for greater autonomy/independence in several regions) have produced considerable insecurity and tension at the regional and local levels. In addition, World Bank assistance to the process of improving public sector performance is complicated by the legacy of the past association with the Suharto government and great care needs to be taken in ensuring that the World Bank is not seen to be setting the governance agenda or leading the process.

World Bank Institute work in governance has, to date, primarily focused on research and planning in the field of anti-corruption (utilizing the vehicle of the Governance Partnership for Indonesia) and judicial reform. The central activity undertaken by WBIGF in support of governance efforts during FY01 was assistance in the organization and analysis of a Governance and Corruption Diagnostic Survey, undertaken under the auspices of the Governance Partnership. Indonesian participants were also included in regional governance learning activities in the areas of judicial reform, public expenditure management, and corporate governance.

Areas of Priority for Learning Programs

In the short-term, WBIGF learning activities will focus on building a foundation for progress on improved governance along three dimensions. First, activities will highlight the close connection between poverty and misgovernance in order to assist in a broader appreciation of the importance of improving governance for the lives of most Indonesians. Second, learning events will concentrate on increasing the understanding of key participants in the concepts of transparency and accountability, assisting in the creation of data on the existing governance situation, and examining alternative strategies for enhancing governance. Third, activities will provide assistance where possible to grass-root activities designed to increase demand for change. In the medium-term, WBIGF involvement will assist in

increasing the capacity of local partners to provide training and analysis on governance issues. The degree to which learning activities in subsequent years should emphasize the development of action programs to improve governance will depend on subsequent assessments of the potential for implementation of integrated strategies. Indonesian participation in regional governance events will be pursued. The degree to which activities will focus on Indonesia will be determined by the degree to which opportunities for progress in improving governance present themselves.

Given the strategic thrust of the Bank's country assistance to Indonesia, the following areas are proposed as priority areas of focus for WBI:

DIAGNOSIS AND MONITORING OF GOVERNANCE AND CORRUPTION

A cornerstone of WBIGF activities in the short term will be assistance in the creation, analysis, and dissemination of empirical diagnosis of the governance situation in the country. The report of the Governance Partnership for Indonesia based on the empirical survey results will be finalized in the first quarter of FY02. Additional assistance has been requested on an anti-corruption planning workshop, and the production of a World Bank report on corruption in Indonesia. World Bank-led efforts are currently underway to establish sustained monitoring of the impact of decentralization on a variety of social and economic dimensions and WBIGF inputs have been solicited. Similar requests have been received by WBIGF for assistance on establishing regional-based empirical studies of governance that are being led by USAID. In the medium-term (3 years) WBIGF assistance in this area will extend beyond the creation of questions for inclusion in survey instruments to encompass work on building the capacity of local groups to undertake sustained monitoring efforts that have policy relevance. Training will include discussions of survey and non-survey based techniques. Within the monitoring of

governance, special attention will be given to examining the connection between governance and poverty. Work in this area will be undertaken under the auspices of the Governance Capacity Building and Monitoring Initiative (a partnership of WBIGF and DECDG).

ENHANCING THE EFFECTIVENESS OF AGENTS OF ACCOUNTABILITY

A second focal point for WBIGF learning activities will be increasing the capacity for institutions of accountability to play a more dynamic role in governance. Work with Parliament will emphasize identifying procedures and techniques to carry out effective oversight of the government, and mechanisms for self-policing to ensure that parliamentarians do not engage in corrupt practices. Private sector governance will also be the focus of learning activities, designed to enhance corporate governance and assist the corporate sector in playing a positive and constructive role in national governance.

The media has a critical role in the development of an informed and rigorous dialogue on governance in Indonesia. Unfortunately, the estimated 10,000 journalists in Indonesia do not have the skills and training necessary to perform this core function. The Alliance of Independent Journalists noted that "After 32 years without press freedom, the journalistic quality of the Indonesian media is very low, much lower than that of the Philippines or Thailand." WBIGF will organize training activities on investigative journalism, and explore non-traditional distance learning (e.g. radio) to reach this broadly dispersed, critical constituency.

SUBSTANTIVE FOCAL POINTS – JUDICIAL REFORM AND DECENTRALIZATION

Depending on the degree to which political stability is obtained, WBI efforts in the medium-term will focus on learning events designed to improve the functioning of the legal system and assist in the design of institutions of accountability at the local

level. Work at the local level might also include activities focused on the governance dimension of the effective delivery of public services. WBIGF's efforts in work at the local level will draw from the experience and successes of the "Gobierno Abierto y Participativo" program at the municipal level, and on the National Governance and Anti-Corruption course for Africa and Latin America. The specifics details of the learning activities to be organized will need to be determined in consultation with Operational staff, based on an identification of those areas where progress in improving governance is judged to be feasible.

Process to Attain Integration within Priority Areas

All of the proposed areas of WBI's program are integral parts of the World Bank assistance strategy and the work program of the Jakarta-based Governance Group. In the short-term, integration among WBIGF learning activities will focus on ensuring the construction of consistent and concrete definitions of key governance concepts, such as accountability and transparency. Over the medium-term, learning activities will concentrate on the inter-relationship between groups involved in generating information and those that consume information. Activities designed to build up monitoring mechanisms will be closely tied to those that enhance the capacity of accountability institutions to utilize information in order to increase opportunities for governance data to be used in setting governance priorities, evaluating progress, and in the overall design and oversight of reform efforts. Activities in the area of judicial reform will take into consideration the impact of decentralization on the legal system, while decentralization-related activities will in turn include sessions on the legal system and its role in ensuring transparency and holding officials accountable.

Core training/Capacity Building

As has been previously indicated, the degree to which political stability is obtained will determine to

a large extent the balance between activities oriented to preparation the foundations for improved governance and activities oriented towards identifying concrete strategies for reform. Regardless of the mix of learning events, activities will be oriented towards generating concrete actions, be it actions related to the gathering of data, or activities related to the introduction of new procedures and techniques into official proceedings.

Enhancing the capacity of local providers to undertake governance training and analysis is a central focus of WBIGF activities. Work in the area of governance monitoring will specifically target the establishment of sustainable monitoring communities, with the skills necessary to monitor and analyze data. Work with agents of accountability will also involve the active participation of local partners who will assume responsibility for carrying out training activities in the medium-term.

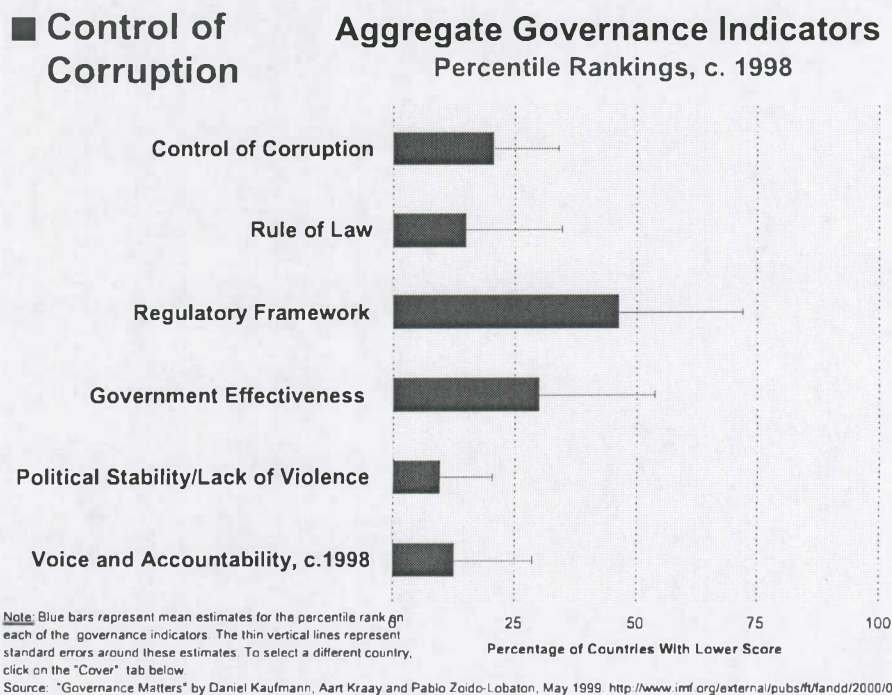
Outputs & Evaluation Indicators

Several outputs are expected following the implementation of activities, including:

- A final report on Corruption in Indonesia issues by the World Bank that incorporates data from the household, business enterprise, and public officials survey.
- Development of a set of budgeting, procurement, and judicial governance monitoring tools to enable various stakeholders to scrutinize specific aspects of public sector performance that are most vulnerable to corruption.
- Development of Indonesia-based training courses of governance and monitoring.

Each WBIGF activity will be subjected to Level 1 evaluation and WBIGF will work with local partners to establish mechanisms for evaluating the impact of training events on the governance environment.

Figure A2.3: Governance Data on Indonesia



Partners/Selectivity

The initial set of partners includes the Governance Partnership for Indonesia, the USAID-sponsored IRIS project on governance, and the Committee of Accounts in Parliament. Additional training partners will need to be identified in the course of program development.

Tanzania: Governance Learning Country Strategy

Rationale

President Benjamin William Mkapa established the Commission of Inquiry Against Corruption in 1996, one year after his election. This commission made an in-depth and extensive diagnosis of the problem of corruption in the country and made wide-ranging recommendations on how corruption should be prevented and combated (the Warioba report).

In sequel, in November 1999, following the participation of some representatives from Tanzania in WBI's pilot Core Course on Anti-Corruption, Government took several key steps in demonstrating commitment to address the problem of corruption, including the development of a National Anti-Corruption Strategy and Action Plan (NACSAP), reflecting the need to broaden the front to combat corruption and highlighting a strong emphasis on preventive measures. A significant plank of the strategy is to be implemented through sector specific action plans developed by individual Ministries, Departments and Agencies (MDA). Additionally, the Government launched a number of initiatives to address this problem including the development of a strategy documented in the 1998 "National Framework for Good Governance". The strategy points to the need for a coordinated approach of the various ongoing governance reforms, i.e., public finance, public sector, local government and legal reforms, and the government's efforts to curb corruption. Recently, the Government established the Good

Governance Coordination Unit (GGCU) in the Chief Secretary's office, to support the overall coordination, monitoring, and evaluation of the Good Governance programs. The unit also has direct responsibility for overseeing the implementation of the recently completed National Anti-Corruption Strategy and Action Plan.

Besides the NACSAP, other programs that will make decisive contributions to the development of good governance include:

- the Public Service Reform Program (PSRP). The initial phase of the PSRP was geared to structure reforms, cost containment and support for fiscal stabilization measures. The second phase of this program, whose strategic thrust is "service delivery improvements under severe budgetary constraints", was launched by President Mkapa in February 2001. The program is pushing for changing the culture of the public service to one of, integrity, transparency and accountability operating in a meritocratic environment. The PSRP has received considerable support from more than ten donors over the years. The PSRP has a specific Ethics component headed by a Director responsible to improve the ethics of the public service;
- the Local Government Reform Program (LGRP) which is supporting major policy initiative to devolve roles, mandate and resources for delivery of basic social services (primary education, primary health, rural water supply, agriculture extension, etc.) to local government councils. The program also champions broad participation in development management. To this end, there have been significant new legislative measures in recent years. The program was launched in 1997, and it is receiving support from several donors through a "Basket Fund" arrangement;

- a Public Financial Management Reform Program (PFMRP). Through this program, an Integrated Financial Management System (IFMS), which facilitates vastly enhanced budgetary control, transparency and accountability of public expenditures has been successfully introduced. It is now being rolled out to the regions. Also, a new Public Finance Act which “inter alia” enables enforcement of accountability and value for money audits has been legislated. A current key priority of the program is to reform public procurement, for which Parliament has just passed a new Public Procurement Act. These efforts should significantly contribute to improved governance in public expenditure management and transparency in government operations;
- a Legal Sector Reform Program (LSRP). This program is geared to improving the quality and access to justice for all. Its key objectives include building the capacity of legal sector institutions, strengthening the management and coordination of the institutions, enhancing the competence, motivation and integrity of judicial and other legal officials, and improving access to justice for the poor.

Meanwhile, the Bank is supporting GOT in preparing an Accountability, Transparency, and Integrity Program (ATIP) program to support the national framework for good governance through (i) complementing the assistance presently provided to on-going reforms; supporting new reforms such as procurement and legal sector; improving the demand-side of accountability including working with Parliament, its committees and civil society; and (ii) promoting improved coordination and participation of several partners in the Government’s comprehensive framework for good governance.

R&D/Diagnostic

Discussions are currently underway between Government officials, bilateral donors and staff from WBI to conduct an empirical diagnostic survey to complement the Warioba Commission’s 1998 Report on the “State of Corruption in Tanzania”. Additionally, the data collected from the proposed diagnostic survey of households, business enterprises and public officials would assist the Government in re-prioritizing the current Government National Action Program. Furthermore, the survey results would be used to determine baseline indicators (at the District level) for the Poverty Reduction Strategy Papers (PRSP). The PSRP is also conducting service delivery surveys that will enable civil society to demand better services from the public servants.

Areas of Priority for WBI

Considering the above background, WBIGF’s priority areas of focus this fiscal year would concentrate on organizing learning programs that support the kinds of institutional reforms envisaged in the ATIP as well as other on-going public sector reform programs in the country. In addition, by offering the activities delineated below, WBI aims to support the priority and medium term goals of the GGCU, as well as assist in strengthening their mandate to effectively implement the National Anti-Corruption Strategy and Action Plan (NACSAP). The following areas are proposed as priority areas of focus:

EMPIRICAL DIAGNOSTIC WORK

Conducting multi-pronged diagnostic surveys of households, businesses and public officials and facilitating an action-oriented workshop to re-prioritize the NACSAP based on the data (see R&D section above). This survey would be organized under the auspices of the GGCU, whose mandate is to support the overall coordination, monitoring and evaluation of Good Governance programs in Tanzania.

STRENGTHENING OVERSIGHT AND WATCHDOG INSTITUTIONS (OWIs)

One of the components of the ATIP project is aimed at strengthening the demand side of the accountability equation. The general objective of WBIGF's activities under this component would be the following: a) design learning programs to strengthen the capacity of Parliament and its committees to effectively perform its oversight role; b) provide lessons of operational research on governance and anti-corruption to the newly established office of Research, Statistics and Control in the Prevention of Corruption Bureau (PCB) by sharing data information and analytical papers on various issues including state capture and political financing; and c) provide technical input and workshops on coalition building to the on-going civil society study being conducted under the ATIP project.

GOVERNANCE MONITORING

The focus here would be to facilitate the development of a systemic approach of regularized monitoring of good governance performance indicators through regional and national workshops and to link these activities closely to those planned by the GGCU through a UNDP program. WBI would collaborate with local partners such as the Tanzania Civic Monitor (TACIMO), the Association of Journalists and Media Workers (AJM); Transparency International Tanzania (TI-Tanzania), bi-lateral donors, and other development institutions.

MEDIA: CAPACITY BUILDING AND ENABLING ENVIRONMENT

The emphasis with the media would be two-fold: a) to strengthen their ability to report on corruption and build their capacity to monitor the effectiveness of Parliament and the other anti-corruption-related bodies in their efforts to curb corruption; and b) to assess the enabling environment to determine the impediments to the media's ability to fully play their

watchdog and oversight role. Thus, WBI's intervention would aim to:

- provide training to Tanzanians to cover the budget and the various bodies tasked to monitor and curb corruption;
- deploy a diagnostic tool developed by the Southeast Asia Press Alliance and WBI to determine the degree of information accessibility from public and private bodies to assess the administration's transparency and the likely feasibility of Investigative Journalism; and
- ensure that a sufficient number of Tanzanian journalists attend WBI's Investigative Journalism distance-learning core course to be offered next January.

Process to Attain Integration within Priority Areas

WBI's preferred option in terms of sequencing in developing learning programs for a country is to start with diagnostic surveys. However, in the case of Tanzania, there would be some flexibility to conduct simultaneous activities to support the ATIP project, such as those activities geared towards strengthening Parliamentary oversight. Additionally, Tanzania has an existing action program to address corruption and improve governance, and unlike countries who do not have an action program, the learning cycle, in this case, would not start with diagnostic surveys. The data from the completed diagnostic surveys would help re-prioritize and strengthen the current NASCAP rather than develop a new one. Additionally, the workshops/activities on strengthening the oversight capacity of Parliament would utilize modules/materials from our other program components such as effective use of public resources, and our sub-national governance program, which is very relevant to parliamentarians constituencies and for PRSP work. Furthermore, WBI plans to work closely with the WB office in Dar, the Tanzania desk in Headquarters, and other development partners in coordinating and delivering the proposed activities.

Core Training/Capacity Building: What?

The proposed activities utilize the “action-oriented” approach that integrates process and substance, thereby empowering countries to take the driver’s seat in employing rigorous toolkits to diagnose and analyze the governance challenges in the country. WBI would play a facilitating role in encouraging the various stakeholders to formulate realistic and prioritized anti-corruption and governance action programs. Moreover, WBI activities, as discussed earlier would support institutional strengthening of existing mechanisms such as the GGCU and the PCB, as well as supporting activities to raise awareness about the need to move from processes to concrete actions on the ground.

Outputs & Evaluation Indicators

The activities indicated in the priority areas when implemented, would generate several expected outputs, which are as follows:

- a) diagnostic survey report on corruption incorporating the data from the household, business enterprise and public officials survey
- b) prioritized and revised action plan on corruption incorporating the data from the concluded survey
- c) a set of governance monitoring tools to enable various stakeholders to scrutinize specific aspects of government performance that are most vulnerable to corruption
- d) more visible role of Parliament and its Committees in performing their rightful roles as oversight and watchdog bodies.

The program proposes to be evaluated on the accomplishment on the above outputs, and in their overall contribution to improving the governance environment in the country.

Partners/Selectivity

The successful delivery of the activities indicated in the priority areas hinges on working with partners at

the local and national levels, as well as with other donors, development institutions, and more importantly, with colleagues in other parts of the Bank who are spearheading the work on governance and accountability. WBIGF staff would endeavor to consult and coordinate with various partners to ensure the successful delivery and achievement of the indicated output.

Helping Countries Build and Implement Effective Anti-Corruption Strategies

Corruption hampers economic growth, burdens the poor disproportionately, and undermines the effectiveness of investment and aid. Anti-corruption strategies need to be an integral part of a development framework designed to help countries eradicate poverty. Good governance programs focus on in-depth analysis of the institutional factors behind corrupt practices and behavior and help countries understanding the short-comings of their policies and institutions and designing their own strategies to improve governance.

A participatory approach to anti-corruption maximizes the power of information emphasizing:

Inclusion and Coalition-Building—participation of civil society, government, parliament, the private sector, and the media, complements top-level political support and commitment to a transparent process.

Empirical Diagnostic Tools—local independent partners conduct surveys of households, businesses, and public officials measuring the prevalence and costs of corruption to shift the focus of the policy debate to institutions rather than individuals and establish reform priorities. Information empowers and energizes public opinion for reform and establishes a baseline to gauge the success of reform. Carefully designed experiential questions measure the economic and social costs of corruption, the quality of public service delivery and the business environment, as well as public sector vulnerabilities. Additional data on cross country institutional indicators, budgetary expenditure flows, and procurement costs of generic products, is gathered and analyzed to perform consistency checks across sources and approaches which enhance the reliability of the diagnosis making it easier to accept the empirical evidence and follow-up actions.

Workshops and Task Forces—during workshops, task forces working in key areas analyze survey results, design a consensual anti-corruption strategy and action plan, assign responsibilities, and develop a timetable for action. Workshops, which are widely publicized and open to the media, include participants from all branches of the state, political parties, civil society, and professional groups.

Strategies and Action Plan—working closely with civil society, government carries on the action plan strengthening its credibility by taking timely action in an open and transparent manner.

Strengthening Institutional Capacity—customized training workshops for journalist, civil service, the judiciary and the legislature, provide the tools and skills for a free media, a supportive environment for the private sector, and an efficient, accountable, and transparent state.

Challenges of Implementation—methodological rigor in the diagnosis is key to safeguard the integrity of the process. The challenge for the political leadership, civil society, and the donor community is to acquire the data, use it to target certain institutions, and then implement credible reforms.

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