



IDA19

**Special Theme:
Governance and Institutions**

May 18, 2019

ACRONYMS AND ABBREVIATIONS

Fiscal year (FY) = July 1 to June 30

ACC	Anti-Corruption Commission	ICT	Information and Communication Technology
ACWG	Anti-Corruption Working Group	ID	Identification
AEOI	Automatic Exchange of Information	IDA	International Development Association
AI	Artificial Intelligence	IEG	Independent Evaluation Group
AML	Anti-Money Laundering	IFC	International Finance Corporation
APA	Alternative Procurement Arrangements	IFF	Illicit Financial Flows
ASA	Advisory Services and Analytics	IFMIS	Integrated Financial Management Information System
BEPS	Base Erosion and Profit Sharing	IG4MFD	Infrastructure Governance for Maximizing Finance for Development
CDR	Call Detail Records	IMF	International Monetary Fund
CFT	Counter Financing of Terrorism	InfraSAP	Infrastructure Sector Assessment Program
CSO	Civil Society Organization	IPF	Investment Project Financing
DAD	Debt and Aid Division	JEE	Joint External Evaluation
DAH	Development Assistance for Health	LIC	Low-Income Country
DeMPA	Debt Management Performance Assessment	LIDC	Low-Income Developing Country
DFID	Department for International Development	MAC	Ministry, Agency, Commission
D4P	Data for Policy	MAPS2	Methodology for Assessing Procurement Systems 2
DLI	Disbursement Linked Indicators	MDA	Ministry, Department, Agency
DMF	Debt Management Facility	MELE	Measure of Early Learning Environments
DPF	Development Policy Finance	MSME	Medium and Small-Scale Enterprise
DPO	Development Policy Operation	MENA	Middle East and North Africa
DRC	Democratic Republic of Congo	MFD	Maximizing Finance for Development
DRM	Domestic Resource Mobilization	ML	Money Laundering
DSA	Debt Sustainability Analysis	MTDS	Medium-Term Debt Strategy
DSF	Debt Sustainability Framework	MTR	Mid-Term Review
ECOWAS	Economic Community of West African States	MTRS	Medium-Term Revenue Strategy
FCS	Fragile and Conflict-affected Situations	NRA	National Risk Assessments
FCV	Fragility, Conflict and Violence	NSDS	National Statistical Development Strategies
FY	Fiscal Year	NSO	National Statistical Office
GDP	Gross Domestic Product	OECD	Organisation for Economic Co-operation and Development
GFF	Global Financing Facility	OGP	Open Government Partnership
GovTech	Technology for Governance	OIE	World Organisation for Animal health
GPSA	Global Partnership for Social Accountability		
HCI	Human Capital Index		
HCP	Human Capital Project		

PCT	Platform for Collaboration on Tax	SHaSA	Strategy for Harmonization of
PEFA	Public Expenditure and Financial		Statistics in Africa
	Accountability	SMS	Short Message Service
PEFM	Public Expenditure and Financial	SOE	State-Owned Enterprise
	Management	SSA	Sub-Saharan Africa
PFM	Public Financial Management	StAR	Stolen Asset Recovery Initiative
PforR	Program for Results	TADAT	Tax Administration Diagnostic
PIM	Public Investment Management		Assessment Tools
PPP	Public Private Partnership	UBO	Ultimate Beneficial Owner
RMS	Results Measurement System	UK	United Kingdom
RPBA	Recovery and Peacebuilding	UN	United Nations
	Assessments	UNODC	United Nations Office on Drugs and
RRA	Risk and Resilience Assessments		Crime
SARS	Severe Acute Respiratory Syndrome	US	United States
SCD	Systematic Country Diagnostic	WB	World Bank
SDG	Sustainable Development Goal	WBG	World Bank Group
SDI	Service Delivery Indicators	WDR	World Development Report
		WHO	World Health Organization

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EXECUTIVE SUMMARY

i. **Economic conditions in IDA countries present significant obstacles to realizing the ambitions of the World Bank Group (WBG)’s twin goals and the Sustainable Development Goals (SDGs)’ “Agenda 2030.”** Extreme poverty remains high in IDA countries, reflecting limited resources but also misaligned policy incentives and weak institutional capacity. External and fiscal pressures have increased, coupled with high levels of debt and slowing productivity, posing significant fiscal risks. Significant demographic transitions and refugee crises are ongoing, in addition to pressures of globalization, increasing urbanization, climate change and weather-related shocks. Many citizens, and particularly the young, are severely affected by weak economic activity and job market challenges that make it difficult to find jobs and make a living.

ii. **IDA19’s Governance and Institutions Special Theme is committed to strengthening institutions that can deliver better development outcomes for all.** Structured around four key pillars and comprised of an ambitious set of interconnected policy commitments, the Governance and Institutions Special Theme aims to respond to pressing socioeconomic challenges facing IDA countries while continuing to lay the foundation for longer-term structural change. The range of commitments supported under the Governance and Institutions Special Theme aim to address governance breakdowns in institutional quality that have a negative impact on economic and social development, including slower growth, weak delivery of government services, and limited mechanisms for citizens to hold government to account.

iii. **The specific commitments under IDA19 reflect a range of emerging and continued priorities identified by many IDA countries,** including (i) the sustainability of financing practices for enhanced revenue efficiency and better targeted public investments, (ii) better public service delivery, which depends on improved spending efficiency and innovative approaches to ensuring their universal access, and (iii) more accountable institutions that curb corruption, ensure more inclusive approaches to decision making, and ensure government functions even in fragile and conflict settings. Support to institutional capacity for data collection in IDA countries serves as a cross-cutting foundational pillar that reinforces the broader set of commitments under IDA19 by improving evidenced-based policy making and implementation. Given the cross-cutting nature of governance reform, the commitments presented under this theme represent a collaborative WBG-wide approach that will work to maximize their potential impact and build on lessons learned to promote a results-driven delivery of IDA. Specifically, IDA19 commits to supporting the following policy actions under the Governance and Institutions Special Theme:

- Promote debt transparency and debt management;
- Strengthen domestic resource mobilization;
- Strengthen infrastructure governance;
- Support investments in people that promote efficiency, growth, and equity;
- Enable universal access to public services through GovTech;
- Strengthen pandemic preparedness;
- Tackle corruption and tax evasion to reduce illicit financial flows;

- Support multi-stakeholder platforms for policy making and implementation;
- Enhance the core functions of government in IDA Fragile and Conflict-affected Situations (FCSs); and,
- Improve data for more evidenced-based policy making.

iv. **IDA19 represents an important opportunity to advance the progress already made under previous IDA cycles in fostering more open, effective, and accountable institutions.** IDA provides the long-term investment required to support complex non-linear governance reforms. This long-term horizon is particularly valuable for IDA countries as they face important challenges in generating growth, reducing poverty and increasing shared prosperity, all of which require improved governance and strengthened institutions. As a global convener and key partner to countries throughout the world, IDA19 will continue to represent an important vehicle through which progress can be made in addressing key bottlenecks that impede global efforts to realize the ambitions of the Agenda 2030.

v. **Management welcomes feedback from IDA Deputies and Borrower Representatives on the proposed policy commitments for the IDA19 Governance and Institutions Special Theme.**

TABLE OF POLICY COMMITMENTS

Topic Area	Commitment
Pillar 1. Promoting Sustainable Financing Practices	
Promote debt transparency and debt management	1. Implement an integrated and programmatic approach to enhance debt transparency through increased coverage of public debt in Debt Sustainability Analysis (DSAs) and/or supporting debt transparency reforms ¹ in 15 IDA countries
	2. Bolster fiscal risk assessments and debt management capacity in 20 IDA countries through a scale-up of fiscal risks monitoring and/or implementation of debt management strategies.
Strengthen domestic resource mobilization	3. Support 25 IDA countries that remain persistently below the 15 percent tax-to-Gross Domestic Product (GDP) threshold through interventions (including lending and technical assistance) targeted at country-specific binding constraints ² to tax policy and/or administration, including supporting efforts to broaden the tax base such as reducing exemptions and addressing Base Erosion and Profit Shifting (BEPS).
Strengthen infrastructure governance	4. Support 10 IDA countries in the identification of key governance constraints to the development, financing, and delivery of quality infrastructure investments to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these (five countries). ³
Pillar 2. Maximizing the Impact of Public Service Delivery	
Support investments in people that promote efficiency, growth, and equity	5. Support 10 IDA countries among the 30 countries with the lowest Human Capital Index to strengthen human capital financing through improving the efficiency of public expenditures, and more effectively aligning expenditures with domestic financing and external resources in a sustainable manner.
Enable universal access to public services through GovTech	6. Support 10 IDA countries to adopt universally accessible ⁴ GovTech solutions. ⁵
Strengthen pandemic preparedness	7. Support at least 25 IDA countries to strengthen the implementation of pandemic preparedness plans through interventions (including technical assistance, lending and investment).

¹ Support to this commitment will draw from a suite of instruments including lending operations, diagnostics and technical assistance.

² ‘Binding constraints’ refers to limited revenue administration capacity, corruption, political economy bottlenecks, and barriers with national and international tax policies.

³ The objective of good infrastructure governance is to deliver the right projects in a way that is sustainable, transparent, and accessible to users and citizens. Assessments will address policy and regulatory frameworks, transparency practices, and institutional capacity constraints at the center of government and in infrastructure services as provided by ministries, public utilities, and sub-national governments, State-Owned Enterprises (SOEs), and /or Public Private Partnerships (PPPs).

⁴ ‘Universally accessible’ means that GovTech services are designed so that they can be accessed, understood and used by all persons, regardless of disability, age, use of assistive devices, location or means of Internet access. It applies to hardware and software.

⁵ GovTech solutions include hardware, software, applications and other technology to improve access and quality of public services; facilitate citizen engagement (CivicTech) and improve core government operations. These include enabling analog complements to strengthen institutions for GovTech implementation, including devising related strategies, building capacity, passing related laws on e-government, data access and use; and developing regulatory frameworks to facilitate interoperability.

Topic Area	Commitment
Pillar 3. Building Confidence in Institutions	
Tackle corruption and tax evasion to reduce illicit financial flows	8. Increase provision of, access to and awareness of beneficial ownership information in 10 IDA countries.
	9. Support six IDA countries in the adoption of Automatic Exchange of Information (AEOI) to reduce tax evasion.
Support multi-stakeholder approaches to policy making and implementation	10. Support 20 IDA countries to establish and strengthen platforms for multi-stakeholder engagement in policy making and implementation to enhance public participation, accountability and responsiveness.
Enhance the core functions of government in IDA Fragile and Conflict-affected Situations	11. Support 85 percent of IDA FCSs in the establishment and/or strengthening of core government functions through project financing. ⁶
Pillar 4. Building Better Data and Analytics	
Improve data for evidenced-based policy making	12. Support institutions and build capacity in 10 IDA countries to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate. ⁷

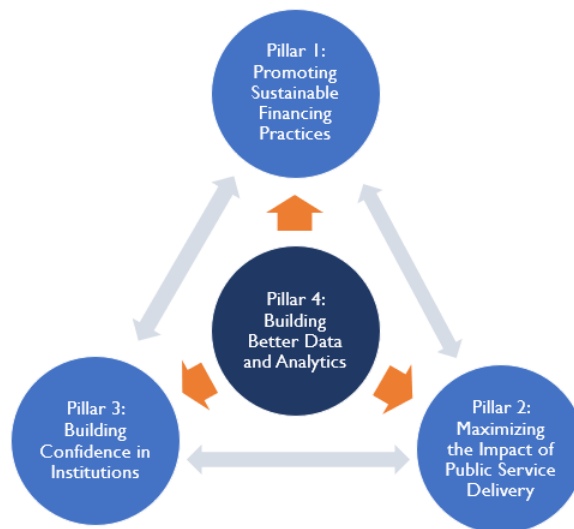
⁶ 'Core government functions' refers to: (i) public revenue and expenditure management; (ii) decentralization and service delivery (iii) government employment and public administration; and (iv) the rule of law.

⁷ Data disaggregation by sex and disability in the Data for Policy (D4P) package will be performed where it is appropriate, which corresponds to contexts where household survey data is amenable to disaggregation, specifically for data collected at the individual level. The D4P package will also continue promoting the production of sex and disability disaggregated statistics in countries where this is already available.

I. INTRODUCTION

1. **Governance and Institutions will continue to form the cross-cutting foundation of IDA's support to sustainable development and inclusive growth.** The ability of governments to effectively provide public goods, to support an environment that can generate jobs and growth, to address market failures and to engage citizens in the process is more important than ever and will determine whether the global community is able to achieve the ambitious goals that it has set for itself. The IDA18 framework has already helped set the stage for a holistic and longer-term approach to institutional development where it is most needed. The set of policy commitments under IDA19 aims to respond to emerging global priorities while building on the foundation laid under the previous IDA cycle. Some of these commitments draw on lessons learned from IDA18, and all aim to demonstrate the potential for both an impactful and measurable success in its implementation.

Figure 1. Pillars of the IDA19 Governance and Institutions Special Theme



2. **The first pillar of commitments under IDA19 will aim to address pressing fiscal challenges.** The pillar will focus on enhancing debt transparency and building the institutional capacity for strengthened debt management in IDA countries. A continued focus will also be placed on domestic resource mobilization, with the aim of supporting countries to generate the fiscal space necessary to deliver essential services. Finally, IDA19 will also focus on improving the governance of infrastructure investments in IDA countries by strengthening the planning, management and transparency of infrastructure spending. Packaged together, this set of commitments aims to address the capacity of IDA countries to increase fiscal space while ensuring the sustainability of public finances for longer-term growth and development.

3. **The second pillar will focus on maximizing the impact of public service delivery.** IDA19 will aim to address key bottlenecks in the delivery of services, including ensuring adequate financial resources, and the effective targeting and execution of budgets while supporting efforts to build systems that can raise adequate financing for human capital accumulation, which is critical for impactful service delivery. In addition, IDA19 will be an important opportunity to capitalize

on technological innovations that enable governments to deliver services to citizens and business that are accessible, affordable, and inclusive. A focus on advancing universally accessible GovTech⁸ solutions will enable more efficient achievement of results by providing access to knowledge, experience, and technical assistance to support digital transformation in IDA countries.

4. **The third pillar will focus on building confidence in institutions.** This will ultimately depend on the state's capability to ensure a transparent, inclusive, and accountable governance framework. Some of the key commitments proposed under the Governance and Institutions Special Theme include advancing anticorruption efforts to address tax evasion and illicit financial flows that distort competition, undermine government institutions and erode the integrity of legal and financial systems. Building on progress made in IDA18, these commitments support the full disclosure and use of beneficial ownership information as a critical tool in confronting corruption and addressing the illicit financial flows it generates, and also reduce tax evasion by supporting the adoption of the Automatic Exchange of Information (AEOI). In deepening the IDA's engagement on open government and citizen engagement, support will focus on strengthening multi stakeholder approaches to policymaking and implementation. This commitment aims to ensure that such reforms are longstanding and lay the foundation for a shift towards a more citizen-centric public service. In recognizing that many IDA countries, particularly those in Sub-Saharan Africa (SSA) or Middle East and North Africa (MENA), are fragile or in conflict, a third commitment under this Pillar will support the establishment and strengthening of core government functions in the most difficult contexts.

5. **The fourth pillar will focus on measuring impact in the face of these immense challenges based on robust data and analytics.** Core data covering economic, social, and sustainability statistics that are essential for the evaluation of public policies and monitoring of the SDGs will be crucial. Through the implementation of the Data for Policy (D4P) package,⁹ the IDA is committed to strengthening institutional capacity in client countries to deliver on the production of core data that is of high quality, accessible and timely, with a focus on fragile and conflict settings where robust data is often limited. This pillar is cross-cutting in nature as it underpins the broader package of reforms supported under IDA19 (see Figure 1).

6. **In realizing this ambitious set of commitments, the IDA19 Governance and Institutions Special Theme will require an adaptive and selective approach.** In line with the World Development Report (WDR) 2017 on Governance and the Law, the implementation of these commitments will be anchored in the recognition that development projects and programs often fail due to complex political and social settings that influence adherence to the rule of law,

⁸ GovTech is a whole-of-government approach to digitalization that promotes simple, accessible, and efficient government. It aims to promote the use of technology to transform the public sector, improve service delivery to citizens and businesses, and increase efficiency, transparency and accountability. GovTech is a key component of the Digital Economy Framework, providing necessary technology to foster economic growth, reduce poverty, and boost shared prosperity.

⁹ The proposed "Data for Policy" package will target a core set of economic, social, and sustainability statistics (Box 2). These targeted areas were identified based on the data required for monitoring progress and evaluating the success of policies, as well as for monitoring the progress of National Development Plans and the SDGs, rather than attempting to provide an exhaustive compilation of datasets. The core products in the D4P package include household surveys (and population censuses when required), enterprise surveys (and establishment censuses if required), agricultural data, price data, and administrative records.

even when the projects are carefully designed, well-intentioned and technically sound. IDA19 will therefore allow for a nuanced approach to implementation based on country-specific circumstance. Decisions on how and where to engage will follow a selective approach by building on the findings of diagnostic work developed under IDA18 that has helped identify bottlenecks. Synergies across the IDA19 commitments will be leveraged¹⁰ to ensure a comprehensive approach to governance reform at the country-level, where possible. Policy commitments under the Governance and Institutions Special Theme will also contribute to SDG16 to promote strengthening governance across multiple dimensions (see Box 1).

Box 1. IDA19 Working to Deliver on Sustainable Development Goal (SDG) 16

The Governance and Institutions Special Theme sits at the nexus of SDG16's objective to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels."

SDG16 has been dubbed as "The People's Goal" and "the next-generation scorecard of development" recognizing that people everywhere want fair public administration, safe neighborhoods and transparent access to justice. The goal recognizes that strong governance is not just good for its own sake: it also is a key building block of development.

SDG16 targets that IDA19 Governance and Institutions policy commitments contribute to include:

- **16.4:** Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime
- **16.5:** Substantially reduce corruption and bribery in all their forms
- **16.6:** Develop effective, accountable and transparent institutions at all levels
- **16.7:** Ensure responsive, inclusive, participatory and representative decision-making at all levels
- **16.8:** Broaden and strengthen the participation of developing countries in the institutions of global governance
- **16.10:** Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

II. PROGRESS UNDER IDA18 AND LESSONS LEARNED

7. **IDA18 has helped set the stage for a more holistic, long-term approach to institutional development.** To date, 57 IDA countries have implemented over 200 activities towards the achievement of the Governance and Institutions policy commitments (with 10 of 12 commitments fulfilled, see Annex 4), illustrating the powerful impact IDA can have in generating momentum for reform in difficult contexts. This high demand for IDA can be seen in priority areas such as Domestic Resource Mobilization (DRM) where support has already been provided to 39 IDA countries (against a target of 25) to increase their Tax/Gross Domestic Product (GDP) ratios and Open Government where IDA18 has been mobilized to strengthen open, transparent, and inclusive governance in 26 countries (against a target of 25) (see Box 2). Such achievements are being translated into notable impact in IDA countries – such as double-digit growth in tax revenue in

¹⁰ As evidence of the synergies and interconnected nature of the governance agenda, at the time of the IDA18 MTR, more than 80 percent of countries were implementing more than one Governance and Institutions policy commitment, and more than 50 percent of countries are implementing more than four commitments simultaneously.

Afghanistan following a reform of the large taxpayer regime, or a 96-hour response time in disbursement during the Lassa Fever outbreak in Nigeria.¹¹ Halfway through its implementation, IDA18 has already made substantial strides towards improving governance and institutions.¹² Under IDA19, the Governance and Institutions Special Theme will build off important diagnostic work that has been underway over the past several years to identify key governance bottlenecks hindering effective service delivery at the country level, as well as the shift of the World Bank's governance portfolio towards a more results-driven approach to governance reform, through a greater focus on results-based lending instruments such as Program-for-Results (PforRs) and Investment Project Financing (IPF) with Disbursement Linked Indicators (DLIs). A concerted focus is also placed on advancing support to citizen engagement by supporting multi-stakeholder platforms for policymaking, and implementation in IDA countries. Future IDA cycles will help build on this foundation by providing the long-term investment required to meet the challenging, non-linear reform trajectory that the Governance and Institutions Special Theme presents.

Box 2. Independent Evaluation Group (IEG) assessment of the IDA18 Governance and Institutions Special Theme

A recent IEG report on lessons from the implementation of IDA18 Special Themes finds that *Governance and Institutions* has been well integrated in country strategy objectives, and that weighted by commitment volumes, the share of IDA project outcomes rated MS+ stood at 76 percent by FY15-FY17. The report also highlighted the positive impact that the Corporate commitment to mainstream citizen engagement has had on supporting engagement of citizens in projects, Country Partnership Framework preparation, and policy formulation. However, the report also highlighted the need to ensure citizen engagement in IDA operations is broadened and deepened with concrete steps, including building capacity, strengthening monitoring and reporting, and regular outreach. Furthermore, a focus on political economy analysis and more explicit discussion of capacity constraints and plans to build institutional capacity in line with country-specific governance challenges would help ensure enhanced project outcomes, especially across key engagement areas such as domestic resource mobilization and infrastructure governance.

8. Domestic resource mobilization continues to be an urgent priority for IDA countries amid fiscal constraints and socioeconomic pressures. Building the institutional capacity to generate and collect public revenues for use towards public services was a key focus under IDA18, and important progress has been made. On the back of an ambitious policy commitment to provide support to at least a third of IDA countries in bolstering tax collection, 39 countries have already begun implementation of targeted reforms through a variety of lending and analytical instruments (Development Policy Finance (DPFs), IPFs, Advisory and Analytic Services (ASA) and Tax Administration Diagnostic Assessment Tools (TADATs)). Of the 35 IDA countries that collect less than 15 percent of GDP in taxes – considered a critical ‘tipping point’ – IDA18 is already supporting 21. There has also been a concerted focus on DRM in Fragile and Conflict-affected Situations (FCSs) (such as Afghanistan, Chad, Democratic Republic of Congo (DRC), and Somalia¹³), where IDA has shown that it is possible to step into fragile environments to help governments generate the early revenue streams needed to help maintain basic services and build confidence in the state. When measuring results

¹¹ IDA18 Mid-Term Review: Progress Report on Governance and Institutions, World Bank 2018a.

¹² This section only provides a glimpse of the important progress underway in implementing different commitments under IDA18. A more detailed progress report can be found in the IDA18 Mid-Term Review paper.

¹³ IDA financial assistance will only be provided to Somalia once the country clears arrears.

in DRM, a key lesson learned from IDA18 was that incremental gains in Tax/GDP by those IDA countries persistently below 15 percent can be more challenging (and should be equally recognized) as those that cross the '15 percent threshold' during an IDA cycle.¹⁴

9. **IDA18 has also provided a platform for increased coordination and cooperation on DRM.** The Medium-Term Revenue Strategy (MTRS) is a framework developed in 2016 that aims to facilitate a country driven process to develop multi-year, holistic and realistic plans for revenue objectives. Since 2018, twelve countries have begun to implement this approach, among which seven are IDA countries.¹⁵ The MTRS provides a flexible framework that adjusts to country priorities and capability and be applied to a wide range of situations including IDA FCSs. The key condition is country commitment to a strategic approach for tackling DRM challenges, which would not be met in all IDA countries because of political economy reasons or a different focus of national development priorities. The *Platform for Collaboration on Tax (PCT)* serves as a central vehicle for enhanced cooperation between the World Bank (WB), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the United Nations (UN). The PCT is also being utilized to strengthen the participation and voice of IDA countries in rapidly evolving global policy discussions, particularly around international tax. DRM will continue to be a key focus under IDA19, packaged as part of a broader set of commitments addressing pressing economic challenges in IDA countries, alongside debt management and transparency as well as infrastructure governance.

10. **While there was no specific policy commitment in IDA18 to support debt management and transparency, the WB has been providing technical assistance in IDA countries largely through the Debt Management Facility¹⁶ (DMF), tailored advisory support, training, and analytical tools that strengthen the ability to manage debt.** The Debt Management Performance Assessment (DeMPA) results for 37 countries suggest strong overall improvements in the quality of legal frameworks for sovereign debt management. Today, more countries prepare debt management strategies, and many countries have improved the organization of their debt management institutions. Several IDA countries are now pursuing debt management reforms through a programmatic engagement with a view of systematically improving debt management outcomes over the medium-term.

Examples of engagements on debt management include:

- **Uganda:** The DMF helped Uganda define its debt management policies and practices, which are now set out in a legal and institutional framework, with clear guidelines and benchmarks. Uganda now has a publicly available debt management strategy, issues quarterly debt bulletins and participates in the debt sustainability analysis.
- **Kosovo:** After receiving support from the DMF, Kosovo made several noteworthy improvements in debt management. For the first time ever, the government: (i)

¹⁴ In IDA18, one of the Results Measurement System (RMS) indicators was "Number of IDA countries that have raised taxes/GDP above 15 percent". In IDA19, it is being proposed that this be revised to capture annual incremental gains in Tax/GDP.

¹⁵ MTRSs are at various stages of development in 12 countries: early implementation (Lao PDR and Papua New Guinea); MTRS formulation in preparation with support from PCT partners (Ethiopia, Indonesia, Thailand, and Uganda); and dialogue on-going before MTRS formulation (Egypt, Georgia, Mongolia, Myanmar, Pakistan, and Senegal).

¹⁶ The DMF is a multi-donor trust fund supporting debt management capacity building.

developed a debt strategy and published it on the Ministry of Finance's website; (ii) implemented external financial and compliance audits of debt management transactions; (iii) prepares and discloses – annually – the result of its debt sustainability analysis, and; (iv) instituted official debt reporting and recording, including the first-time publication of a quarterly debt bulletin.

- **Malawi:** Through technical assistance, the WB and the IMF continued their support to address critical macro issues related to Malawi's debt management and local currency bond market development. This included training on Medium Term Debt Strategy (MTDS) in November 2017. Since then, the Debt and Aid Division (DAD) of the Ministry of Finance and Economic Planning has since prepared an MTDS independently. Malawian officials have mastered the analytical tool and are now able to discuss debt portfolios that arise from a range of possible financing strategies, considering factors such as the macroeconomic and financial market environment, the availability of financing from different creditors and markets, and vulnerabilities that may have an impact on future borrowing requirements and debt service costs.

11. IDA18 also made important progress in advancing the principles of open government and transparency. IDA has supported Open Government Partnership (OGP) in 26 IDA countries, exceeding the IDA18 target. Some of the most encouraging results to date have been in IDA countries that are employing multiple open government interventions in an integrated fashion, such as in Nigeria, where a joint government-Civil Society Organization (CSO) OGP National Steering Committee has developed a set of 14 commitments in its OGP Action Plan, covering the period of January 2017 – June 2019. Reforms under this action plan aim to consolidate reforms in four thematic areas: (i) fiscal transparency; (ii) access to information; (iii) anti-corruption and asset disclosure; and, (iv) citizen engagement and empowerment. These are being operationalized in part through a PforR operation, which creates incentives for state-level implementation of OGP Commitments on budget and procurement transparency as foundations for subnational fiscal transparency. Looking ahead, challenges remain in ensuring that open government and citizen engagement reforms such as these lead to real and long-lasting change on the ground. IDA19 provides an important opportunity to build on the momentum generated under IDA18 and translate these reforms into sustainable improvements.

12. IDA18's commitment to addressing Illicit Financial Flows (IFFs) supported the development of country-level diagnostic work which has set the stage for specific actions on the ground. Since the launch of IDA18, a significant number of IFF assessments have been launched and have already been delivered in 23 IDA countries (against a target of 10). The primary tool being utilized is National Risk Assessments (NRA) – a knowledge-based decision-making tool used to assist decision makers with identifying and assessing the actual sources of the Money Laundering (ML) risk in a country and developing action plans to mitigate their risks and improve the effectiveness of the Anti-Money Laundering (AML) environment. The resulting risk-based action plans that stem from completed NRAs are designed to improve the effectiveness of the AML system by ensuring risk-based allocation of human and financial resources, and therefore result in improved investigation and prosecution of financial crimes such as corruption, tax evasion, and fraud. In moving forward, a concerted effort will be made to advance the Bank's value-added by responding to the broad concept of IFFs through its anticorruption work and building on the lessons learned under IDA18.

13. **GovTech has already helped improve public sector efficiency, transparency, and performance under IDA18.** Technology plays an increasingly important role across many government functions including tax administration, financial management and procurement, service delivery, and citizen engagement. GovTech has helped accelerate progress and enhance the development impact of several of the Governance and Institutions policy commitments in IDA18, including procurement modernization, citizen-centric public service delivery and e-government strategies and digital governance. The WBG is mobilizing to assist IDA countries in increasing their ability to harness the potential of GovTech while ensuring that the risks of digital transformation are being managed – particularly the risk of exclusion and the exacerbation of already high inequality. In moving forward, IDA19 will be an important opportunity to maximize the transformational nature of GovTech to deliver solutions geared towards universal access of public services to benefit those most in need.

14. **The breadth of the policy commitments under the IDA18 Governance and Institutions Special Theme has allowed for significant reach across IDA countries.** As evidence of the synergies and interconnected nature of the governance agenda, more than 80 percent of countries are implementing more than one policy commitment, and more than 50 percent of countries are implementing more than four commitments simultaneously. Nineteen of the countries covered by the commitments under this theme are classified as FCS. In addition, low income and lower middle-income countries are implementing 91 percent of all interventions (upper middle-income countries make up the remainder), demonstrating how important additional IDA resources have been in addressing persistent governance challenges. While recognizing that institutional reform is often non-linear and requires a long-term view, it remains critical to be able to define targets and results in the shorter-term that can be achieved within an IDA cycle. In moving forward, IDA19 will be an opportunity to continue to deepen achievements in core areas from IDA18 while also responding to emerging priorities.

III. WAY FORWARD AND PROPOSED POLICY ACTIONS

15. **Under IDA19, the Governance and Institutions Special Theme aims to lift the ambition of core commitments and respond to emerging global priorities.** Pillar 1 of the IDA19 framework aims to strengthen institutions to better manage their own development finance needs by supporting a package of interrelated commitments covering debt management and transparency, domestic resource mobilization, and infrastructure governance. Pillar 2 covers a set of commitments that aim to maximize the impact of service delivery by helping countries better design and implement public policies, with a focus on human capital development. Pillar 3 focuses on commitments that help build confidence in institutions, a key prerequisite to building state legitimacy for more enduring development and growth. Lastly, Pillar 4 focuses on building institutional capacity to produce core data and analytics that will serve as a solid foundation for more evidenced-based reform. Below is a more detailed overview of the commitments under the IDA19 Governance and Institutions Special Theme (see Box 3 for an overview of partnerships linked to this Special Theme).

Box 3. Partnerships for Governance and Institutions in IDA19

Strategic partnerships have been central to the delivery of the Governance and Institutions Special Theme in IDA18 and will continue to be key to streamlining international collaboration in IDA19. Given the systematic governance challenges faced by IDA countries, there has been significant focus on deepening and broadening collaboration and coordination with other development partners. Key partnerships from IDA18 that will continue to be continued and strengthened further in IDA19 include:

- **Platform for Collaboration on Tax (PCT):** Joint effort launched in April 2016 by the World Bank (WB), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the United Nations (UN) designed to intensify the cooperation between these International Organizations (IOs) on tax issues.
- **Open Government Partnership (OGP):** Brings together government reformers and civil society leaders to create action plans that make governments more inclusive, responsive and accountable.
- **Stolen Asset Recovery Initiative (StAR):** A partnership between the World Bank Group (WBG) and the United Nations Office on Drugs and Crime (UNODC) that supports international efforts to end safe havens for corrupt funds.
- **Global Partnership for Social Accountability (GPSA):** Established by the WB in 2012 to build constructive engagement between governments and civil society to solve fundamental problems in service delivery and to strengthen the performance of public institutions.

Partnerships that are emerging as key components to the IDA19 package include:

- **Debt Management Facility (DMF):** A partnership with the IMF experts from both institutions will now execute trainings and technical assistance for Low-Income Countries hoping to improve and professionalize their debt management
- **G20 Infrastructure Working Group:** One of the main working groups of G20 assigned to formulate and recommend the cooperative principles and policies in global infrastructure investment.
- **OECD/G20 Inclusive Framework on Base Erosion and Profit-Shifting (BEPS):** Brings together over 125 countries and jurisdictions to collaborate on the implementation of the BEPS Package and provides 15 Actions that equip governments with the domestic and international instruments needed to tackle base erosion and profit shifting
- **Global Forum on Transparency and Exchange of Information for Tax Purposes:** The premier international body consisting of 154 members for ensuring the implementation of the internationally agreed standards of transparency and exchange of information in the tax area.

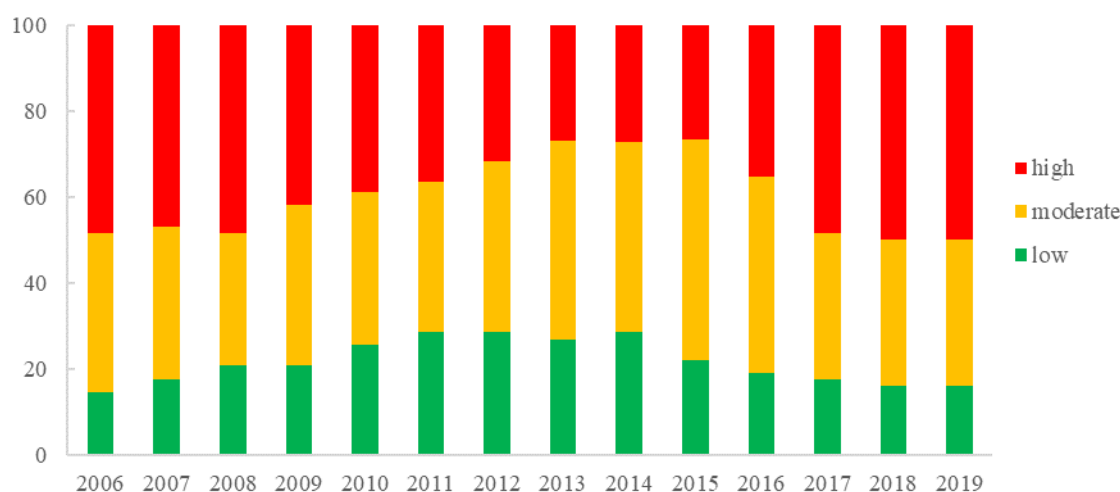
PILLAR 1: PROMOTING SUSTAINABLE FINANCING PRACTICES

16. **IDA19 will strengthen governance frameworks to build fiscal space, increase spending efficiency and contain debt vulnerabilities.** Public debt levels in IDA countries have risen dramatically while investment needs are pressing. At present, half of IDA countries assessed under the Debt Sustainability Framework for Low-Income Countries (LIC DSF) are at high risk of external debt distress or in debt distress (see Figure 2 – this share declines to 29 percent without small states).¹⁷ At the same time, investment needs remain high, with estimates of the financing gap for achieving the SDGs for developing countries at about US\$2.5 trillion. These include investment needs not only in infrastructure but also in social sectors, both of which are key in making progress towards structural transformation and poverty reduction. Given the sheer size of the financing gap in many IDA countries, paired with debt sustainability concerns, Pillar 1 will

¹⁷ Over 40 percent of Low-Income Developing Countries (LIDCs) are currently assessed at high risk of debt distress or in debt distress, doubling the number in such categories since 2013. See Bali Development Committee paper “Debt Vulnerabilities in Emerging and Low-Income Economies,” September 2018.

strengthen debt management in IDA countries to help contain vulnerabilities and help governments make prudent fiscal choices. Commitments under this Pillar will also help IDA countries build fiscal space through domestic revenue mobilization and improve the efficiency of spending, especially in the case of large-scale infrastructure projects prone to overspending, weak impact evaluation and corruption.

Figure 2. Evolution of Debt Distress Risk Ratings for IDA Countries
(Percent of IDA countries with LIC Debt Sustainability Assessment (DSA))



Source: World Bank/IMF LIC DSA database. As of March 31, 2019.

Note: Figures are in calendar year and include official DSAs for IDA-eligible countries.

Promote Debt Transparency and Debt Management

17. **Debt vulnerabilities in IDA countries have increased significantly in recent years in a context where debt management capacity remains weak.**¹⁸ Rising public debt levels and a changing composition of debt towards more expensive and riskier sources of financing constitute important sources of vulnerability. Most countries also suffer from a lack of transparency in public sector accounts, further exacerbating vulnerabilities. Despite significant improvements in some areas, debt management capacity and institutions generally remain weak in IDA countries.

18. **Debt sustainability concerns present an important risk for IDA’s balance sheet.** An increasing borrower credit risk will reduce IDA’s overall financing capacity unless donors increase their contributions. IDA countries at high risk of external debt distress or in debt distress received 27.5 percent of IDA commitments under the performance-based allocation and 26 percent of total IDA commitments in fiscal year 2018.

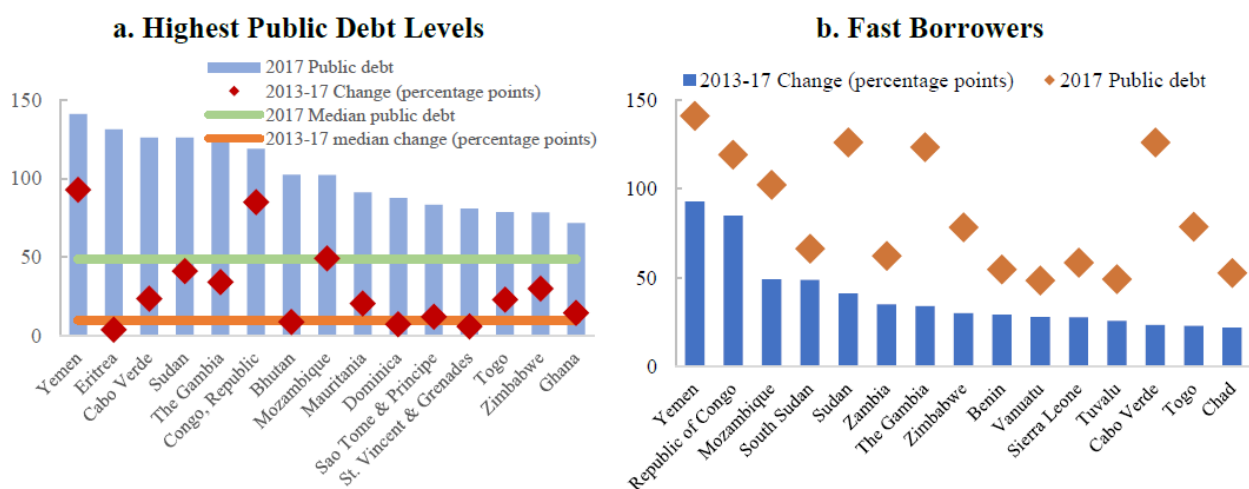
19. **The increase in public debt levels over the 2013-2017 period was broad-based across IDA-eligible countries.** Overall, the increase in public debt for countries affected by fragility, conflict and violence was relatively modest (nine percentage points, compared to 13 percentage points for non-FCS) between 2013 and 2017 (Figure 3). However, eight IDA countries

¹⁸ See “Debt Vulnerabilities in IDA countries, World Bank 2018b” October 2018, for a full discussion of the topic.

experienced an increase beyond 30 percentage points (Republic of Congo, The Gambia, Mozambique, South Sudan, Sudan, Yemen, Zambia and Zimbabwe). Five of these countries are fragile and conflict-affected commodity-dependent countries. Four countries reached the public debt levels observed in the early 2000s, of which three are FCS. As of end-January 2019, less than 40 percent of FCSs are at either low or moderate risk of external debt distress under the LIC DSF.

Figure 3. Public Debt in Selected IDA Countries

(Percent of GDP unless otherwise specified)



Source: “Debt Vulnerabilities in IDA countries,” October 4, 2018

20. **Public debt transparency plays a critical role in ensuring sustainable borrowing and lending practices.** Public debt statistics in IDA countries continued to suffer from limited coverage and transparency. Moreover, in a limited number of cases, issues of hidden debt, fraud and corruption contributed to the increase in the public debt-to-GDP ratio. Examples include Mozambique and The Gambia, where the public debt-to-GDP ratio increased by 49 and 34 percentage points between 2013 and 2017, respectively, to levels above 100 percent.¹⁹ Debt transparency is also critical for citizen accountability. It can also reduce funding costs. Becoming more transparent – as measured by the accuracy and timelines of macroeconomic information released to the public – leads on average to an 11 percent reduction in credit spreads.

21. **Inadequate legal frameworks, limited capacity, and governance challenges are root causes for lack of debt transparency.** To effectively report on public debt, reliable and comprehensive data recording and monitoring is necessary. DeMPAs in 22 African countries found that less than half meet the minimum requirements for sound international standards in the legal framework for debt management. This requires a legal framework with clearly specified instruments and institutional coverage, well-defined organizational structures that ensure segregation of duties and avoid conflicts of interest, internal controls that ensure laws, procedures and policies are followed, and a secure debt recording system is important. At the same time, adequate capacity is needed at every step to record, monitor, and report public debt data as well as

¹⁹ Ibid.

to audit and conduct internal control functions. Finally, in some instances, governance challenges have led to significant underreporting of debt.

22. **While there have been significant improvements in debt reporting, important gaps remain.** While many countries are now able to report timely and consistent central government debt, the quality of reporting is much weaker for guarantees, subnational governments and State-Owned Enterprises (SOEs). Only 22 percent of 22 African countries with repeated DeMPAs meet the minimum requirements for effectively managing loan guarantees, on-lending and the issuance of derivatives. Also, data on nonresident holdings of domestically issued securities, which have increased in importance for many emerging markets with bigger domestic debt markets, is often limited. Contingent liabilities, such as those arising from government guarantees, SOE debt, and Public-Private Partnerships (PPPs), are rarely collected in a centralized system. In fact, many IDA countries are unable to properly assess and monitor fiscal risks, associated with guarantees, PPPs, or disaster risks. Several countries also lack a systematic mechanism for collecting and recording information on collateralization. Improvement in debt transparency, however, may face significant political economy challenges.

23. **Under IDA19, a key commitment will focus on supporting IDA countries to strengthen institutions to better manage debt and enhance debt transparency.** While sound debt management is critical for countries to manage the cost and risks of their debt portfolio, it is not enough to address debt vulnerabilities. Sound debt management would need to be combined with improvement in Public Investment Management (PIM) and DRM. Moreover, enhancements with respect to debt transparency would not only require advisory services to borrowers, but also outreach to other creditors.

24. **Under the Governance and Institutions Special Theme, the focus on debt includes:**

- Ensuring that debt vulnerabilities are properly assessed by increasing the debt coverage in DSAs from central government to public sector debt through systematic country-level engagement to enhance debt coverage and reporting, including through technical assistance and Bank lending operations;
- Bolstering fiscal risk assessments and improving the capacity to manage debt in IDA countries. This includes activities such as the scale-up of fiscal risks monitoring – which would help take stock of contingent liabilities – and the implementation of sound debt management strategies. This commitment would support more transparent and informed borrowing decisions that consider costs and risks of the debt portfolio.

Policy Commitment: Promote Debt Transparency and Debt Management

- *Implement an integrated and programmatic approach to enhance debt transparency through increased coverage of public debt in DSAs and/or supporting debt transparency reforms²⁰ in 15 IDA countries.*
- *Bolster fiscal risk assessments and debt management capacity in 20 IDA countries through a scale-up of fiscal risks monitoring and/or implementation of debt management strategies.*

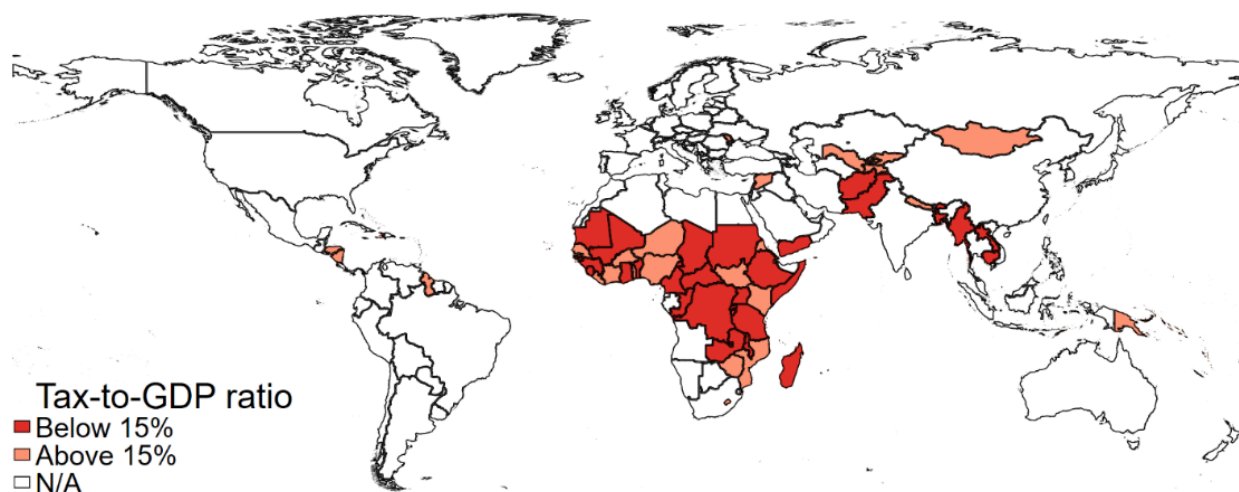
²⁰ Support to this commitment will draw from a suite of instruments including lending operations, diagnostics and technical assistance.

Strengthen Domestic Resource Mobilization

25. **Strengthening domestic resource mobilization in IDA countries is crucial in creating fiscal space to finance priority spending while avoiding debt concerns.** Preliminary findings suggest that the financing gap for achieving the SDGs for developing countries could stand at around US\$2.5 trillion. Yet, developing countries facing the most binding financing constraints, including FCS, often encounter the steepest challenges in collecting taxes.

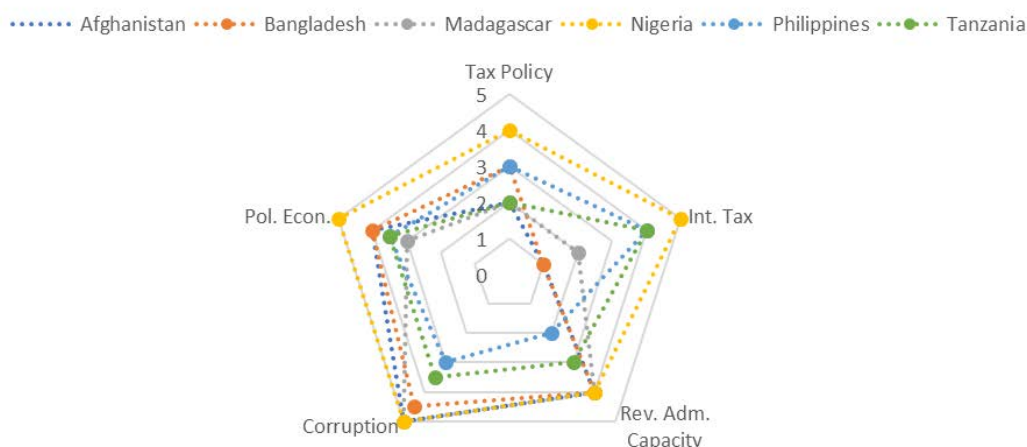
26. **Building on the achievements of its predecessor, a commitment under IDA19 will focus on country specific binding constraints to resource mobilization.** The WBG commits to supporting IDA countries that remain persistently below the 15 percent tax-to-GDP threshold (see Figure 4, below) through interventions - including lending and technical assistance - targeted at country-specific binding constraints to revenue collection. This includes a country-level focus on constraints such as limited revenue administration capacity, corruption, political economy bottlenecks, and barriers associated with national and international tax policies (Figure 5).²¹ Adopting a “fit-for-purpose” approach to engagement on DRM in IDA will help identify appropriate tax handles and thus help address key bottlenecks hindering progress in this area and innovative approaches such as through the use of technology will help enhance these efforts (see Box 4).

Figure 4. IDA countries with tax-to-GDP ratios lower than 15 percent
(Average 2012-2016)



²¹ World Bank, 2018c. *Domestic Resource Mobilization and Illicit Financial Flows: Informal Update to the Board*, Equitable Growth, Finance and Institutions, the World Bank, December 13, 2018.

Figure 5. Tax Effort: Illustrative Binding Constraints in Select Countries



27. **As part of this commitment, the IDA will support efforts to help broaden the tax base by reducing tax exemptions and addressing Base Erosion and Profit Shifting (BEPS).** By helping countries broaden their tax base, the commitment will aid resource mobilization. It will support reforms such as amendments to tax laws that reduce specific types of exemptions or limit ad-hoc giveaways. Since the majority of tax exemptions tend to benefit the rich, and the target of this commitment are exemptions not benefiting the poor. This commitment will also assist countries to strengthen the equity of their tax systems by increasing the relative tax burden of high-income individuals. Finally, it will assist countries in the adoption of international BEPS standards, aimed to curb international profit shifting, which leads to an erosion of the corporate tax base.

28. **These efforts have important synergies with efforts to increase spending efficiency as well as with the Jobs and the Economic Transformation Special Theme.** As IDA increases its emphasis on investing in people through better nutrition, health care, and quality education leading to healthy, productive and sustainable lives, there will be a need to ensure that newly mobilized resources are spent efficiently in these priority areas. This, in turn, is directly connected to the gains targeted under the Jobs and Economic Transformation Special Theme. The economic transformation for job creation requires investments in infrastructure and human capital for which resource mobilization is paramount considering prevalent debt sustainability concerns. Further discussion on the Governance and Institution’s commitment on DRM linked to human capital is included under Pillar 2 below.

Policy Commitments: Strengthen Domestic Resource Mobilization

- *Support 25 IDA countries that remain persistently below the 15 percent tax-to-GDP threshold through interventions (including lending and technical assistance) targeted at country-specific binding constraints²² to tax policy and/or administration, including supporting efforts to broaden the tax base such as reducing exemptions and addressing Base Erosion and Profit Shifting.*

²² ‘Binding constraints’ refers to limited revenue administration capacity, corruption, political economy bottlenecks, and barriers with national and international tax policies.

Box 4. Using Technology to Enhance Domestic Resource Mobilization (DRM)

The exponential increase in the availability of disruptive technology in IDA countries has widespread implications on efforts to strengthen DRM. In the digital world, Information and Communication Technology (ICT) platforms and modern technology that enforces tax compliance have the potential to increasingly drive tax administration. For example, today's ICT systems allow tax administrators to access data on taxpayers' financial transactions with banks and other institutions on a regular and automated basis. These data can be analyzed via algorithms to generate taxpayer risk profiles and to aid in risk management. Electronic invoicing systems allow reconciliations that test sales and profits to ensure they do not go underreported or unreported.

Some examples of IDA countries already pushing these frontiers include:

- **Pakistan:** In Punjab, a receipt lottery system has had a positive impact on revenues and the WB project is supporting tax audit improvements to further the gains.
- **Rwanda:** The Rwanda Revenue Authority has taken advantage of the widespread adoption of mobile money to deepen the electronic payment of taxes. Just six months after the platform *mDeclaration* was introduced, a pilot that targeted groups of medium and small scale enterprises (MSMEs) resulted in 10,256 users having already registered to use the software. Usage has since reached more than 85 percent of the target population.
- **Tajikistan:** The Tax Administration Reform Project is financing a number of reforms, including establishing e-invoicing systems. As a result, the total number of individual (small) taxpayers has doubled to 273,000 in 2018 from 137,000 in 2012; the Value Added Tax productivity has increased from 37 percent to 40 percent; and, adjustment per auditor has increased from 184 million somoni to 712 million somoni over 5 years.
- **Tanzania:** A taxpayer education campaign coupled with tax infrastructure improvements resulted in a total of 376,666 taxpayers registered with a newly introduced mobile tax payment for property taxes.

Strengthen Infrastructure Governance

29. **The successful development of infrastructure has an important impact on ensuring better lives, equal opportunity and access to services.** In SSA, only 35 percent of the population has access to electricity, and 23 percent still lack access to safe water and sanitation. The estimated annual shortfall of nearly US\$100 billion in infrastructure investment in Africa is a key challenge, in addition to weak governance which works to compromise the success of infrastructure investments in many IDA countries. For instance, upstream challenges of weak project appraisal and prioritization undermine the allocative and operational efficiency of public investments.

30. **A lack of financing for infrastructure projects severely constrains the ability of governments to deliver key services.** The WB estimates that achieving the SDGs would require some US\$4.5 trillion in public and private investment by 2030. In light of these financing requirements, the WBG has developed the Maximizing Finance for Development (MFD) approach to help governments and other stakeholders crowd in private capital while optimizing the use of scarce public resources.

31. **The success of the MFD initiative will depend to a large extent on the adoption of good infrastructure governance practices.** Governance gaps are a primary binding constraint that prevent private capital from being mobilized. Weak governance increases project risks, deters investors from otherwise sustainable investments, hereby blocking the creation of productive, sustainable assets that serve citizens. Issues such as a lack of public sector transparency, poor corporate governance, inconsistent and cumbersome regulatory frameworks, and an institutional environment marked by collusion and corruption – increase the unpredictability of transactions, weaken accountability, thus discouraging private investments.

32. **Evidence from the IMF shows that the economic and social impact of public investment critically depends on its efficiency:** the most efficient public investors get twice the growth for their public investment than the least efficient.²³ Efficiency gains can be achieved, for instance, by improving the governance of infrastructure. This depends on a coherent strategic planning process, an open and transparent prioritization mechanism, and a decision-making process based on affordability, cost efficiency, a clear regulatory and institutional framework, robust coordination across levels of government, and evaluation mechanisms that monitor performance through the life cycle of the asset. Moreover, e-procurement initiatives can address the main avenues for corruption and mismanagement in infrastructure procurement and operation.

33. **As part of IDA19's Governance and Institutions Special Theme, a concerted effort will be placed on strengthening the enabling environment for improved governance to enhance the quality of infrastructure investments in IDA countries.** The identification of key governance bottlenecks to crowding in private capital through assessments such as the Infrastructure Sector Assessment Program (InfraSAP) and the Infrastructure Governance for Maximizing Finance for Development (IG4MFD) will help provide a granular assessment of key public investment and service delivery management institutions and internal processes of a country that will inform country level engagements. IDA19 will also support IDA countries in the adoption of policies and regulations for enhanced quality, efficiency, and transparency of infrastructure investments.

Policy Commitment: Strengthen Infrastructure Governance

- *Support 10 IDA countries in the identification of key governance constraints to the development, financing, and delivery of quality infrastructure investments to inform the adoption of policies and/or regulations for enhanced infrastructure governance in a majority of these (five countries).²⁴*

PILLAR 2: MAXIMIZING THE IMPACT OF PUBLIC SERVICE DELIVERY

34. **Improved public investments and public service delivery in health, education, and other key sectors will help IDA countries strengthen human capital.** As the IDA increases its emphasis on investing in people through nutrition, health care, and quality education, IDA19 will be an opportunity to take advantage of synergies between increased DRM and higher spending efficiency in public service priority areas. Furthermore, in the age of rapidly advancing technology, GovTech can help support government efforts to make public services more accessible, inclusive, and easy to use. Pillar 2 focuses on a set of commitments that, together, aim to strengthen the impact of public services and maximize their reach to the benefit of the marginalized, including people with disabilities.

²³ IMF, *Making Public Investment More Efficient*, May 1, 2015.

²⁴ The objective of good infrastructure governance is to deliver the right projects in a way that is sustainable, transparent, and accessible to users and citizens. Assessments will address policy and regulatory frameworks, transparency practices, and institutional capacity constraints at the center of government and in infrastructure services as provided by ministries, public utilities, and sub-national governments, SOEs, and /or PPPs.

Support Investments in People that Promote Efficiency, Growth, and Equity

35. **Building a prosperous, inclusive, and resilient economy requires smart and timely investments in people.**²⁵ Strong and equitable human capital investments contribute to reducing inequality, improving welfare, producing intergenerational benefits, and promoting growth and competitiveness. While human capital accounts for the largest share of wealth globally,²⁶ it is disproportionately less in IDA countries, reflecting inefficient or insufficient investments. While economic growth depends on both physical and human capital (and factors influencing the productivity of both), countries often underinvest in people as their return takes longer to materialize in terms of productivity and economic growth.

36. **The cost of poor investments in people will only continue to rise, with more pronounced consequences for IDA countries.**²⁷ Recent estimates suggest that the additional annual resources required for developing countries to achieve the goal of a learning generation by 2030 is US\$1.8 trillion annually.²⁸ Ensuring that all people have access to needed health services without financial hardship requires developing countries to spend an annual average of US\$112 to \$146 per capita on health by 2030.²⁹ Other estimates have placed the total cost of social sector investments needed to fulfill the SDGs by 2030 at about US\$137 billion in LICs.

37. **Achieving the SDGs in health and education will require a significant amount of resources.** A key pillar of work under the WBG's Human Capital Project (HCP) is the development of the Human Capital Index (HCI), which measures the contribution of health and education to the productivity of individuals and countries, anchored in rigorous micro-econometric studies.³⁰ While the HCP is a global agenda, the HCI data indicates that 56 percent of children live in countries with an HCI value below 0.5 (mostly IDA countries in three developing regions of Sub-Saharan Africa, South Asia and Middle East and North Africa). Of the 30 countries at the bottom of the HCI Ranking Table (with a value less than 0.4), 28 of them are IDA-eligible.³¹

38. **The limited capacity of countries to mobilize adequate domestic resources are an important constraint to meeting the gap in health and education services for the bottom 30**

²⁵ Defined as "a population's health, skills, knowledge, experience, and habits."

²⁶ The Changing Wealth of Nations, 2018.

²⁷ The World Development Report (WDR) 2019, The Changing Nature of Work, 2019.

²⁸ The goal of achieving a learning generation by 2030 entails: (i) quality preschool education for all children; (ii) all girls and boys completing primary school, and all 10 year-olds having functional literacy and numeracy; (iii) the proportion of girls and boys achieving secondary level skills in Low-Income Countries to reach current levels in high-income countries; (iv) participation in post-secondary learning in low-income countries to near levels seen today in high-income countries; (v) inequalities in participation and learning between the richest and poorest children within countries very sharply reduced, coupled with strong progress in reducing other forms of inequality. *The Learning Generation: Investing in Education for a Changing World*; a report by the International Commission on Financing Global Education Opportunity (2018).

²⁹ The average 2015 government health spending per capita was US\$12.24 in LICs and \$26.54 in Low-Middle Income Countries (LMICs). This includes the development assistance for health (DAH) channeled through government budgets. Estimates from https://www.globalfinancingfacility.org/sites/gff_new/files/documents/Beating-the-DRUM-in-Lower-Income-Countries_English.pdf.

³⁰ A country's HCI is its distance to the frontier of complete education and full health.

³¹ The breakdown of the 28 IDA-eligible countries in the HCI ranking table is the following: 24 IDA-only (Chad, South Sudan, Niger, Mali, Liberia, Sierra Leone, Côte d'Ivoire, Mauritania, Mozambique, DRC, Yemen, Burkina Faso, Lesotho, Rwanda, Guinea, Madagascar, Sudan, Burundi, Uganda, Ethiopia, Afghanistan, Zambia, The Gambia, and Tanzania) and four Blend countries Cameroon, Pakistan, Papua New Guinea, and Nigeria).

HCI countries. Eighteen of these countries are low income, and eleven are lower middle income. The majority (25) are in Sub-Saharan Africa, with twenty-four of these countries characterized by a very high stunting rate of greater than 30 percent. Twenty-five of these countries have a total fertility rate over 4 (global average is just under 2.5 children per woman), which prevents them from completing the demographic transition and reaping the benefits of the demographic dividend. Over half of the countries have maternal mortality ratios over 400 per 100,000 live births (more than double the ratio of the other regions), with over a third affected by fragility, conflict & violence.

39. **A combination of raising additional revenues and increasing the efficiency of spending will be needed to bridge the gap in financing.** The ability to build systems that can raise adequate financing for human capital accumulation and utilize these revenues efficiently is critical to sustainable financing and DRM, and places even more emphasis on adequate and transparent governance in social sectors.

40. **Under IDA19, a commitment will be made to support 10 of the 30 lowest ranking countries on the HCI to develop a human capital financing strategy which aligns domestic financing and external resources more effectively.** Countries that have signed up to the Human Capital Project (57 in total) have committed to preparing a human capital strategy. As part of the HCP, the Bank would work with countries to make sure that the human capital strategy includes a financing strategy that promotes DRM, more efficiency in use of resources, and harmonization with donor funding. The commitment will target 10 countries, determined based on those among the bottom 30 HCI countries which are IDA-eligible, and who have signed up for the human capital project.

41. **Many countries supported by the WBG's Human Capital Project are committing to mobilize additional domestic resources for investments in people.** The WB is supporting governments in assessing different options to increase resources for health and education. In addition to supporting countries in developing or strengthening their existing human capital financing strategies, the Bank provides countries with technical assistance to evaluate their fiscal space and supports increased dialogue between the sector ministries and the Ministry of Finance. This includes supporting the efficient expenditure of those resources mobilized, such as the deployment and management of human resources (together with front-line service providers) across levels government, making sure that funds flow where services are delivered; and bolstering the value-for-money achieved in the procurement of high-value goods such as medicines and textbooks. By adapting and aggressively deploying these approaches, countries can: raise more total government revenue as a share of GDP; increase prioritization of human capital investments in budget allocations; tackle key sources of inefficiencies in health and education systems, and improve the equity impacts of decisions to more effectively invest in people. Engaging in this work is an important step for countries that want to identify and mobilize sources of additional public domestic funds to support human capital investments.

42. **An increase in domestic resources and greater spending efficiency will have to be met with a more effective use of scarce donor resources, and a consistent application of internationally agreed upon principles of aid effectiveness.** New instruments like the Global Financing Facility (GFF) are playing a catalytic role in enabling investments in maternal and child

health by allowing IDA countries to maximize resources for the benefit of human capital accumulation and ensuring that scarce resources are well-utilized. Such support will continue to ensure that investment in health, nutrition and education are able to support countries in maximizing the potential of their human capital in IDA19.

Policy Commitment: Support Investments in People that Promote Efficiency, Growth, and Equity

- *Support 10 IDA countries among the 30 countries with the lowest Human Capital Index to strengthen human capital financing through improving the efficiency of public expenditures, and more effectively aligning expenditures with domestic financing and external resources in a sustainable manner.*

Enable Universal Access to Public Services through GovTech

43. **The transformational impact of GovTech is in its ability to help governments design and deliver services that are accessible, affordable, and inclusive.** There are rising expectations from citizens for the government to perform on par with the service standards of the private sector, yet the capacity to leverage technology for public sector transformation is generally weak in developing countries.

44. **As a whole-of-government approach to digital transformation, GovTech focuses on enabling governments to deliver universally accessible services to citizens and businesses.** More specifically, GovTech includes support to core government operations, the promotion of citizen-centric service delivery, fostering citizen participation, and opening access to data to boost the digital economy and create jobs. Through GovTech solutions, governments can improve the interoperability of government systems, the identification of risk through artificial intelligence and machine learning, the harmonization of key registries based on digital ID, and the development of mechanisms for citizen feedback to provide real-time data. Using technology can also enable real-time communication between citizens and government. Through Short Message Service (SMS), social media, online petition platforms, and other tools, governments are hearing about issues that are important to citizens and can respond more effectively. Technology and Artificial Intelligence (AI) also have the potential to transform the efficiency of core government functions, including financial management, procurement, human resource management, domestic resource mobilization and monitoring & evaluation systems.

45. **Implementing GovTech solutions to support core government operations and service delivery has had positive impacts on governance outcomes.** For example, countries with more sophisticated e-government (per the UN E-Government Index) are also more likely to have higher government effectiveness per the World Governance Indicators (WGI). It is also positively related to lower perceptions of corruption.

46. **Alongside technology, GovTech also encompasses the analog complements to ensure successful implementation.** From a governance and institutions standpoint, it includes activities on institutional organization for GovTech implementation; change management; skills and developing regulatory and legal frameworks for data exchange and interoperability. The GovTech approach recognizes the inherent risks of digital transformation including cybersecurity, data

privacy and use, access and safety of solutions. GovTech also aims to support countries with these tools to identify and mitigate risk in their transformation journeys.

47. **Ensuring GovTech services are universally accessible will require a deliberate effort to address accessibility considerations upfront.** Designing GovTech to be universally accessible, including for persons with different types of disabilities or with varying functional needs is crucial to ensure that they can benefit from citizen-centric service delivery. For some persons with disabilities, it may represent the first time they are able to access government services and sensitive, personal data without being dependent on someone else. On the other hand, investing in new infrastructure and services that unintentionally block users who use different types of assistive technologies such as screen readers, magnification, and hearing aids due to inaccessible design elements can lead to further exclusion and marginalization of persons with disabilities and others with functional difficulties. Advancing this agenda will require conscious and deliberate attention to making the GovTech ecosystem accessible, through the development of policies to promote accessibility, the attention to procurement of electronic devices and services, the use of accessible design guidelines for web-enabled services and content and building capacity on the supply and demand side. GovTech implementation may also include the drafting of new policies around data use and privacy, cybersecurity, and interoperability.

48. **As key policy commitment under IDA19, the IDA is committed to supporting the adoption of universally accessible GovTech solutions in 10 IDA countries.** This support will help enhance the efficiency and effectiveness of core government operations, improve the accessibility of online services for citizens and businesses, and ensure more openness of public sector data. The culmination of all three aspects of citizen-centric service delivery, citizen engagement, and core government operations will help transform the efficiency and effectiveness of public services in IDA countries to maximize their impact on the ground.

Policy Commitment: Enable Universal Access to Public Services through GovTech

- *Support 10 IDA countries to adopt universally accessible³² GovTech solutions³³*

Strengthen Pandemic Preparedness

49. **Large-scale disease outbreaks threaten loss of life, economic disruption, and social disorder.** An influenza pandemic could infect billions, kill millions, and reduce trillions of dollars from global economic output. The recent Zika outbreak in the Americas infected over a million people, and is associated with 2,971 confirmed cases of microcephaly, a congenital syndrome in which children of infected mothers are born with small heads and brain damage. The ongoing

³² Universally accessible means that GovTech services (which includes the modality and content of the service) are designed such that they can be accessed, understood and used by all persons regardless of disability, age, use of assistive devices, location or means of Internet access. It applies to hardware (e.g., electronic kiosks, touch screen interfaces) and software components (e.g., websites, electronic documents, forms, e-portals, multimedia).

³³ GovTech solutions include hardware, software, applications and other technology to improve access and quality of public services; facilitate citizen engagement (CivicTech) and improve core government operations. These include enabling analog complements to strengthen institutions for GovTech implementation including devising related GovTech strategies, building capacity including skills of civil servants, passing related laws on e-government, data access and use; and developing regulatory frameworks to facilitate interoperability.

Ebola outbreak in the Democratic Republic of Congo has already accounted for over 650 deaths – and as of April 2019, continues to infect more people every day.

50. **The high death count and social disruption are not the only costs associated with pandemics; the financial and economic damages are also devastating.** The 2003 Severe Acute Respiratory Syndrome (SARS) led to a global economic loss of upwards of US\$52 billion. Ebola wiped out many of the recent development gains in Guinea, Liberia, and Sierra Leone, which had been among the fastest growing economies in the world prior to the crisis. The WB estimates that, as a result, the three countries lost US\$2.2 billion in GDP in 2015 alone.

51. **Overall, preparedness of national health security systems is a fundamental global public good and is essential for building global resilience to risk as well as making progress towards achieving universal health care.** The WBG estimates that system improvements in public health and animal health to meet the minimum standards of the World Health Organization (WHO) and the World Organization for Animal Health (OIE), for example, would cost US\$3.4 billion a year. Investing in pandemic preparedness and system-wide resilience contributes to poverty alleviation, especially since infectious diseases tend to impact the poor disproportionately more than others. It also contributes to shared economic prosperity, particularly by avoiding losses when disasters occur, and by stimulating innovation and economic development when investment risks are reduced.

52. **Since the 2014-2015 West Africa Ebola Virus Disease outbreak, more than 90 countries – including 51 IDA-eligible countries – have gone through rigorous evaluation exercises to better understand the gaps in their preparedness.** A Joint External Evaluation (JEE), the standardized assessment supervised by the WHO, focuses on a country's ability to find, stop and prevent disease threats and is conducted in a very open and transparent manner by a group of experts drawn from within the country as well as externally³⁴.

53. **Following the JEE process, countries estimate the costs of investments needed to get to a satisfactory level of preparedness³⁵ and on that basis develop National Action Plans for Health Security, which rank-order and prioritize the areas of weaknesses in preparedness.** Progress on this front was prioritized as a commitment under IDA18, which required IDA to support at least 25 IDA countries in developing pandemic preparedness plans. An accompanying commitment required IDA to support at least 25 countries in developing frameworks for governance and institutional arrangements for multi-sectoral health emergency preparedness, response and recovery. Against the target of 25 as laid down for IDA18, 38 countries have already developed preparedness plans.

54. **However, these preparedness plans have yet to be financed and overall budgetary and external funding directed toward preparedness continues to be limited.** Resource-constrained LICs spend much less on healthcare than higher-income countries; overall, LICs face 56 percent of the global disease burden, but their spending on health accounts for only 2 percent of global

³⁴ The JEE assesses capacities across 19 areas of epidemic preparedness and response, each of which is then scored on a scale of one (low) to five (high), first by domestic experts and then by the group of external international experts. Unsurprisingly, most IDA countries are averaging a score of less than two overall.

³⁵ 'Satisfactory' level of preparedness refers to a score of four across all functionalities.

health spending. In addition, investments in strong and resilient health systems, which deliver benefits over the long term, often do not get priority over spending in areas where the benefits are more immediately and directly obvious. Politically, policy makers in health find it challenging to make a case for large investments in avoiding outbreaks, since there is a certain level of invisibility of outcomes from such investments in preparedness. Bilateral external support is important, but this assistance is mostly in-kind.

55. The increasing frequency with which major disease outbreaks are occurring underscores the urgency with which countries and development partners must mobilize resources to prioritize investments in pandemic preparedness. The IDA19 replenishment offers an opportunity to draw attention to the urgency and importance of investing in preparedness, which is summarized in the following policy commitment:

Policy Commitment: Strengthen Pandemic Preparedness

- *Support at least 25 IDA-eligible countries to strengthen the implementation of pandemic preparedness plans through interventions (including technical assistance, lending and investment).*

PILLAR 3: BUILDING CONFIDENCE IN INSTITUTIONS

56. Building trust in institutions is an essential component of determining a state's legitimacy and stability. The success of a wide range of public policies depends on the level of public trust in institutions, which includes confidence of investors and consumers as well as citizens and civil society. The recent financial crisis and other recent disasters have raised questions over the level of citizens' trust in government. An essential element to building such trust is strong anticorruption frameworks that can ensure reliability and minimize uncertainty in the economic, social and political environment. Inclusive governance approaches that provide avenues for transparent government procedures and citizen engagement help to instill trust by ensuring public policies meet the expectations of both citizens and the private sector. Fragile and conflict settings face challenges to building trust, and flexible approaches to the delivery of essential services is key.

57. Creating an efficient, effective, and inclusive legal environment for enterprise and business is fundamental for building the trust necessary for promoting growth and shared prosperity. A strong legal basis for secure property and contract rights and predictable, transparent business regulations are critical influences on the development of the private sector and economic growth – and thus on the creation of jobs and better livelihoods. Well-designed and properly implemented regulatory reforms complemented by strong institutional building can promote private sector growth by eliminating bureaucratic obstacles, reducing the cost and time constraints to doing business and improving the efficiency of legal institutions. A well-functioning and accountable justice system, moreover, facilitates the efficient and effective resolution of both commercial and non-commercial disputes, reduces violence and insecurity, and increases citizen support of and trust in government. It also underpins the forms and functions of other institutions that deliver public services and regulate access to resources. Pillar 3 aims to support IDA countries build the confidence in institutions necessary to ensure sustainable development and growth.

Tackle Corruption and Tax Evasion to Reduce Illicit Financial Flows

58. **The IDA18 commitment on illicit financial flows focused on identifying those countries where they pose the greatest risk to poverty reduction and shared prosperity.** The breadth and depth of the effects of IFFs, in their ability to distort economic and political competition, subvert government institutions, generate conflict and violence, and undermine the integrity of legal and financial systems, is particularly pronounced in lower-income countries. Nonetheless, addressing IFFs under IDA18 was constrained by the complexity of this phenomenon and the difficult political realities that surround meaningful reform efforts. In moving forward, a concerted effort will be placed on advancing the Bank's value-addition by responding to the broad concept of IFFs through its anticorruption work and building on the lessons learned under IDA18.

59. **The resurgent global interest in corruption as a development problem presents an important opportunity to advance the Bank's anticorruption effort in IDA countries.** Anticorruption is a core target under SDG16 and continues to be a priority theme at international fora such as the UK Anticorruption Summit 2016, the G20 Anticorruption Working Group (ACWG) and more recently, the IMF in Article IV consultations. Furthermore, considering the immense challenges to development facing many IDA countries in recent years, opportunities are emerging to innovate and catalyze on the momentum underway around new information tools (such as beneficial ownership) and technology (such as data analytics) that can enhance efforts across the spectrum of anti-corruption interventions in IDA and Fragility, Conflict and Violence (FCV) countries.

60. **In IDA19, a commitment will be made to support the disclosure and use of beneficial ownership information – a key foundational country action that can be taken to prevent illicit financial flows.** The disclosure of beneficial ownership information is a critical tool in creating the level of transparency that is necessary to effectively prevent and confront corruption and address the illicit financial flows created by corrupt transactions. Broadening access to beneficial ownership information brings sunlight to potentially corrupt transactions, disclosing who ultimately stands to reap the financial benefits of public contracts. This, in turn, inevitably serves to reign in potentially corrupt behavior, reducing the amount of money that might otherwise become an illicit financial flow. The implementation and enforcement of legislation around beneficial ownership has been a key first step in many IDA countries once the vulnerabilities are identified through tools such as National Risk Assessments that were committed to in IDA18 (see Box 5).

Box 5. Building on IDA18: Operationalizing the Findings of the National Risk Assessments

Since the launch of IDA18, a significant number of Illicit Financial Flows (IFFs) assessments have already been delivered – particularly through the implementation of National Risk Assessments (NRA). NRAs produce action plans for IDA countries that are designed to improve the effectiveness of a country's Anti-Money Laundering (AML) system as a whole by ensuring risk-based allocation of human and financial resources, and in turn resulting in improved investigation and prosecution of financial crimes such as corruption, tax evasion, and fraud.

There are several cases of IDA countries that have leveraged the action plans of NRAs to produce concrete country policy actions to stem proliferation of IFFs. One example is Moldova, which included many of the policy recommendations of its NRA as prior actions in the *Economic Governance Development Policy Operation*. These include reforms focused on the identification of ultimate beneficial owners (UBOs) of all qualified shareholders in the banking sector and the adoption of appropriate enforcement and corrective supervisory breaches of banking regulations – which is closely related to the new proposed policy commitment on beneficial ownership in IDA19.

Additional IDA country examples of the operationalization of NRA findings include:

- **Sierra Leone:** As part of the IDA funded *Productivity and Transparency Support Credit*, outcomes included: (i) the Anti-Corruption Commission (ACC) collecting asset disclosure forms from 100 percent of officials Director-level and above; (ii) the drafting of enforceable regulation on asset disclosure; and (iii) increased enforcement of sanctions against non-compliant officials, regardless of rank, position or status obligations and improved compliance rates
- **Mozambique:** Under the *Mozambique Financial Sector Development Policy Operation (DPO)*, the Anti-Money Laundering/Counter Financing of Terrorism Law (AML/CFT) law was enacted by Parliament and the Central Bank issued management guidelines for banks fostering better risk management practices in line with international best practices.
- **Liberia:** As part of the *Liberia Corruption Prevention Systems Advisory and Analytic Services (ASA)*, achievements included AML/CFT laws submitted to parliament; Anti-Corruption Commission budget increased and Asset Declaration unit established.

61. **There is an opportunity to leverage the Bank's global leadership to catalyze more action in this area.** The WB is already directly contributing to this momentum by requiring firms to disclose beneficial ownership information when bidding on high value contracts supported by Bank funds. As part of the Anticorruption agenda, the Bank will engage with both the public and private sectors to identify areas of highest risk and to support the development and adoption of global norms for the collection and publication of more detailed beneficial ownership information and will support the analysis of emerging practices and constraints. The Bank will also support efforts to identify a range of mechanisms to bring greater disclosure of beneficial ownership information in client countries, among international organizations and within the private sector. This work will target linking the disclosure of beneficial ownership information to efforts to identify the control and ownership of entities that are likely to be involved in either the generating or the movement of illicit proceeds.

62. **A second commitment will be made to reduce tax evasion in IDA countries.** The commitment will focus on lowering the relative tax burden of the poor by strengthening tax collection from high-wealth individuals through combating tax evasion through the adoption of Automatic Exchange of Information (AEOI) standards. The automatic exchange of taxpayer information between countries allows countries to identify international tax evasion by high-wealth individuals (especially in LICs, only the rich are able to engage in this kind of evasion), reducing the incentives to engage in corruption and to generate illicit flows. It is thus also an

instrument for strengthening equity by lowering the relative tax burden of the poor through taxing the rich under existing tax laws.

Policy Commitments: Tackle Corruption and Tax Evasion to Reduce Illicit Financial Flows

- *Increase provision of, access to and awareness of beneficial ownership information in 10 IDA countries.*
- *Support six IDA countries in the adoption of Automatic Exchange of Information (AEOI) standards to reduce tax evasion.*

Support Multi-stakeholder Approaches for Policy Making and Implementation

63. **Open, participatory and responsive governance is critical for governments to provide more inclusive, effective, and equitable public policies and service delivery.** Openness and transparency are fundamental ingredients to ensuring information is available and accessible to the public and facilitating the public's informed participation in policy-making. Participation or citizen engagement involves citizens and other non-state actors in decision-making through discussion and deliberation, improving the collective knowledge and ideas for greater effectiveness and quality of services. Government responsiveness or accountability makes information actionable and allows the public to hold government accountable for performance and delivery of services. These three principles can lead to higher degrees of confidence in government by informing citizens of government actions and allowing them to be part of an inclusive and deliberative decision-making process. Furthermore, inclusive institutions that adopt principles of openness and citizen engagement in decision making represent the best method of prevention against societies descending into crisis and thus are particularly crucial in contexts of fragility.³⁶

64. **Since the launch of IDA18, client countries have displayed a significant desire for support on reforms around open, transparent, and inclusive governance.** The ambitious policy commitment of IDA18 focused on supporting at least one-third (25 out of 75) of IDA countries to operationalize reform commitments around open government, motivated by the importance of open government approaches to effective engagement with the private sector and citizens that help improve policy implementation. At midterm, the commitment was delivered to 17 IDA countries, with another six ongoing or in the pipeline. These elements include but are not limited to: Public Financial Management (PFM) and procurement operations with open contracting elements; PFM fiscal reform operations with fiscal transparency objectives; Access to Information policy reform, and standalone or programmatic ASA activities that support the local in-country open government processes.

65. **Nonetheless, significant challenges exist in ensuring that open government and citizen engagement reforms lead to longstanding change on the ground.** The rise of global populism in many countries and shrinking civic space have slowed the progress of the open government agenda in several countries, limiting the scope and quality of engagement notably through multi-stakeholder platforms. Countering these setbacks, the rapid spread of technology has created an environment of radical transparency that was unthinkable not too long ago. With rising citizen expectations for public sector openness and transparency, new opportunities continue to emerge.

³⁶ United Nations and World Bank. 2018. *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*. Washington, DC: World Bank.

66. **The dynamic interaction between government and nongovernment actors is a core function of strengthening the inclusive and deliberative policy process.** The 2017 World Development Report redefines governance as “a process through which state and non-state actors interact to design and implement policies with a set of formal and informal rules that are shaped by power”. The evolution of open government and citizen engagement in IDA18 demonstrates the need to support spaces for interaction through multi-stakeholder approaches. Multi-stakeholder initiatives or fora (such as Extractive Industry Transparency Initiative, OGP, Global Initiative on Fiscal Transparency, Open Contracting Partnership, Busan Global Partnership for Effective Development Cooperation) demonstrate the power of diverse stakeholders - from government, civil society and the private sector - coalescing to leverage their mandates and resources to tackle governance problems and advance development goals putting citizens at the center.

67. **Multi-stakeholder approaches thus represent an essential IDA19 tool for supporting inclusive and sustainable governance through collaboration across stakeholders’ deeper citizen engagement and social accountability.** They affirm that technical solutions alone are not enough, and that such fora are important to help build cohesion, enrich institutions and enhance citizen trust in government. In stepping up momentum generated under IDA18, continued support will focus on the advancement of open government and citizen engagement under IDA19. A specific aim will be to reinforce platforms for multi-stakeholder engagement in policy making and implementation. Multi-stakeholder platforms for engagement’ entails national, regional, and/or local fora for exchange between government and other stakeholders, such as citizens and beneficiaries, community members, the private sector, parliaments, regulators, the media, and CSOs on policies, reforms, and implementation. This approach is consistent with the World Bank’s 2009 Guidance Note on Multi-stakeholder Engagement and is in line with DFID’s 2019 Governance Strategy.

Policy Commitment: Support Multi-stakeholder Approaches for Policy Making and Implementation

- *Support 20 IDA countries to establish and strengthen platforms for multi-stakeholder engagement in policy making and implementation to enhance public participation, accountability and responsiveness.*

Enhance the Core Functions of Government in IDA Fragile and Conflict-affected Situations

68. **Addressing fragility, conflict, and violence continues to be a strategic priority under the Governance and Institutions Special Theme.** The share of the extreme poor living in conflict-affected settings is expected to rise to nearly 50 percent by 2030, with conflicts driving 80 percent of all humanitarian needs and reducing GDP growth by two percentage points per year, on average. Under IDA18, important diagnostic work has helped to strengthen and systematize governance and institutional analysis in half of Risk and Resilience Assessments and at least three-quarters of Recovery and Peace Building Assessments in IDA countries. This work was motivated by the need to better understand how governance processes bear on conflict, and to identify ways to support changes. This analytic work has helped to better target country-level engagements and informs continued support to IDA FCS in IDA19.

69. **The WBG's approach to institution building in IDA FCS is anchored in a long-term approach, driven by contextual considerations.** One of the main lessons learned from the WBG's engagement in FCS thus far is the inherent difficulty in operating in such fluid settings where pressures to respond to immediate needs such as restoring basic services or building core institutions need to be met without compromising long-term development objectives. In line with the WBG's new FCV strategy, a key priority under IDA19 will be to support IDA countries faced with fragility and conflict by focusing on building core government functions essential to providing security, the rule of law and the delivery of essential public goods, while building on key diagnostic work introduced under IDA18 to help identify key binding constraints. Support to core government functions in IDA FCS will also work to reinforce the 'pivot to prevention' approach under the FCV Special Theme which aims to proactively address FCV risk factors before they turn into full-blown crises by working to preserve and/or rebuild essential institutions to help maintain service delivery in fragile and conflict situations (see FCV Special Theme paper for more detail).

70. **In moving forward, IDA19 will focus on strengthening core systems of government in fragile and post-conflict settings.** Stronger institutions capable of delivering essential services are crucial for building state legitimacy, and can help manage power sharing, redistribution, dispute resolution, and sanctions more effectively.³⁷ The dearth of access to quality services and the lack of accountability for poor service delivery are at the root of many situations of conflict and fragility. Although there is no straightforward link between perceptions of services being provided and perceptions of the state, restoration of core government functions in IDA FCS is critical for sending confidence-raising signals to citizens and enhancing the credibility of the state.

71. **Support to the core functions of government will focus primarily on four key areas, including:** (i) establishing basic structures and systems for public revenue and expenditure management, such as reviewing organizational structures and legal and regulatory frameworks, creating or strengthening public finance authorities and revenue agencies, and establishing or restoring supreme audit institutions; (ii) supporting decentralization and service delivery by strengthening sub-national administration and enabling resource distribution at the local level, as well as strengthening the engagement of communities in processes for decision making; (iii) strengthening public employment and administration frameworks with a focus on fiscal sustainability and long-term effectiveness; and (iv) strengthening the rule of law through a focus on justice reform.

³⁷ WDR 2017.

Box 6. IDA19's Support to the Sahel Region

The Sahel region faces overwhelming and wide-ranging challenges, from persistent poverty and weak governance capacity, to conflict and violence and climate related shocks. The region includes wide stretches of geographic space which exacerbate challenges to effective security and stability which are precursors for development. Under IDA18, the Governance and Institutions Special Theme has provided support to a number of countries in the Sahel on a range of key reforms including on domestic resource mobilization (Chad, Niger), grievance redress (Mali), and open government (Niger). In moving forward, IDA19's support to IDA Fragile and Conflict Situations (FCS) will also focus on promoting regional programs in the Sahel and other areas which face similar challenges such as the Horn of Africa and Lake Chad. Addressing the myriad of challenges facing countries in troubled regions will require a concerted effort to bridge the security-development nexus and better managing cross-border, fragility-related challenges and opportunities.

Under the *Fragility, Conflict and Violence (FCV) Special Theme*, a key focus will be on supporting regional engagements with analysis of the regional/cross-border FCV dimensions and on the regional drivers of fragility to better identify priority regional activities specifically aimed at reducing fragility risks. This approach is in line with the World Bank's FCV Strategy, which will seek out ways to more effectively deal with cross-border and subnational conflict and violence, which today represent the most common form of conflict. Under the *Governance and Institutions Special Theme*, IDA19 will work to strengthen core government functions in IDA FCS, such as those in the Sahel region, to ensure a more stable delivery of essential services, while focusing on key binding constraints. Furthermore, the Bank is part of key partnerships on the security-development nexus such as the Sahel Alliance, and is contributing its analytical and financial capacities, including IDA financing, to this alliance, bringing together security, peacebuilding and diplomatic roles and mandates to tackle one of the world's most challenging regional contexts.

Policy Commitment: Enhance the Core Functions of Government in IDA FCSs

- *Support 85 percent of IDA FCS in the establishment and/or strengthening of core government functions through project financing.*³⁸

PILLAR 4: BUILDING BETTER DATA AND ANALYTICS

Improve Data for Evidenced-based Policy Making

72. **Accurate, timely, granular, and accessible data is an important foundation for policy-making, efficient resource allocation and effective service delivery.** Data is crucial to knowing where a country stands in terms of social and human development and can help explain which policies work and which do not work in promoting growth and eradicating poverty and other social deprivations. For the WB, the frequency and quality of data on poverty and shared prosperity are central to satisfactorily monitoring the twin goals, and more significantly, to setting effective policies for a country's poverty reduction program.

73. **Availability of data is particularly important in low-income contexts to ensure that limited resources are allocated to their most productive use.** This includes ensuring that policies and programs are gender-responsive, that service delivery is equalizing opportunities especially for vulnerable groups, including people with disabilities, and that indicators accurately capture the productive capacity of individuals and the functionality of markets. Yet, statistical systems in many IDA countries often face challenges such as inadequate and unreliable financing, limited use of statistical evidence by decision makers, limited or no public access to data,

³⁸ 'Core government functions' refers to: (i) public revenue and expenditure management; (ii) decentralization and service delivery (iii) government employment and public administration; and the (iv) the rule of law.

insufficient institutional capacity, and perverse political incentives. Constraints are typically more pressing in the poorest and conflict-affected states, many of which are in Sub-Saharan Africa.

74. The WBG's Data for Policy package will support a core set of economic, social, and sustainability statistics required for monitoring and evaluation of public policies and programs. Such statistics are also essential to monitoring progress of the SDGs. The D4P package includes five statistical systems: (i) household surveys (and support to population censuses when required), (ii) enterprise surveys (and support to establishment censuses if required), (iii) agricultural data, (iv) price data, and (v) administrative data (including on health and education, as well as to inform environmental indicators).³⁹ The D4P package also contemplates two complementary systems of data: national accounts and Big Data (see Annex 2 for more detailed information). The work will also boost the analytical power of existing data collection efforts by linking sample designs between surveys, integrating longitudinal components, and expanding geographic disaggregation. These data systems are crucial to assess and design policies that address gender inequality, improve human capital outcomes, and promote jobs and economic transformation by accurately capturing individuals' productive capacity and markets' accessibility and functionality.

75. In addition to informing the design and monitoring of public policies, the D4P package will help countries identify vulnerable groups and improve the availability of statistics sex-disaggregated by sex and disability towards more targeted interventions. The D4P package will highlight the importance of improving the availability and quality of gender and sex-disaggregated statistics in IDA countries to inform policy making. Data from household-based surveys can be used to obtain sex disaggregated and individual-level information on: (i) physical and financial assets: (ii) employment/labor markets outcomes: and (iii) (selected) human capital indicators, in line with the WBG gender strategy. In addition, the availability of better data on vulnerable groups will provide greater opportunities for enhanced efforts to identify the main service gaps and barriers to access markets that individuals face. Collecting nuanced information about how people with different levels of disability conduct their lives is crucial to identify unmet needs, barriers and inequalities to inform policies towards disability-inclusive development.⁴⁰

76. The success of this initiative requires the strengthening of national statistical institutions for better data production and management. This is clear in the context of the HCP,⁴¹ which will depend on timely, disaggregated and reliable data (including indicators on health status and access, learning outcomes and the measurement of equity in education) to maximize the efficiency of public spending and the impact of public service delivery. In this context, facility-based surveys, such as the Service Delivery Indicators (SDI) or the Measure of Early Learning Environments (MELE), provide unique information to assess how the quality of service delivery affects health and education outcomes. As part of the D4P, support will focus primarily on strengthening the capacity of National Statistics Offices to provide technical

³⁹ The D4P package also contemplates two complementary systems of data: national accounts, and Big data.

⁴⁰ Data disaggregation by disability in the D4P will be performed where feasible and applicable, following the World Bank's commitments in the frame of the Washington Group, by including the Group's short set disability questions in censuses of the 2020 round supported by the WBG.

⁴¹ Human Capital: A Project for the World (World Bank Group, October 2018).

assistance to line ministries to perform their own data collection. This support will follow a regional approach, which will allow for comparable statistics with harmonized methods and standards, and increased cooperation among institutions.⁴² At the same time, the D4P initiative favors a modular approach, whereby each country will work on statistical products according to national priorities, where room for generating data and improving quality exists, avoiding overlapping efforts. A sequenced and well-phased roll-out anchored in country priorities and needs will help to reduce workload burdens on institutions. In addition, the D4P will place special emphasis to ensure the creation of robust quality data in FCV settings. It will also take advantage of new technologies to collect, manage and analyze information on priority themes, including in contexts where traditional data collection may not be viable, such as small island states (see Annex 2).

77. The D4P will also help stimulate data utilization by governments and citizens. This focus builds on the lessons learned emerging from the 2018 IEG report on Data for Development, which asserts that the WBG has been more effective at fostering client countries' data production capacity, and less effective in promoting data use.⁴³ The D4P will thus support activities that make data more central in policymaking through targeted dissemination and communication efforts to help inform the public on the results of statistical operations⁴⁴, and promote greater access and transparency of data as a pathway to mitigate political economy constraints and raise the profile of countries' national statistics strategies.⁴⁵ Greater alignment of monitoring and evaluation activities with planning and budgeting will also be a key focus, including at the subnational level, in tandem with statistical offices.⁴⁶ Under IDA19, the IDA commits to supporting 10 countries to implement the D4P to strengthen core data for evidenced-based policymaking.

⁴² This approach is in line with international demand such as from the African Union's Strategy for Harmonization of Statistics in Africa (SHaSA). Though the application of the D4P package will take place on a country-by-country basis, the initiative will exploit economies of scale of sub-regional approaches including peer-to-peer learning, software licenses and training.

⁴³ World Bank (, 2018). Data for Development. Independent Evaluation Group, Washington, DC: World Bank. Available at: <https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/datafordevelopment.pdf>

⁴⁴ For example, the SDIs can provide the public with information on service delivery components that are essential for quality services in health and education. The release of SDI data has already been shown to generate attention in local media, including coverage in the Ugandan, Kenyan and Mozambican press and The Economist, generating public debate about the performance in education outcomes.

⁴⁵ See Devarajan, S. 2013. "Africa's Statistical Tragedy." *Review of Income and Wealth* 59 (October): S9–S15. Specifically, Devarajan suggests implementing standards whereby all statistical activity is filtered through countries' National Statistical Development Strategies (NSDS); and encouraging donors to utilize countries' NSDS.

⁴⁶ Lessons from *Center of Government Delivery Units* suggest that factors for success include: a simple and direct monitoring mechanism for key government priorities; light, nimble data collection and reporting systems that are not expensive or onerous to operate and maintain; systematic, regular monitoring of performance to assure responsible ministers maintain a continual focus on the objective (quarterly or every six months, versus every 2-3 years); value to add to ministries/agencies, in terms of removing obstacles, helping resolve coordination problems, and/or offering sound advice to enable performance. *Driving Performance through Center of Government Delivery Units*, World Bank (2010).

Policy Commitment: Improve Data for Evidenced-based Policy Making

- *Support institutions and build capacity in 10 IDA countries to reduce gaps in the availability of core data for evidence-based policy making, including disaggregation by sex and disability where appropriate.*⁴⁷

IV. CONCLUSION

78. **The IDA19 Governance and Institutions Special Theme represents an ambitious package of policy commitments that is poised to build on IDA18’s achievements by responding to global challenges, targeting support, and embracing innovation.** The Governance and Institutions Special Theme is stepping up its support to IDA countries dealing with rapidly arising global challenges including rapidly increasing debt vulnerabilities, diminishing trust in institutions in the face of corruption, and bottlenecks that are preventing investments in human capital from being translated into results. At the same time, it is building on IDA18’s achievements to further target support on those IDA countries where progress has been limited in key areas such as DRM and IFFs. To meet these ambitious goals, the package is embracing innovation in the pursuit of transformational investments through the adoption of disruptive technologies, citizen-centric reforms, and an emphasis on data to improve policy making.

79. **The Governance and Institutions Special Theme recognizes its targets can only be met by embracing a ‘one World Bank Group approach’ for delivery.** Lasting reforms in Governance and Institutions require leveraging public and private sector expertise to build the foundations for inclusive and sustainable growth. Towards these ends, the package of commitments represents an integrated set of comprehensive reforms spanning Global Practices, including the two Bank-IFC joint practices, to support clients in advancing evidence-based structural reforms. It embraces the persistent challenges faced by IDA FCS clients and leverages partnerships and global public goods to reach these targets. It recognizes that issues of Governance and Institutions impact the delivery of the entire IDA portfolio and serve as the foundation for delivering IDA’s promised investments and value proposition.

80. **The nature of governance reforms under IDA will continue to require a cumulative long-term perspective – with IDA19 to deliver key impacts in the pursuit of these objectives.** By their nature, governance reforms are complex and non-linear processes that are subject to uncertainty and not easy to measure. IDA, however, provides the long-term investment that is required for supporting effective governance in a rapidly changing world. IDA19 is doubling down on those settings where impacts in Governance and Institutions have remained the most difficult, and where multi stakeholder approaches will continue to be essential to close the implementation gaps that limit development impact and results.

⁴⁷ Data disaggregation by sex and disability in the D4P package will be performed where it is appropriate, which corresponds to contexts where household survey data is amenable to disaggregation, specifically for data collected at the individual level. The D4P package will also continue promoting the production of sex and disability disaggregated statistics in countries where this is already available.

V. ISSUES FOR DISCUSSION

81. Management would welcome feedback from IDA Deputies and Borrower Representatives on the proposed policy commitments for the IDA19 Governance and Institutions Special Theme set out in this paper.

Annex 1. Overview of Sustainable Development Goal (SDG) 16 on Peace, Justice and Strong Institutions

1. The World Bank (WB) continues to make progress on the 2030 Agenda and realization of SDG 16 through a range of activities focused on strengthening governance across multiple dimensions.
2. Fragility, conflict and violence is exacerbated by poor governance and persistent poverty, posing challenges to the achievement of the SDGs and the WB's goal of ending extreme poverty by 2030. In contributing to meeting SDG 16 Targets 16.1 and 16.2, the WB launched the first-ever joint report on prevention, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict* in March 2018 to look at how development processes can better interact with diplomacy and mediation, security, and other tools to prevent conflict from becoming violent. The WB is taking the findings of the report forward, implementing them in our practices and operations. In addition, the WB works on preventing and counteracting gender-based violence in fragile contexts. Six projects in five countries that prevent or respond to gender-based violence were in the pipeline for 2018. These include Tuvalu and West Bank & Gaza, in addition to Democratic Republic of Congo (DRC), Solomon Islands, and Uganda.
3. The World Bank Group (WBG) is supporting the improvement of the performance of justice sector institutions and promoting access to justice and legal empowerment to help meet Target 16.3 to ensure equal access to justice for all. The WBG's portfolio contains a number of interventions in the justice sector, both projects (e.g., Tanzania – Citizen-centric Judicial Modernization and Justice Service Delivery; Croatia – Transforming Justice Services; Romania – Justice Services Improvement; and Kazakhstan – Justice Sector Institutional Strengthening), and analytic and advisory services (e.g., Africa Regional study – Voices of the Vulnerable and Human Rights: Promoting Stakeholder Learning on Access to Justice in Sub Saharan Africa (SSA); Bosnia-Herzegovina - Commercial Justice TA; and Europe and Central Asia Regional study - Good Governance and Investment Climate Reform, focused on justice reform, alongside other issues (corruption, tax policy, State-Owned Enterprise (SOEs)).
4. In terms of Target 16.4, the WBG is spearheading efforts to reduce illicit financial flows and the recovery of stolen assets through country level support for addressing money laundering, through the National Assessments of Money Laundering and Terrorism Financial Risks across all regions.
5. The WBG is a global leader in efforts to meet Target 16.5, to substantially reduce corruption and bribery in all its forms. The WBG is promoting the transparency agenda through technical assistance and capability building to implement standards and reporting requirements to support institutions prevent corruption, as well as the underlying incentives that drive corrupt behavior.
6. Finally, the WBG has a diverse set of instruments to help achieve Targets 16.6 and 16.7. Efforts to improve public expenditure, financial management, and procurement – to support an ultimate focus on improving service delivery by the public sector for citizens – supports Target 16.6 to develop effective and accountable institutions at all levels. Establishing and strengthening

core government functions is the foundation of GOV work across all 34 active projects covering these issues. This includes:

- more narrowly-focused projects (e.g., strengthening budget execution and financial reporting systems in the Marshall Islands; and developing Integrated Financial Management Information System in Gambia);
- projects which focus on broad aspects of public sector management and Public Expenditure and Financial Management (PEFM) (e.g., strengthening Public Financial Management (PFM) systems and accountability in DRC; and public-sector modernization in Liberia).
- We also maintain our focus on the importance of domestic revenue mobilization and management (e.g., in Chad, and Somalia), and service delivery (Gambia, Somalia, Central African Republic).⁴⁸

7. Specific areas of work also include increasing transparency, citizen participation and collaboration between government and citizens to ensure inclusive and participatory decision making towards meeting Target 16.7.

⁴⁸ IDA financial assistance will only be provided to Somalia once the country clears arrears.

Annex 2. Examples by Theme

Fragility, Conflict and Violence Examples

Flexible procurement in Fragility, Conflict and Violence FCVs – the case of Somalia⁴⁹

1. In 2017, the Federal Government of Somalia requested the Bank's financial support for emergency drought assistance. Although there was no active IDA program in Somalia, the Bank used Alternative Procurement Arrangements (APAs) under the Somalia Emergency Drought Response and Recovery Project to channel a single multisector program through the Food and Agriculture Organization (US\$30 million) and the International Committee of the Red Cross (US\$20 million). In addition, the program allowed 100 percent retroactive financing for the Red Cross component, with the proper risk mitigation measures in place. Through this program, 500,000 people gained access to food, 700,000 people gained access to clean water, and 50,000 households benefited from livestock vaccinations or animal treatment support.

An integrated approach to mitigating fraud and corruption risks in Yemen

2. In Yemen, various stages of technical implementation, procurement, and financial management entail risks related to corruption and fraud. The delivery of cash and services to many beneficiaries over a large geographical area brings particularly high risks, which are compounded by the ongoing conflict and the volatile political situation. The Bank and the implementing UN agencies have agreed to streamline effective risk mitigation through: (a) a joint resolution mechanism for serious issues that merit further scrutiny, including fraud and corruption; (b) appropriate remedies, including the right to suspend or terminate disbursements; and (c) citizens' and communities' engagement in the selection of subprojects and monitoring of implementation. UN agencies have used the direct payment mechanism for contractors and nongovernmental organizations for services-/outputs-based verification of delivery of results, and for enforcing adequate controls on advances to local partners. Social media are also being used to analyze community perceptions of subprojects on a real-time basis, to identify red flags for fraud and corruption.

GovTech Examples

Integrated Financial Management Information Systems (IFMIS) in Nepal

3. In Nepal, the Government has rolled out integrated financial management information systems (IFMIS) at 75 treasury offices and is able to aggregate its cash position into the Treasury Single Account (TSA), thereby allowing them to close around 14,000 bank accounts, while improving efficiency and control over cash. The budget execution reports are published, and aggregate budget execution reports are available daily, and displayed over web site, and TV monitors placed at strategic locations.

⁴⁹ Benefits to Somalia were achieved as part of the regional response. No IDA financing was provided to Somalia due to arrears.

Data for Policy Package Examples

Core Products in the Data for Policy (D4P) Package

4. The core products in the D4P package include: (i) household surveys (and population censuses when required), (ii) enterprise surveys (and establishment censuses if required), (iii) agricultural data, (iv) price data, and (v) administrative records (including on health and education, as well as to inform environmental indicators). The D4P package also contemplates two complementary systems of data: national accounts and Big data. In addition, the project will boost the analytical power of existing data collection efforts by linking sample designs between surveys, integrating longitudinal components, and expanding geographic disaggregation through small area estimation techniques.

Building on Lessons Learned with WBG Household Surveys

5. In 2015, the WBG committed to supporting household surveys in Low Income Countries (LICs). The Africa Region delivered substantial results over a short period of time through a model of leveraging IDA resources for statistics. The success of this model for household survey data provides a blueprint to fill other data gaps such as the increasing demand for improved quality national accounts, which depends on good quality statistics for enterprises and agricultural activity. Lessons learned point to the importance of institutional commitment and identifying champions; the demand for innovation and technological solutions for data collection; as well as the need for improving National Systems of Statistics. While previous efforts concentrated in closing data gaps in household surveys, the D4P highlights the importance of investing on systems that countries can maintain over time. Supporting systemic investments over recurrent costs will contribute to the sustainability of the initiative. The size and definition of the core data systems – ambitious but feasible – is also expected to contribute to the sustainability of the investment.

Mozambique National Statistics and Data for Development

6. In July 2017, the World Bank approved a US\$62 million grant for a National Statistics and Data for Development Project in Mozambique. The project will support the Institute's ability to plan strategically and coordinate the vision for the National Statistics System, build the foundational human resources and ICT infrastructure necessary for the Institute to lead the National Statistics System as well as to provide quality assurance. The project will also support data collection, analysis, and dissemination, including population and housing census (including the 2017 Population and Housing Census and two new household surveys), welfare monitoring system, national accounts, consumer price indicators, and economic statistics, and data accessibility. Through this support, technical assistance will also be provided to enhance spatial development planning capacity across priority national government agencies, ensure its sustainability and institutionalization, and enhance skills development in spatial planning in Mozambique's public sector. Lastly, support to data management will be provided for enhanced planning, budgeting, and monitoring of development spending.

Strengthening the National Statistical Agencies of Ghana, Liberia and Sierra Leone

7. In 2015, the WBG committed to put more effort into improving the statistical capacity of Low-Income Countries. Following the success of the model to close the data gaps on household surveys, a regional project has been recently approved to implement the core data package in SSA countries where important gaps of data still exist. The strategy will be implemented through a regional approach to promote the harmonization of statistics by introducing international standards and to facilitate the introduction and scaling of innovations in data collection, storage, measurement and analysis. The regional project will start with Ghana, Liberia and Sierra Leone, and may be scaled-up depending of the situation of statistics in other countries. Many key results will have a regional focus, such as manuals and methodologies to produce harmonized key economic and social statistics, training workshops, and peer learning and knowledge exchange among national statistical offices. The project will support several international standards adapted, and core statistical products implemented in line with these standards. The core social and economic statistics to be generated include: a set of poverty and a core of basic socioeconomic indicators using Living Standard Household Surveys produced every three years; micro-data from Living Standard Household Surveys made publicly available; basic labor statistics produced every six months; interim national accounts released in six months; and a national Consumer Price Index (CPI) with national coverage compiled monthly and released to the public. The main beneficiaries of the project are the partner National Statistical Offices of the respective countries, the Ministries, Departments, Agencies (MDAs)/Ministries, Agencies, Commissions (MACs) and the Statistics Unit at the Economic Community of West African States (ECOWAS).

Annex 3. New Technologies and the Data for Policy (D4P) package

1. The D4P package will take advantage of new technologies to collect, manage and analyze information in priority themes. Disruptive technologies in data collection and fieldwork monitoring are rapidly becoming more available and cost-effective. For example, while agricultural censuses typically require a significant investment, new technologies present a low-cost opportunity for regular updates and real-time monitoring of conditions on the ground based on information from weather stations, satellite imagery, and drone-based data collection. Technical innovations also help capture environmental sustainability data, which is critical to measure climate change. For example, satellite and weekly community survey data are being used to track the impacts of climate change on pastoral conditions in the Sahel, a region prone to droughts. High resolution satellite data can be used to monitor and predict movements of internally displaced people in Fragility, Conflict and Violence settings. High-resolution day-time satellite data and machine-learning approaches have remarkable application for tracking poverty with increasing granularity and scope; while the analysis of call detail records shows promise to estimate poverty more quickly and inexpensively than through traditional forms of data collection. Another application refers to price data in developing countries, which typically lacks rural representativeness. Crowdsourcing can help track commodity prices in areas where traditional price-data collection methods are too difficult or costly to implement; while the construction of consumer price indices using high-dimensional data can complement traditional data collection.

2. New technologies can add value in contexts where traditional data collection may be unviable, such as in small island states or Fragile and Conflict-affected Situations. As Box A3.1 describes, these technologies can help ease issues related to cost and security, offering flexibility and accessibility towards improving the quality and frequency of data.

Box A3. 1. Data collection in small islands: new technologies and nuanced approaches

The urgency to scale up innovation and seek new solutions is particularly acute in contexts where traditional data collection may not be viable due to reasons of cost or security. In small island states, disperse populations over wide geographies and limited transportation links have led to some of the highest data collection costs in the world, averaging more than US\$500 per household in some countries. In addition, small populations – decreasing in many cases due to environmental degradation and economic outmigration – lead to a different set of policy questions regarding national planning and service delivery. The development of satellite and remoting sensing modeling techniques has potentially high returns in these contexts, as high-resolution imagery is relatively inexpensive due to the small total land areas, and these types of models could readily incorporate environmental change. Also, frequent community monitoring surveys, rather than periodic large household surveys, could offer a more flexible data collection tool, reducing friction in the citizen-government feedback loop and enabling National Statistical Office to provide rapid feedback to questions from policymakers. Many of the above challenges also apply to conflict areas, with the added complications of inaccessibility and insecurity. Additional applications of big data – such as Call Detail Records data to measure population movements in response to conflict, high frequency crisis impact cell phone surveys, and the integration of AI into computerized data collection to monitor interview quality in places not accessible to traditional supervision – have the potential to increase the quality and frequency of data in even these most challenging contexts.

Annex 4. Status of IDA18 Policy Commitments

Objectives	Policy Commitment	Target	Progress
Governance and Institutions			
<i>Strengthen DRM</i>	1. Provide support to at least a third of IDA countries targeted at increasing their Tax/Gross Domestic Product ratio through lending operations, ASA and technical assistance including tax diagnostic assessments.	Support at least a third of IDA countries	<p>Delivered</p> <ul style="list-style-type: none"> • Delivered: 39 countries (16 DPFs, 10 IPFs, 1 PforR, 21 ASAs, 13 TADAT) - Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Dem. Rep. of Congo, Côte d'Ivoire, Djibouti, Ethiopia, Grenada, Haiti, Kenya, Kyrgyz Republic, Lao PDR, Liberia, Madagascar, Mauritania, Federated States of Micronesia, Moldova, Nepal, Niger, Nigeria, Pakistan, Samoa, Sao Tome and Principe, Senegal, Somalia, Tajikistan, Tanzania, The Gambia, Timor-Leste, Togo, Uganda and Zimbabwe. • <u>Ongoing</u>: 2 countries - Ghana, Papua New Guinea. Expected to be delivered within IDA18 period. • Several more countries under consideration.
<i>Improve public expenditure, financial management and procurement</i>	2. Support at least 10 IDA countries in performing 2nd or subsequent PEFA assessments to inform preparation of their SCDs.	Support at least 10 IDA countries	<p>Delivered</p> <ul style="list-style-type: none"> • <u>Delivered</u>: 15 countries - Afghanistan, Chad, Côte d'Ivoire, Ghana, Guinea, Kenya, Lao PDR, Malawi, Mali, Sierra Leone, St. Lucia, Tajikistan, Uzbekistan, Zambia, Zimbabwe • <u>Ongoing</u>: 10 countries - Ethiopia, Guyana, Kyrgyz Republic, Mauritania, Myanmar, Nigeria, Pakistan, Papua New Guinea, Senegal, Timor-Leste

Objectives	Policy Commitment	Target	Progress
	<p>3. Deliver MAPS2 in five IDA countries to accelerate the development of modern, efficient, sustainable and more inclusive public procurement systems that take into account national development objectives.</p>	<p>Deliver MAPS2 in five IDA countries</p>	<p>On track, being closely monitored</p> <ul style="list-style-type: none"> • <u>Delivered</u>: 1 country - Malawi • <u>Ongoing</u>: 10 countries <ul style="list-style-type: none"> - FY19 delivery: Gabon, Mozambique, Zambia - FY20 delivery: Bangladesh, Burkina Faso, Cameroon, Chad, Dem. Rep. of Congo, Djibouti, Moldova, Rwanda
<p><i>Strengthen active ownership of SOEs</i></p>	<p>4. Support at least 10 IDA countries on enhancing SOE performance through: (i) Performance Agreements and/or (ii) increased transparency through published reports on their SOE portfolio.</p>	<p>Support at least 10 IDA countries on enhancing SOE performance</p>	<p>On track</p> <ul style="list-style-type: none"> • <u>Delivered</u>: 9 countries – Afghanistan, Angola, Cabo Verde, Cameroon, Madagascar, Moldova, Mozambique, Nigeria, Pakistan • <u>Ongoing</u>: 9 countries - Bangladesh, The Gambia, Kyrgyz Republic, Niger, Sao Tome and Principe, Republic of the Congo, Senegal, Tanzania, Zimbabwe
<p><i>Support public administration performance for service delivery</i></p>	<p>5. Perform joint operations, TA, and/or ASA on sector-focused governance in 10 IDA countries to identify and address institutional bottlenecks to service delivery with the health, water, and/or education sectors.</p>	<p>10 IDA countries to identify and address institutional bottlenecks to service delivery</p>	<p>Delivered</p> <ul style="list-style-type: none"> • <u>Delivered</u>: 13 countries – Afghanistan, Bangladesh, Benin, Burundi, Cameroon, DRC, Lesotho, Madagascar, Mozambique, Niger, Nigeria, Solomon Islands, Tanzania • <u>Ongoing</u>: 4 countries – Liberia, Pakistan, Sudan, Uganda
<p><i>Support institutional capacity to respond to pandemics</i></p>	<p>6. Support at least 25 IDA countries in developing pandemic preparedness plans.</p>	<p>At least 25 IDA countries develop pandemic</p>	<p>Delivered</p>

Objectives	Policy Commitment	Target	Progress
		preparedness plans	<ul style="list-style-type: none"> Delivered: 37 countries - Afghanistan, Benin, Bhutan, Burkina Faso, Burundi, Cambodia Cameroon, Chad, Comoros, Côte d'Ivoire, Dominica, Eritrea, Ethiopia, Ghana, Grenada, Haiti, Kenya, Lao Liberia, Maldives, Mauritania, Mongolia Mozambique, Myanmar Nigeria, Pakistan, Senegal, Sierra Leone, Somalia, St. Lucia, St. Vincent, Sudan, Tanzania, Uganda, Zambia, Zimbabwe
	7. Support 25 countries in developing frameworks for governance and institutional arrangements for multi-sectoral health emergency preparedness, response and recovery.	25 countries develop G&I frameworks for health emergency preparedness, response, and delivery	
<i>Integrate citizen engagement and beneficiary feedback into service delivery operations</i>	8. Support projects in at least 10 IDA countries in the development and implementation of user feedback and/or enhanced GRMs ⁵⁰ for service delivery that ensure participation by women in these processes	Projects in at least 10 IDA countries	<p>Delivered</p> <ul style="list-style-type: none"> Delivered: 47 countries - Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cameroon, CAR, Chad, Congo, Democratic Republic of, Republic of Congo, Côte d'Ivoire, Djibouti, Ethiopia, Gambia, The, Guinea, Guinea-Bissau, Kenya, Kyrgyz Republic, Lao PDR, Lesotho, Madagascar, Malawi, Mali, Marshall Islands, Moldova, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Rwanda, Sao Tome and Pr., Senegal, Sierra Leone, Solomon Islands, St. Lucia, Tajikistan, Tanzania, Tonga, Togo, Uganda, Uzbekistan, Rep. of Yemen, and Zambia
<i>Strengthen open, transparent and inclusive governance through</i>	9. Support at least one-third of IDA countries (at least 25 countries) to operationalize reform commitments towards the OGP agenda to strengthen transparent,	At least one-third of IDA countries to operationalize reform	<p>Delivered</p> <ul style="list-style-type: none"> Delivered: 26 countries – Afghanistan, Bangladesh, Benin, Bhutan, Burkina Faso, Cambodia, Central African Republic, Djibouti, Ethiopia, Ghana, Guinea, Haiti, Kiribati, Kyrgyz

⁵⁰ Enhanced GRMs include minimum standards on uptake, responsiveness, disclosure, and/or gender inclusion.

Objectives	Policy Commitment	Target	Progress
<i>Open Government commitments</i>	accountable, participatory, and inclusive governments	commitments towards OGP agenda	Republic, Liberia, Madagascar, Malawi, Moldova, Mozambique, Nepal, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Togo
<i>Mitigate IFFs</i>	10. Perform IFFs assessments in at least 10 IDA countries to support the identification and monitoring of IFFs;	Perform IFF assessments in at least 10 IDA countries	<p>Delivered</p> <ul style="list-style-type: none"> • <u>Delivered</u>: 23 countries – Benin, Burkina Faso, Cambodia, Cabo Verde, DRC, Ethiopia, Ghana, Guyana, Kyrgyzstan, Lao PDR, Malawi, Moldova, Nepal, Niger, Nigeria, Pakistan, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, Zambia, Zimbabwe
<i>Enhance understanding of governance and institutions in FCV</i>	11. Strengthen and systematize Governance & Institutional analysis in half of Risk and Resilience Assessments and at least three-quarters of Recovery & Peace Building Assessments in IDA countries	G&I analysis in: Half of RRAs and at least three-fourths of RPBA in IDA countries	<p>On track (as this is a ratio, needs continuous monitoring)</p> <ul style="list-style-type: none"> • 13 out of 16 RRAs (81%) – Burundi, Rep. of Congo, Comoros, Djibouti, Gambia, Kosovo, Nepal, Papua New Guinea, Sierra Leone, Solomon Islands, Somalia, Tajikistan, Timor-Leste. • All 4 RPBA (100%) – Cameroon, Central African Republic, Mali, Nigeria.
<i>Operationalize 2017 WDR</i>	12. Plan for operationalization of 2017 WDR focused on reducing implementation gaps and enabling adaptive approaches.	Report	<p>Delivered</p> <ul style="list-style-type: none"> • Operationalization plan delivered at IDA18 MTR (November 2018)

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