

Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs

Dissemination Workshop: Governance, Management and Financing of Global Programs

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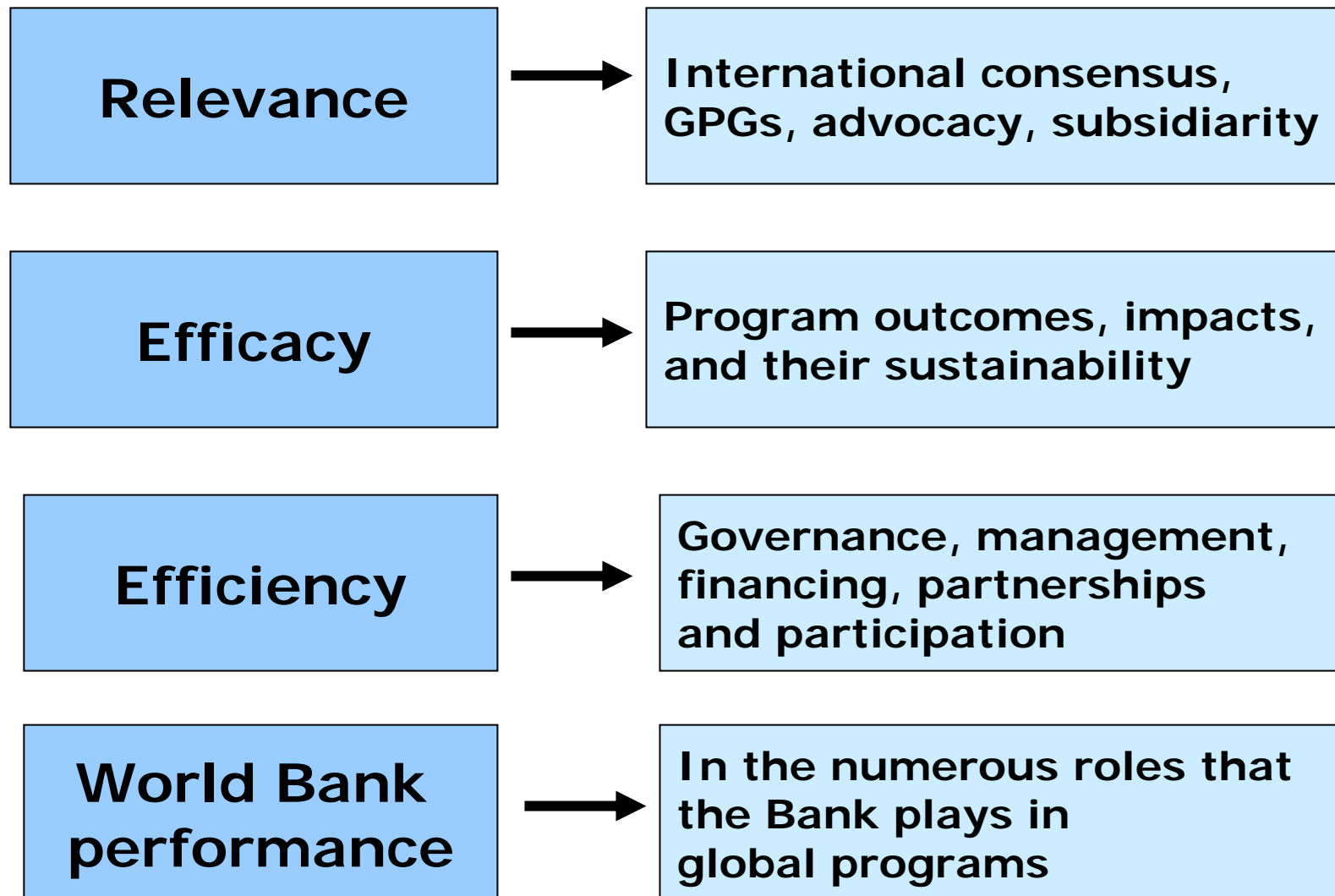
Operations Evaluation Department

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Evaluation Issues for Phase II Report and Case Studies



Definition of Governance

- **The structures, functions, processes, and organizational traditions that a board or other decision-making body uses to ensure that the mission of an organization is accomplished**
- **The set of rules and procedures that enable an organization to meet its objectives**
- **Requires both efficiency in the allocation of resources and legitimacy in the exercise of authority**
 - Shareholder models tend to promote efficiency
 - Stakeholder models tend to increase legitimacy, but may face collective action problems when the number of stakeholders is large and the cost of organizing diverse interests to pursue a common goal is higher relative to the expected benefit



Functions of Governance



- **Strategic direction**, usually exercised by the governing body
- **Oversight** of the management unit responsible for day-to-day program management
- **Consultation** with other stakeholders, both formal and informal; one common formal method is through a technical, scientific, or professional advisory body
- **Risk management**, including reputational risks, fiduciary risks, conflict of interest risks, unfair advantage risks, governance risks, and non-performance risks
- **Evaluation and audit**, which is often the least well developed governance function in many global programs.



Diverse governance arrangements even among 12 in-house programs

Major classification	Sub-classification	No. of programs
Line management within the Bank	Standard multi-donor trust fund	1
	Coordinated parallel activities	1
Secretariat inside the Bank	Bank as lead partner	7
	Independent governance structure	1
Secretariat functions shared between Bank and an external organization		2
Secretariat inside external organization	External organization as lead partner	6
	Independent governance structure	2
Independent external entity	Legal entity	4
	Close association with the Bank	2

Bank chairs most programs housed in the Bank



	Chaired or co-chaired by the Bank	Chaired by other organization	Rotating chair among members	Independent chair
Line management in the Bank	2			
Secretariat inside the Bank	6		1	1
Shared secretariat	2			
Secretariat inside external organization	1	2	5	
Independent legal entity			4	2

Principles of Good Governance

– Adapted from OECD



- **Clear roles and responsibilities** – of the officers and bodies that govern and manage the program
- **Transparency** – the program provides both shareholders and stakeholders with the information they need in an open and transparent manner
- **Fairness** – the program does not favor some immediate clients over others
- **Clear accountability** – of the program for the exercise of power over resources to the program's stakeholders, including international organizations, donors, developing countries, the private sector, and NGOs



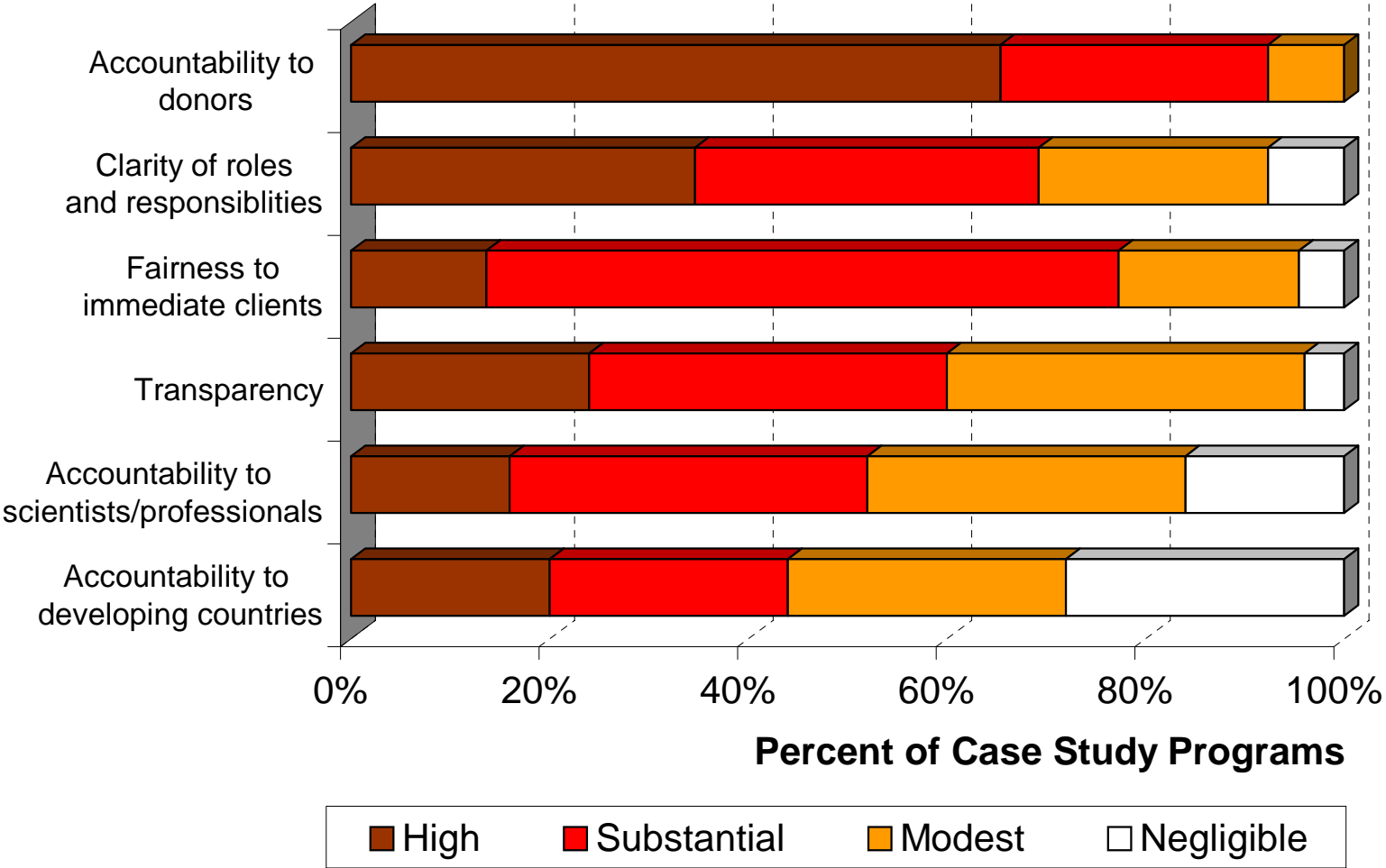
Major Findings



- **Governance and management are weak in several programs**
 - Often difficult to distinguish partners and participants
 - Unclear (ambiguous) roles and responsibilities among partners
 - Weak scientific and technical advisory committees
- **Programs are primarily accountable to donors**
 - Effectively increasing the voice of developing countries remains a challenge
 - Partnering with the commercial private sector (and even NGOs) entails risks
- **Donors and international organizations retain an overwhelming share of governance responsibility**



OED Ratings re: Governance Principles



Undermanaged partnerships pose reputational risks



- **Growing confusion between global program activities, Bank activities, and Borrower activities**
- **Unclear policies regarding NGO and private sector participation on governing bodies**
- **Unclear role of Bank's safeguards**
- **Bank bears undue share of program risks for some in-house programs**
- **Potential conflicts of interest limit Bank's capacity to look at programs objectively**
- **Inconsistent application of DGF eligibility criteria**
- **Trust-funded consultants and secondees represent the Bank on some global programs**



Work with Partners to Elevate Governance & Management Standards



- Establish legal status and/or written charters as appropriate.
- Make transparent the roles, responsibilities, accountabilities, selection, and representation of board chairs and board members,
- Vest boards with necessary authority to exercise strategic direction and oversight of programs, policies, and budgetary resources.
- Establish guidelines on the roles of NGOs and the private sector on governing bodies, roles and quality of advisory boards, and on conflicts of interest.
- Separate oversight and management of in-house programs



Questions for Discussion



- **Relative virtues of stakeholder and shareholder models?**
- **How to effectively increase the voice of developing country partners?**
- **How to strengthen the role and capacity of scientific and technical advisory committees?**
- **How to separate oversight and management of in-house programs?**
- **Is it necessary for the Bank to chair programs housed in the Bank?**

