

**INFORMAL
SESSION TO
BRIEF**

FO/DIS/20/145
Correction 1

July 14, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Progress in Implementing the Framework for Enhanced Fund Engagement
on Governance**

Board Action: The attached correction to FO/DIS/20/145 (6/25/20) has been
provided by the staff:

Evident Ambiguity **Page 6 (subsequent footnotes renumbered)**

Questions: Mr. Fletcher, SPR (ext. 36824)
Mr. Mathisen, SPR (ext. 36520)

includes an interdepartmental brainstorming session on governance issues in a country. These sessions are designed to support country teams by delving further into possible policy advice and measures, context, prioritization, and strategy, taking into account existing frameworks for surveillance and Fund-supported programs.⁴ In preparation for surveillance and program missions, more than 50 brainstorming meetings on governance with the participation of functional departments and, in many cases, World Bank staff have taken place so far.

8. Area departments have also established internal processes to support the framework's implementation. Area departments have had to invest time familiarizing themselves with the requirements of the new framework and organizing themselves internally to implement the policy. To that end, departments have instituted new processes. For example, AFR has developed an internal note to guide its teams, established an AFR Governance Group that collects experiences and guides country teams, and has regularly discussed governance and anti-corruption issues during senior staff meetings. MCD has also established a governance working group.

9. As implementation of the Framework was reaching steady state before the crisis, the increase in governance-related work was estimated at \$6 million per year.⁵ The initial phase covered the development of toolkits and analytical frameworks, as well as learning by doing for both country teams and supporting functional departments. With this work now part of the mainstream work for the full membership, costs have shifted from development toward full implementation. These costs have been partially covered through budgetary resources to functional departments (\$2.4 million in FY20 and \$1.9 million in FY21 in gross terms), with the rest absorbed through reallocations and prioritization in functional and area departments. Anti-corruption CD work is targeted to increase from 1.1 percent of total CD delivery in FY19 to 1.8 percent of total in FY23, or around \$4½-5 million in total.⁶ The current crisis and the Fund's provision of emergency financing have further highlighted the importance of governance issues and the need for these issues to be firmly embedded in core activities.

B. Coverage of Governance and Corruption Issues in Staff Reports

10. Text mining analysis provides some indication of how the Framework has affected staff reports, though such an exercise has limitations. Staff undertook a text mining analysis to examine the overall trends in references to "corruption," "governance," and "bribery" in Fund staff reports. This approach is for illustrative purposes and does not capture changes in the

⁴ Governance vulnerabilities are included in surveillance if they are found to significantly affect a member's present or prospective balance of payments or domestic stability. If so, the specificity and timing of inclusion of governance issues is guided by the nature and perceived urgency of the weakness. Reforms to address governance vulnerabilities and corruption risks are included as conditionality in Fund-supported programs when they are of critical importance for achieving the goals of the member's program.

⁵ Based on a FY19 survey of country teams and relevant functional departments, covering only staff time, and excluding follow-up CD. An update of spending on governance issues by country teams will be provided in the FY20 outturn paper.

⁶ [Anti-corruption CD work here is defined narrowly and does not include most broader governance-related CD on issues such as strengthening fiscal governance, financial sector oversight, central bank governance, etc.](#)