



# World Bank Group Engagement Strategy 2013–2016

July 2013





# Contents

|  |    |
|--|----|
| Contents .....   | 2  |
| Executive Summary .....  | 3  |
| 1. Introduction.....   | 4  |
| Australia's current partnership with the bank .....  | 5  |
| 2. Australia's priorities for engagement with the bank .....   | 6  |
| Client Service: Targeting bank services to its diverse client-base.....                                      | 6  |
| Better serving small island states and fragile and conflict-affected countries.....                          | 6  |
| Better servicing middle-income countries.....  | 7  |
| Value for money: Increasing attention to value for money in bank decision-making .....                       | 8  |
| Results: Ongoing bank leadership in delivering and measuring results .....                                   | 9  |
| 3. How Australia will pursue reforms.....  | 11 |
| 4. Tracking progress of Australia's priorities .....   | 13 |
| 5. Consequences .....  | 14 |
| Appendix 1: Responsibilities for pursuing Australia's priorities.....  | 15 |
| Appendix 2: AusAID's strategic architecture for World Bank engagement and avenues to pursue priorities ..... | 17 |



# Executive Summary

The World Bank Group (the bank) is Australia's largest multilateral development partner.

In March 2012, the Australian Government released the Australian Multilateral Assessment (AMA), which assessed the overall effectiveness of Australia's multilateral development partners, including the World Bank and the International Finance Corporation. The World Bank was rated one of the top five multilateral organisations while the International Finance Corporation was in the top tier of organisations assessed. The AMA also identified areas for improvement in the bank's operations.

The World Bank Group Engagement Strategy (the strategy) builds on the findings of the AMA to shape and articulate the Australian aid program's priorities for engaging with the bank out to 2016. These focus on improving the bank's effectiveness in areas central to Australia's interests. The three key priorities for Australia's engagement with the bank over the next three years are:

1. Client service: targeting bank services to its diverse client-base, including small island states and fragile and conflict-affected countries, and middle-income countries. The bank needs to improve its effectiveness in small island states and fragile and conflict-affected countries, such as Afghanistan, Timor-Leste and Pacific Island Countries, and also better meet the needs of rapidly growing middle-income countries, such as Indonesia and Vietnam.
2. Value for money: increasing attention to value for money in bank policies, processes and decision-making. The bank needs to ensure its programs get the maximum development impact from available resources.
3. Results: ongoing leadership by the bank to deliver and measure results to improve its effectiveness in countries and programs central to Australia's aid program.

The strategy identifies how Australia will pursue these priorities, the roles and responsibilities of key areas within AusAID, and how progress in these areas will be monitored and assessed. This strategy provides agency-wide priorities which country, regional and thematic programs will incorporate into relevant strategies. Progress on Australia's priorities will inform decisions on Australia's funding to the Bank.

# 1. Introduction

In March 2012, the Australian Government released the Australian Multilateral Assessment (AMA), which assessed the overall effectiveness of Australia's multilateral development partners, including the World Bank<sup>1</sup> and the International Finance Corporation.

The World Bank was rated one of the top five multilateral organisations while the International Finance Corporation was in the top tier of organisations assessed. The World Bank received strong scores in delivering results, relevance in the wider development system, and organisational performance. However the AMA also pointed to areas for improvement including insufficient operational flexibility—particularly in fragile states—lack of systematic consideration of value for money in decision-making and reporting, and inconsistent attention at operational-level to cross-cutting issues such as gender and disability.

The International Finance Corporation achieved strong scores in monitoring and delivering results, strategic planning and attention to value for money. However the AMA pointed to areas for improvement, including strengthening the focus on poverty reduction (building on recent progress), promoting a voice for stakeholders in decision-making, and building on efforts to improve engagement in fragile states.

The World Bank Group<sup>2</sup> (the bank) Engagement Strategy (the strategy) builds on the findings of the AMA, including subsequent consultations with stakeholders inside and outside of AusAID, and the Multilateral Engagement Strategy, released in December 2012, to shape and articulate the Australian aid program's reform priorities for engaging with the bank out to 2016<sup>3</sup>. The objective of the strategy is to provide a guide that:

- > outlines Australia's reform priorities for engagement with the bank (section 2)
- > describes how Australia will pursue these priorities, including the roles and responsibilities of AusAID Canberra, AusAID's Washington Post and Posts in developing countries (section 3 and Appendix 1)
- > identifies how progress against Australia's priorities will be monitored and assessed (section 4).

The strategy outlines reform priorities with the bank. It does not attempt to comprehensively cover all of Australia's interests in the bank. The strategy complements the *AusAID-World Bank Group Partnership Framework*, which outlines how AusAID and the bank will work together, including joint thematic and sectoral priorities (Appendix 2 outlines how the strategy fits with other guidance documents).

<sup>1</sup> The 'World Bank' refers to the International Development Association, which focuses on providing concessional finance to the world's poorest 81 countries and the International Bank for Reconstruction and Development, which aims to reduce poverty in middle-income and creditworthy poorer countries.

<sup>2</sup> The 'World Bank Group' consists of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes.

<sup>3</sup> This strategy guides Australia's engagement with the Bank for the period from July 2013 to December 2015. The strategy will be reviewed on an annual basis and updated if necessary.

The strategy is targeted at Australian Government officials delivering Australia's aid program. It takes account of Australia's position as a mid-sized shareholder and within a constituency of 14 countries<sup>4</sup> on the World Bank Board.

It assumes that readers have background information on:

- > the role and operational performance of the bank
- > why Australia works with the bank
- > the results that are being achieved from the partnership between Australia and the bank.

Background information on the World Bank Group-AusAID partnership can be found in the *Australian Multilateral Assessment*, the *World Bank 2012 Multilateral Scorecard*, the *2012 Australia and the World Bank Group Partnership: Unlocking potential, achieving results* and the *AusAID-World Bank Group Partnership Framework*<sup>5</sup>.

Priorities in this strategy will inform country, regional and thematic programs' engagement with the bank. However, the strategy does not specify detailed country or thematic/sectoral priorities when engaging with the bank. Country, regional and sectoral strategies will draw from this overarching strategy to outline respective policy priorities, including how relevant priorities will be actioned within programs.

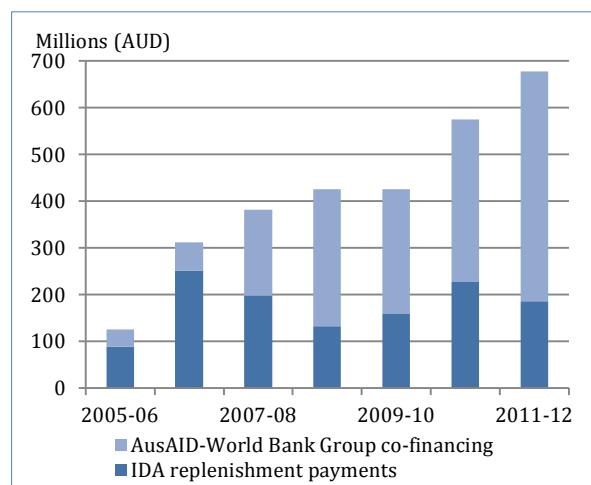
## Australia's current partnership with the bank

Australia's contribution to the bank supports the Australian aid program's global reach. It allows Australia to have a strong say in how bank resources are used.

The Australian aid program contributes core funding to the International Development Association (\$168 million in 2011-12). The International Development Association provides highly concessional lending to the world's poorest countries. The Australian aid program also contributes to World Bank debt-relief funds (\$17 million in 2011-12). Australia is the 17th largest shareholder (out of 188 member countries) in the International Bank for Reconstruction and Development, with a shareholding of 1.55 per cent of total capital.

Australia and the bank have a growing portfolio of joint activities across the globe. In 2011-12, Australia provided \$493 million in non-core funding to more than 75 joint activities with the bank.

The bank is expected to remain one of the Australian aid program's most important multilateral partners through to 2016.



<sup>4</sup> Australia, Cambodia, Kiribati, Republic of Korea, Marshall Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, Vanuatu.

<sup>5</sup> AusAID's policy documents are at <http://www.ausaid.gov.au/Publications/Pages/List.aspx?publicationcategory=Multilaterals>



## 2. Australia's priorities for engagement with the bank

Three key reform priorities have been identified for Australia's engagement with the bank over the next three years. These priorities have been informed by the AMA and input from a range of stakeholders, and address areas central to Australia's interests. They focus on supporting bank reform and increasing the efficiency and effectiveness of its operations:

1. Client service: targeting bank services to its diverse client-base, including small island states and fragile and conflict-affected, and middle-income countries.
2. Value for money: increasing attention to value for money in bank policy, processes and decision-making.
3. Results: ongoing leadership by the bank to deliver and measure results.

### **Client Service: Targeting bank services to its diverse client-base**

The world has changed dramatically since the International Bank for Reconstruction and Development (1944), the International Finance Corporation (1956) and the International Development Association (1960) were established. While the bank has undertaken a range of reforms over recent years, these reforms have not kept pace with the rapidly changing global landscape. The bank needs to adjust its instruments, systems and culture to remain relevant to all members of its increasingly diverse client base. This includes ensuring that different institutions within the bank work together cohesively.

Action is needed on two fronts:

- > the bank needs to improve its effectiveness in small island states and fragile and conflict-affected countries, such as Afghanistan, Timor-Leste and the Pacific Island Countries
- > it must also better meet the needs of rapidly growing middle-income countries, such as Indonesia and Vietnam.

### **Better serving small island states and fragile and conflict-affected countries**

Over the past decade, the World Bank Group has undertaken reforms to improve its engagement with small island states and fragile and conflict-affected countries which has had a positive impact on its effectiveness. These reforms include:

- > increasing staff numbers working on, or in, fragile countries
- > increasing supervision budgets
- > introducing post-conflict allocations under the International Development Association
- > increasing International Finance Corporation engagement in small island states and fragile or conflict-affected countries as part of a goal to have 50 per cent of operations in low-income countries.

Despite these measures, development progress in these countries is lagging. More ambitious efforts are required to improve the bank's effectiveness, particularly as these countries will be the

long-term clients of the bank. Many of the world's poorest and most vulnerable live in small island states and fragile or conflict-affected countries, and few are on track to achieve the Millennium Development Goals. It is in these countries that the bank can potentially make the greatest impact. However, to achieve this impact the bank will need high-quality human resources on the ground, and flexible and efficient systems that recognise the needs and build the capacity of small island states and fragile and conflict-affected countries (both government and private sector). Furthermore, work undertaken by the bank in Asia and the Pacific, including in small island states, is important to Australia and for the aid program. Table 1 outlines specific reform outcomes for the bank to better serve small island states and fragile or conflict-affected client countries.

**Table 1: Specific reform outcomes to better service small island states and fragile and conflict-affected countries**

| Outcome  | Outputs   |
|--|---|
| <i>Attracting the best Bank staff</i>  | Staff incentives that encourage bank staff to undertake work relating to small island states and fragile and conflict-affected countries.<br><i>Example indicator:</i> <i>an increased number of World Bank staff working on AusAID priority trust funds in small island states and fragile and conflict affected countries.</i>  |
| <i>Reduced administrative burden on small island states and fragile and conflict-affected country governments</i>  | More efficient bank policies, systems and procedure that minimise administrative burden on small island states and fragile and conflict-affected countries.<br><i>Example indicator:</i> <i>improvement in the number of bank operations rated at least satisfactory at completion in fragile situations</i> <sup>7</sup> .   |
| <i>Increased bank responsiveness to change in small island states and fragile and conflict-affected countries</i>  | Bank systems and processes developed or modified to enable flexibility to respond quickly to changing circumstances (for example political instability or environmental disaster).  |
| <i>Small island states and fragile and conflict-affected country governments have access to knowledge work and technical assistance for improved decision-making</i> | Bank policies, processes, systems and staff incentives enable bank engagement in knowledge work and technical assistance with countries without a substantial lending program or where lending has temporarily ceased.<br><i>Example indicator:</i> <i>bank engaged in knowledge work and technical assistance in countries without a substantial lending program.</i><br><i>Example indicator:</i> <i>bank engaged in knowledge work and technical assistance in countries where lending has temporarily ceased.</i> |
| <i>Increased IFC engagement for private sector development</i>   | Increased International Finance Corporation engagement in small island states and fragile and conflict-affected countries.<br><i>Example indicator:</i> <i>increased volume of International Finance Corporation finance directed towards frontier markets, including small island states and fragile or conflict-affected client countries</i> <sup>8</sup> .  |

## Better servicing middle-income countries

Despite development gains in many middle-income countries there remain pervasive poverty gaps. The bank has played a central role in promoting development over the past few decades in many middle-income countries. However, if development is not inclusive, large numbers of people can remain in poverty. The bank needs to change its business model to remain relevant

<sup>6</sup> Indicators can be used to track bank progress against these reform priorities. Bank progress against these reform priorities will be assessed using a range of evidence, including AusAID's performance monitoring and evaluation tools and international assessments. The indicators measure bank progress against Australia's reform priorities, not Australia's level of influence with the bank.

<sup>7</sup> [World Bank Corporate Scorecard](#) tier three indicator: Satisfactory IBRD/IDA operations outcomes at completion in fragile situations.

<sup>8</sup> International Finance Corporation Scorecard indicator: Commitments in IDA countries (millions).

and responsive, particularly given rapid increases in flows from investment, trade and remittances, to help middle-income countries achieve more equitable growth. This includes supporting countries to harness and build global expertise to reduce poverty and ensure resources are used sustainably to support inclusive growth. Table 2 outlines specific reform outcomes for the bank to better serve middle-income country clients.

**Table 2: Specific reform outcomes to better service middle-income countries**

| Outcome   | Output  |
|---|---|
| <i>Increased responsiveness to client needs</i>   | Mechanisms which provide smooth pathways for countries to graduate from concessional lending eligibility.<br>Bank operations which leverage other financing available in middle-income countries.<br><i>Example indicator: Bank leveraging other available financing in middle-income countries.</i><br><i>Example indicator: client's impression of bank effectiveness.</i>  |
| <i>Middle-income country government access to knowledge work for improved decision-making</i> | Increased access to knowledge work (for example, economic analysis, impact evaluation and training) for decision makers in client countries.<br>Improved integration of knowledge work with lending and non-lending programs in client countries.<br>Bank facilitating access to global expertise for middle-income country governments.<br><i>Example indicator: World Bank funding allocated to support knowledge work for clients.</i>                         |
| <i>Increased bank support for global public goods in middle-income countries</i>              | Increased provision of bank technical assistance (assist reform implementation or strengthening institutions) or incentives to invest in global public goods.<br><i>Example indicator: Bank providing technical assistance to inform investment in global public goods in middle income countries where AusAID works (for example, technical assistance for client governments to work on biodiversity protection or the prevention of communicable disease).</i> |

## Value for money: Increasing attention to value for money in bank decision-making

The bank's stakeholders, particularly borrowing countries, want to see the greatest possible impact from bank resources.

Value for money is not the same as lowest cost options - it is about maximising the impact of each dollar spent to improve poor people's lives. This requires striking the optimal balance between economy, efficiency and effectiveness. Investment decisions need to consider the best development impact that can be achieved with any particular set of inputs; and the most efficient and effective way to deliver the desired development result.

Greater attention to value for money in bank policies, processes and decision-making will increase confidence that Australia's large and growing funding to the bank is a sound investment, which is helping to alleviate poverty in countries central to Australia's aid program.

The bank has increased its attention to 'effectiveness' over recent years and the International Finance Corporation has been a leader in considering value for money in decision-making processes. However, there is scope for more systematic consideration of 'efficiency' and 'economy' in the World Bank to maximise the development impact of programs. Strategic budgeting, efficient administrative systems, assessment of impact and transparency of costs can all contribute to improving value for money. Table 3 outlines specific reform outcomes to pursue increased bank attention to all aspects of value for money.

**Table 3: Specific reform outcomes to increase attention to value for money in bank decision making**

| Outcome   | Output  |
|---|---|
| <i>Best practice approach to value for money across the bank</i>  | <p>Adoption of International Finance Corporation tools related to value for money across the bank where appropriate.</p> <p>Develop and include value for money indicators in the bank's corporate reporting</p> <p><i>Example indicator: International Finance Corporation value for money tools in use in bank operations.</i></p> <p><i>Example indicator: value for money indicators included in the Corporate Scorecard</i></p>  |
| <i>Increased focus on development impact</i>  | Increased use of evidence-based decision-making, using tools designed to assess the relative development impact of interventions.   |
| <i>Improved efficiency of administrative systems and increased transparency of administration costs</i> | <p>Administrative systems and processes that add value and support quality decision-making</p> <p>Increased transparency of indirect costs, administrative support, back office functions and operating costs.</p> <p>Policies and practices which support open, transparent, competitive and innovative procurement processes.</p> <p><i>Example indicator: publication of disaggregated administrative and personnel costs.</i></p>   |
| <i>Budgeting decisions consider and reflect strategies and operational needs</i>                        | <p>Bank mechanisms that support alignment between budget, strategy and operational decisions.</p> <p>Recognition that costs and results will vary by country and sector, including recognition in budget decisions of higher operational costs in small island states and conflict-affected and fragile countries.</p> <p><i>Example indicator: International Development Association resource allocations reflect different operating environments in small island states and fragile and conflict-affected countries.</i></p> |
| <i>Comparable reporting of administrative costs across multilateral development banks</i>               | <p>Collaboration between the multilateral development banks on common methods for reporting cost-effectiveness, efficiency and economy.</p> <p>Publication of administrative and personnel costs to enable comparisons across multilateral development banks.</p> <p><i>Example indicator: Increased collaboration between the bank and other multilateral development banks on consistency of cost reporting.</i></p>  |

## Results: Ongoing bank leadership in delivering and measuring results

The bank has promoted a culture of results-based management over the past decade, including establishing:

- > results-based country assistance strategies
- > a comprehensive results-tracking system for International Finance Corporation projects
- > the International Development Association results management system
- > the World Bank Corporate Scorecard
- > a results-based lending instrument.

However, there remain areas where the bank can improve results measurement, monitoring and delivery.

The bank is well placed to play a leadership role in developing results measurement and reporting tools in difficult-to-measure areas. Priorities include aspects of governance, institution building and cross-cutting issues such as gender. Investment in these areas will benefit the bank, as well as other development stakeholders.

The bank's own evaluations and Australia's experience also suggest that the bank's effectiveness in delivering results varies considerably at a country and sector level. Based on this experience

and findings of independent evaluations, Australia will continue to support reforms to the bank's operations and systems to more consistently deliver results across country programs. Australia will particularly focus on bank efforts to deliver sustainable and equitable development results, including through addressing gender equality, disability inclusiveness and social and environmental safeguards.

The bank's ongoing leadership in delivering and measuring results is critical to improving its effectiveness. Improving results measurement enables robust assessments of successes and failures. Learning from failure, and building on or replicating success, is essential for the bank to achieve its mission - reducing global poverty. Table 4 outlines specific reform outcomes Australia will pursue in relation to leadership in measurement and delivery of results.

**Table 4: Specific reform outcomes in relation to ongoing leadership in delivering and measuring results**

| Outcome   | Output  |
|---|---|
| <i>Strong systems for measuring results across the breadth of bank operations</i> | Systems to monitor and measure results in difficult-to-measure areas such as governance, institution building, gender and disability.<br><i>Example Indicator: Bank staff resources dedicated to developing systems to monitor and measure results in these areas.</i><br><i>Example indicator: Bank sectors and themes have core sector indicators</i>   |
| <i>Bank focused on sustainability and equality in bank operations</i>             | Cross cutting issues such as gender, disability and climate change considered consistently in the development and implementation of operations.<br><i>Example indicator: Increased management and financial resources dedicated to cross-cutting issues.</i><br><i>Example indicator: Increased proportions of projects that consider cross-cutting issues in development and implementation<sup>9</sup>.</i> |
| <i>Best practice approach to developing and implementing safeguard policies</i>   | Safeguard policies are consistently adhered to in bank operations.<br>Performance standards are consistently adhered to in private sector operations.<br><i>Example Indicator: Increased proportion of projects adhering to safeguard policies.</i>   |
| <i>Bank using performance information to improve projects</i>                     | Strong monitoring and evaluation systems to measure impact with clear feedback loops, including real-time feedback loops where appropriate.<br>Flexibility and responsiveness built into bank programs so that problems can be detected early and addressed, and success replicated.<br><i>Example indicator: Increased resources devoted to evaluation, including impact evaluation and evaluation data.</i> |
| <i>Effective use of results-based financing</i>                                   | The new 'program-for-results' lending instrument modified and expanded based on experience with the pilot program.<br><i>Example indicator: Increased number of bank operations supporting programs using the 'program-for-results' lending instrument.</i>   |

<sup>9</sup> [World Bank Corporate Scorecard](#) tier three: projects with gender-informed design. Currently the World Bank reports against gender mainstreaming in its Corporate Scorecard.

### 3. How Australia will pursue reforms

Table 5 outlines AusAID (headquarters and post) roles in pursuing reforms identified in section 2.

**Table 5: AusAID (headquarters and post) roles in pursuing the reforms**

| International Policy and Partnerships Division (IPPD) & Washington Post   | Country, Regional and Thematic Programs (Post and Canberra)  |
|---|--|
| <b>Client Service reforms</b>   |  |
| Work with likeminded shareholders on the World Bank Board and Board committees, through Australia's constituency Executive Director's office <sup>10</sup> to pursue client service reforms in country strategies, operational policies, budgets, evaluations and work programs.  | Monitor and report to IPPD (through cables, Annual Program Performance Reports (APPRs), Quality at Implementation (QAI) reports and other avenues) on the degree to which the bank appropriately accounts for the country-context, in its policy engagement and operations, in developing countries that are small island states and fragile or conflict-affected. |
| Work with likeminded shareholders and World Bank management in the IDA17 replenishment negotiations, to raise client service issues and seek World Bank management commitment to changing relevant policies and operations.   | Monitor and report to IPPD (through cables, APPRs and other avenues) on the degree to which the bank's global, sector and thematic programs take account of the Bank's diverse client base.  |
| Provide frank assessments of bank performance in tailoring its programs to client needs in meetings between AusAID and bank senior management. Additionally, share this information with the Executive Director's office, to inform positions in the Board and Board committees.  | Provide feedback through IPPD (using cables, APPRs, QAI and other avenues) on the bank's effectiveness in small island states and fragile and conflict-affected countries for use in meetings between AusAID senior management and the bank.   |
| <b>Value for money: Increasing attention to value for money in Bank decision-making</b>   |  |
| Work with likeminded shareholders on the World Bank Board and Board committees, through Australia's constituency Executive Director's office, to encourage a greater focus by the Board and its committees on value for money, including in country strategies, operational policies, budgets, evaluations and work programs. | Consider value for money when determining whether or not AusAID will co-finance or continue to co-finance Bank programs or trust funds.  |
| Work with likeminded shareholders and World Bank management in the IDA17 replenishment negotiations, to raise value for money issues and seek World Bank management commitment  | Identify instances of good and bad practice in priority areas and report (through cables, APPRs, QAI and other avenues) to IPPD and Washington post prior to each biannual high  |

<sup>10</sup> Australia is part of a constituency represented by our Executive Director. Australia will work with the Executive Director's office to pursue our priorities. Where there are different views amongst the constituency, Australia will rely on the Executive Director's office to coordinate amongst the constituency and advise AusAID if any aspects of our priorities are unable to be pursued.

| International Policy and Partnerships Division (IPPD) & Washington Post   | Country, Regional and Thematic Programs (Post and Canberra)   |
|---|---|
| to changing relevant policies and operations.   | level consultation.   |
| Highlight Australia's experience of good and bad practice in terms of the bank's focus on value for money in AusAID and bank senior management meetings. Additionally, share this information with the Executive Director's office, to inform positions in the Board and Board committees.  | Identify instances of good and bad practice to be drawn to the attention of bank senior management both in-country and at headquarters.   |
| <b>Results: Ongoing leadership by the Bank in delivering and measuring results</b>  |   |
| Work with likeminded shareholders on the World Bank Board and Board committees, through Australia's constituency Executive Director's office, to further the bank's focus on results, including in country strategies, operational policies, budgets, evaluations, work programs and application of the results-based lending instrument.   | Include a results framework for the program, project or funding in all relevant World Bank Group-AusAID agreements.   |
|   | Engage in evaluations of joint AusAID-World Bank Group activities, where appropriate.   |
| Work with likeminded shareholders and World Bank management in the IDA17 replenishment negotiations to ensure results priorities are discussed and management commit to change relevant policies and operations.  | Monitor and report to IPPD (through cables, APPRs, QAs and other avenues) on the degree to which policies on safeguards and cross-cutting issues are applied within operations prior to each biannual high level consultation.    |
| Work with Washington post, the Executive Director's office and program areas (where appropriate) to input into World Bank initiatives designed to improve effectiveness, including: human resources and procurement reform; review of safeguards policy; relevant reports of the Independent Evaluation Group; the development of World Bank Strategy; and the bank's 'modernisation agenda'. | Assess whether particular bank programs or funds are measuring, reporting and delivering results and use this information when determining whether AusAID will co-finance or continue to co-finance Bank programs or trust funds. |

## 4. Tracking progress of Australia's priorities

Australia's reform priorities complement the bank's current reform commitments outlined in the World Development Reports, IDA16 Replenishment Final Report, modernization agenda, International Finance Corporation Road Map and Independent Evaluation Group Results and Performance of the World Bank report. AusAID will track the progress of the three reform priorities using both bank performance information, such as the Corporate Scorecard and data on bank performance from AusAID's performance and quality management systems.

Example indicators identified against reform priorities indicate the type of data that will be used to assess bank progress in priority areas. Assessment of bank progress against Australia's priorities will consider a broad range of available information.

AusAID will report annually on progress against these priorities.

## 5. Consequences

Progress on Australia's priorities will inform decisions on Australia's funding to the bank. Progress on reforms will be a key factor in determining the size of Australia's replenishment contributions to the International Development Association.

Decisions on co-financing at the country and thematic level will also continue to hinge on the bank's effectiveness. Where country and sector teams deem it appropriate, levels of co-financing will be linked to specific improvements in aspects of the bank's performance.

## Appendix 1: Responsibilities for pursuing Australia's priorities

This table outlines the responsibilities of various units in AusAID in pursuing the priorities outlined in the strategy. International Policy and Partnerships Division oversee and coordinate AusAID's strategic engagement with the World Bank Group.

**Table 6**

| <b>International Policy and Partnerships Division (IPPD)</b>   | <b>Washington Post</b>  | <b>AusAID Country, Regional and Thematic Programs<br/>(Post and Canberra)</b>  |
|--|---|--|
| Disseminate information on strategy priorities and coordinate headquarters engagement with the World Bank Group on reform priorities.  | Seek opportunities to raise, discuss and advance Australia's specific reform priorities in interactions with bank senior management.                                | Be guided by Australia's reform priorities when negotiating activity arrangements with the Bank.   |
| Assist the World Bank Executive Director's office to analyse the extent to which Australia's priority issues are reflected in World Bank Board documents, including: the bank budget, country strategies, Independent Evaluation Group reports and operational policies. | Work with IPPD in advance of annual high-level consultations.   |  |
| Through the Executive Director's office, seek opportunities to raise, discuss and advance Australia's specific reform priorities at the Board.   | Undertake representations to bank senior management on any specific issues of concern that arise at headquarters or field level relating to Australia's priorities. | Seek opportunities to raise, discuss and advance Australia's specific reform priorities in interactions with bank staff, particularly in developing countries. |
| Arrange annual high-level consultations between AusAID and the bank and ensure (through briefing) that these meetings help to advance Australia's reform priorities.   | Represent Australia during the International Development Association replenishment process and use that process to advance Australia's reform priorities.           | Where appropriate, link decisions on co-financing to specific improvements in the bank's program-level performance.  |
| Work with other shareholders in the International Development Association replenishment process to identify and promote common ground in advancing these priorities.   | Work with the Executive Director's office to report to IPPD on any significant developments relevant to Australia's reform priorities.                              | Include a summary of the bank's effectiveness and any significant changes to its performance in Annual Program Performance Reports.                            |

| International Policy and Partnerships Division (IPPD)   | Washington Post  | AusAID Country, Regional and Thematic Programs (Post and Canberra)  |
|---|--|---|
| <p>Facilitate two way information between headquarters-level engagement (including the outcomes of Board discussions, International Development Association replenishment negotiations and high-level meetings) and program-level engagement (particularly in developing countries):</p> <p>1) ensure relevant reporting from AusAID program areas is communicated to the World Bank Executive Director's Office and Washington post</p> <p>2) ensure relevant reporting from the World Bank Executive Director's Office and Washington post is communicated to AusAID program areas.</p> | <p>Provide an overview report to Canberra (copied to all AusAID posts) at least once every six months on the Bank's progress in advancing Australia's reform priorities.</p> | <p>In countries or sectors where Australia is a major co-financier of bank activities, report to IPPD prior to each biannual high level consultation on the effectiveness of the World Bank as an implementing partner, including examples of good and bad practice in areas relating to Australia's reform priorities.</p>               |
|   |  | <p>Provide input into relevant World Bank-AusAID high level partnership meetings on the World Bank's effectiveness and any significant changes to its performance.</p>  |
|   |  | <p>Where appropriate, arrange regular dialogue with the World Bank country or sector director as a means of systematically advancing those priorities most relevant to the particular country or sector context. Where institutional-level constraints to effectiveness are identified, report these by cable to IPPD and Washington.</p> |
| <p>Summarise progress in advancing Australia's reform priorities (drawing on reporting from Washington post and AusAID program areas) in an annual scorecard.</p> <p>Ensure that the size of Australia's International Development Association contribution is (in part) determined by the extent of progress on Australia's priorities.</p> <p>Strengthen AusAID-World Bank collaboration by developing AusAID-World Bank Engagement Guidelines for use by program areas.</p>  |  |   |

## Appendix 2: AusAID's strategic architecture for World Bank engagement and avenues to pursue priorities

