

Contents

Foreword
Acknowledgments
List of Acronyms4
List of Boxes, Figures, and Tables6
Executive Summary
A. Deepening Partnerships with Civil Society at the Country Level9
B. Adequately Funding Deeper Partnerships with Civil Society12
C. Way Forward
I. Introduction
II. World Bank Policies for Civil Society Engagement (CSE)
III. Partnering with Civil Society in the Bank's Country Engagement25
A. WBG Enhanced Country Engagement Cycle
B. Implementation Progress to Date and Opportunities for Improvement28
C. Conclusions and Recommendations
IV. Partnering with Civil Society to Boost Delivery and Results in IDA/IBRD Financing 35
A. Challenges of Delivering Results in the Rapidly Expanding
IDA/IBRD Financing36
B. Three Ways CSOs Help Boost Delivery and Results in Projects and Programs37
C. Challenges and Opportunities
V. Partnering with Civil Society to Enhance Governance and Combat Corruption
A. The Scale of Governance and Corruption Challenges in IDA/IBRD Operations
B. Partnerships with CSOs Can Help the Bank Improve Governance and Identify and
Prevent Waste, Fraud, and Corruption47
C. Conclusions and Recommendations
VI. Financing for Partnerships with Civil Society53
VII. Suggested Framework for a CSO Funding Facility60
VIII. Way Forward
References
Glossary83
Annexes
Annex 1: Terms of Reference for the Report90

Contents

Responsibilities	91
Annex 2: Evidence Reviews on Civil Society Engagement and Development Effectiver A. World Bank Reviews of Evidence B. WBG-Independent Evaluation Group (IEG) Literature Review and Case Studies C. GPSA Review of Outcomes in Projects Supported by It D. The PTF's Review of Evidence on Social Accountability and Civil Society Engage E. Illustrations of the High Rates of Return from Investing in Civil Society–Led Accountability References	94 95 96 ement96
Annex 3: Stocktaking of Citizen, Stakeholder, and CSO Engagement in Investment Financing Projects Funded by the World Bank. A. Citizen (CE), Stakeholder (SE), and CSO Engagement Policies in the World Bank Group B. Current Levels of CE, SE, and CSE: Knowns and Unknowns. C. Conclusions and Areas for Action.	101
Annex 4: IDA Commitments and Achievements in Engaging Citizens and CSOs A. IDA Commitments over Time (2010–2022) B. IDA20 Commitments. C. Challenges and Suggested Actions Appendix to Annex 4: PTF Comments on the IDA20 Draft Deputies' Report and IDA Team Responses, December 8, 2021	
Annex 5: Third-Party Monitoring (TPM) in the IDA and Bank. A. Third-Party Monitoring in IDA/Bank-Financed Projects. B. Conceptual and Policy Framework for TPM. References	128 129
Annex 6: Review of a Curated Set of CSO Funding Mechanisms Used by Donors A. CSO Funding Facility/Mechanism in Trust Funds Hosted by the World Bank B. Examples of Subgranting Facilities by the EU, UK FCDO, US State Dept, and JSD	133
Annex 7: Review of OECD-DAC Data on 2017–2021 CSO Commitments	139 140 142

Foreword

The historic expansion of the International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) mission and financing proposed as part of the World Bank Group's (WBG) Evolution will magnify the challenges of delivering quality results and accountability in the use of funds. Maximizing development impact will require that the World Bank (also referred to as the Bank) works not only with the public and private sectors but also with civil society. The World Bank has long recognized that robust citizen and civil society organization (CSO) participation is central to the development agenda and, in principle, supports their engagement in Bank-supported operations.

The extensive experience of Partnership for Transparency Fund (PTF) members in working at the front lines of World Bank-supported operations has convinced us that civil society has a major role to play in ensuring that World Bank country program design is responsive to citizens' needs; in supplementing government implementation capacity—particularly in fragile states; and in reducing inefficiencies and corruption. While the space for civil society has narrowed in recent years, CSOs are increasingly vibrant and capable in many of the Bank's client countries. However, the potential for citizens and CSOs to fully contribute to enhanced development outcomes in Bank-supported programs is constrained by lack of priority attention, operational deficiencies, and financing.

This report is based on a comprehensive, yearlong review of how to expand and adequately fund citizen and CSO engagement (CSE) in IDA- and IBRD-financed operations. The report was supported by the Foundation to Promote Open Society (FPOS) and carried out with the knowledge and cooperation of Bank staff and consultations with key stakeholders, including Bank shareholders and civil society. Although the Bank has made considerable progress in engaging citizens and CSOs, significant information gaps remain regarding the scope, extent, funding, and outcomes of such engagement. World Bank CSE policies and guidance for engaging with CSOs are also ambiguous and need to be clarified. While the experience of the Bank and other development partners shows that CSOs can make significant contributions to improved development impact, an unsupportive, enabling environment and inadequate funding limit their ability to meaningfully participate in country engagement, projects, third-party monitoring, fiduciary, and other oversight activities.

Foreword

The report makes ten recommendations in two broad areas to enhance the contribution citizens and CSOs can make to IDA and IBRD country engagement, financing, and accountability. First, the World Bank should deepen and institutionalize CSO engagement in IDA and IBRD operations at the country level for faster delivery of outputs and better results. Second, it should adequately fund deeper partnerships with civil society through project financing when appropriate and establish a facility dedicated to funding CSO engagement in IDA's country engagement and accountability systems. These activities are not covered and/or not appropriate for project financing, and there are no systematic financing sources/mechanisms at the Bank for adequately funding them even though these activities are essential for enhancing the development impact and value for money of the Bank-supported operations. The report details a suggested framework for establishing the proposed funding facility.

The PTF, many of our development partners, and the stakeholders commenting on the Evolution proposals and the IDA believe that the time is right for the IDA and IBRD to take bold steps to rapidly expand citizen and CSO engagement in its operations, as called for under the Evolution road map and in the fast-growing IDA. We call for serious consideration of the report's recommendations during discussions of the Bank's Evolution framework, IDA20 Mid-Term Review meetings, and IDA21 Strategic Directions paper.

Acknowledgments

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Thanks are given to several groups with whom the PTF team interacted in preparing this report. These include several members of the World Bank's board and IDA deputies; CSO members of the Open Government Partnership (OGP) Steering Committee; Accountability Lab; Oxfam Washington, DC; and members of the World Bank's Expert Advisory Council for Citizen Engagement. The team is deeply appreciative of their input and constructive dialogue.

Finally, it is gratefully acknowledged that this report would not have been possible without the excellent and up-to-date information available in the World Bank's Open Knowledge Repository, IDA projects databases, and Open Finance Data.

Partnering with Civil Society for Citizen-Driven Country Engagement, Delivery of Results, and Accountability in IDA- and IBRD-Financed Operations

Executive Summary

"The World Bank will deepen its partnership with civil society, especially at the country and regional levels, to make the evolution process more effective."

—Ending Poverty on a Livable Planet: A Report to Governors on World Bank Evolution, World Bank, September 28, 2023

- and IBRD (referred to collectively as the Bank or the World Bank) as they develop action plans to accomplish the Evolution goal of deepening partnerships with civil society at the country level when expanding operations under IDA21 and IBRD. It argues that in the bigger and better IDA and IBRD, a deeper partnership with civil society—beyond consultations—will boost delivery with results, promote country-led development, and enhance accountability in the use of funds (as called for in the Evolution and the G20 Independent Experts Group report on Strengthening Multilateral Development Banks [MDBs]).
 - While endorsing the plans for a bigger and better Bank, the report analyzes and makes ten recommendations for expanding and financing deeper partnerships with citizens and CSOs in IDA- and IBRD-supported operations to improve the quality of spending and help attain more inclusive, equitable, sustainable, transparent, and accountable results.
- 2. Background, scope, methodology, and consultations. The report was initiated following the <u>call</u> in mid-2021 by the CSO members of the <u>steering committee</u> for the 75-country <u>Open Government Partnership</u> (OGP) for expanded roles and financing for CSOs in the IDA. Its scope was expanded to cover the <u>World Bank Group Evolution Roadmap</u> initiated in December 2022. The recommendations apply to the IDA and IBRD as both are governed by the same set of operational policies. The report is limited to CSO engagement in World Bank activities at the country level; engagement at the regional and global levels, while important, is beyond its scope. The report is based on a review of documents/studies (by the Bank and others) and interactions with stakeholders (i.e., the IDA team, the Bank's <u>Board of Directors</u>, the Bank managers and staff, and the OGP Steering Committee). A <u>consultation draft</u> of

the report was launched at a <u>Center for Global Development</u> event in December 2022, and five webinars were organized in January–June 2023 to consult CSOs in the global south. The report takes into account the feedback received during the consultations and is being shared with the Bank as it works on the Bank's Evolution, IDA20 Mid-Term Review, and IDA21 Replenishment in 2023–24.

- 3. Deepening partnerships with civil society should be responsive to stakeholder views. According to the World Bank,¹ over 1,000 stakeholders provided comments during consultations on the March 2023 draft of the Evolution paper. Key feedback was that the Bank should seek "greater engagement with civil society; more emphasis on transparency and accountability; improving governance and anti-corruption measures; and improving World Bank agility and efficiency." The Group of 20 (G-20) has endorsed the report of the G20 Independent Experts Group report on Strengthening Multilateral Development Banks (MDBs) that calls on MDBs to "engage local communities and civil societies" as part of the five priority areas for converting operational models of MDBs (including the World Bank). On September 1, 2023, the civil society members of the OGP, in close coordination with PTF, issued a statement calling upon the Bank "to rethink, expand, and finance the involvement of civil society organizations (CSOs) in the Bank's work, including through the proposed expansion of financing by IDA and the IBRD." This statement has been endorsed by more than 200 CSOs around the world. The International Rescue Committee has proposed greater use of partnerships with civil society in fragile and conflict situations.
- 4. Efforts to deepen partnerships can build on four decades of Bank-CSO engagement and address outstanding challenges. Citizen and CSO engagement is now well integrated into country engagement activities, and multistakeholder platforms (MSPs) exist in 32 (40% of all) IDA-eligible countries. The report takes note of progress and presents recommendations for addressing remaining challenges in the following areas:
 - a. World Bank policies and staff guidance for collaboration with civil society
 - b. Local CSO participation in the enhanced country engagement model
 - c. Civic space for citizen, stakeholder, and CSO engagement
 - d. CSO engagement to boost delivery and results
 - e. CSO engagement to enhance accountability and prevent corruption in the use of funds
 - f. Direct funding for partnerships and capacity building with local CSOs
- 5. Deepening partnerships should begin with clarifying Bank policy and staff guidance on collaboration with CSOs. A Bank policy statement on CSO engagement was in place from 1981 until about 2012. However, unlike other MDBs, this CSO engagement policy and associated staff guidance are no longer featured in the Bank's current Operations Manual (OM). The Bank's last progress report on collaboration with CSOs is more than a decade old, and the Bank's contract awards database cannot be queried for contract awards to CSOs. Early drafts of the Evolution proposals did not mention partnerships with CSOs.

¹ As reported in Ending Poverty on a Livable Planet: A Report to Governors on World Bank Evolution, World Bank Group, 2023.

Recommendation #1: Issue a comprehensive statement to clarify policies for collaboration with CSOs beyond consultations; reinstate staff guidance, including for explicit funding within the project life cycle for planned CSO engagement and periodic progress reporting with measurable indicators; and make contract awards to CSOs searchable in the contract awards database to facilitate ex post monitoring.

A. Deepening Partnerships with Civil Society at the Country Level

6. Expanding meaningful local civil society participation at the country level requires technical and financial support. Consultations with civil society are the main area of current Bank-CSO engagement. However, CSOs from the global south indicate that consultations organized by the Bank often appear tokenistic, and the lack of funding for analytical work is a major constraint to their substantive participation. The efforts to deepen partnership with civil society need to go beyond consultations to cover other key roles of civil society (i.e., helping implement citizen and stakeholder engagement, public service delivery, operational services to implementing agencies, and carrying out third-party monitoring and other oversight activities).

Expanding direct support for local CSOs would align with the Bank's goals of supporting country-owned development and the Knowledge Compact's commitment under the Evolution to provide training and capacity building for clients. At present, the Bank has no systematic financing source for such support.

The Bank could also more effectively promote locally led development by expanding the use of MSPs supported under IDA19 as well as the MSPs established by the Open Government Partnership in 75 countries (many are IDA/IBRD members) and 104 local governments. Direct Bank funding of local CSOs could help alleviate some of the barriers they face in accessing bilateral funding.

Recommendation #2: Expand opportunities for local CSO participation in the enhanced country engagement model and knowledge work by (a) updating the business processes for meaningful CSO knowledge inputs, especially in core analytics and global challenge programs; and (b) expanding and strengthening the use of multistakeholder platforms such as those established under IDA19 and by the Open Government Partnership.

Recommendation #3: Institute a program to provide direct grants to local CSOs for analytical work to enable meaningful participation in core analytics and country-owned multistakeholder platforms. Such funding would enhance country ownership, inclusivity, and the integration of local knowledge.

7. Adequate civic space is essential for implementing the Bank's citizen, stakeholder, and CSO engagement included in Bank-supported operations. Bank borrowers have a legal obligation to take all actions to enable the effective implementation of Bank-financed projects and programs. As a standard operating procedure, the Bank should assess the civic space for implementation of citizen and CSO engagement, access to information, and redress for grievances and reprisals in the operations it supports. Currently, the Bank does not guide staff to assess civic space or collaborate with clients on appropriate measures to ensure the effective implementation of these activities.

Recommendation #4: Direct staff to conduct civic space assessments during country engagement and project design processes to ensure space for planned citizen, CSO, and other stakeholder engagement. Include appropriate country performance indicators on civic space in the proposed redesign of the corporate scorecard and accompanying M&E systems, and in the Country Policy and Institutional Assessment Guidelines.

- 8. Expanding CSO engagement in Bank-financed projects and programs can boost delivery and results. Implementing agencies face significant absorptive and delivery capacity challenges. According to risk assessments by Bank staff, as of January 19, 2023, about 52 and 59% of the total active projects financed by IBRD and IDA respectively face "high" or "substantial" risks that institutional capacity limitations could adversely impact project implementation and/or results. These challenges will become more acute as the volume of development assistance rapidly expands. Many Bank-supported projects already contract CSOs to supplement government efforts. While engaging CSOs to supplement government efforts may not solve all challenges, it could result in faster and better implementation than by governments acting alone. CSOs can boost citizen-centric delivery and results without slowing down project processing times in at least three ways:
 - a. CSOs can engage in service delivery and facilitate the design and implementation of citizen and stakeholder engagement activities in a given project;
 - b. CSOs can provide contractual services to project implementing agencies (IAs), especially in fragile, conflict, and violent (FCS) situations; and

Executive Summary

c. CSOs can carry out/facilitate third-party monitoring to improve process legitimacy, grievance redress, results, and responsiveness to beneficiary needs.

Recommendation #5: Update the citizen engagement framework, with due public consultations, as part of the new operating model. The update should elaborate on the role of CSOs in facilitating citizen engagement in financing and country engagement activities and emphasize the quality of implementation, earmarking of adequate funding for citizen and CSO engagement, and monitoring of outputs and outcomes.

Recommendation #6: Assess the adequacy of staff deployment and incentives in country offices to facilitate citizen and CSO engagement and augment as needed.

Recommendation #7: Issue staff guidance to expand and monitor citizen and CSO-led third-party monitoring to improve process legitimacy and results in investment projects, program for results, and development policy financing.

9. Expanded partnerships with citizens and CSOs can improve public finances and prevent waste, fraud, and corruption. Leakages due to waste, fraud, and corruption are inconvenient truths in public expenditures in all countries. The Bank recognizes this and assesses fiduciary and governance (including fraud and corruption) risks for every country and lending operation.

The 2022 Country Policy and Institutional Assessment (CPIA) ratings for IDA-eligible countries show that 69% of the rated countries had a rating of 3 or less on a scale of 1 (low) to 6 (high) on "transparency, accountability, and corruption." As of January 19, 2024, about 17% and 36% of the \$120 billion in total IDA commitments for all active projects were at "high" fiduciary and governance risks, respectively (comparative figures for IBRD commitments of \$152 billion for all active projects were 15% and 23%). These risks will magnify as the IDA and IBRD expand financing, especially for budget support loans called Development Policy Operations.

The Bank relies on borrowers' transparency and accountability systems and its own procurement and financial management policies to address these risks. While this is appropriate, experience shows that relying on governments alone to combat corruption is neither sufficient nor effective. Civil society plays a key role in exposing and preventing corruption. Stakeholder feedback on the Evolution urged "more emphasis on transparency and accountability; improving governance and anti-corruption measures."

The Bank's anti-corruption strategy calls for CSOs to play a vital role in identifying and preventing waste, fraud, and corruption, and its <u>Vice President for Integrity</u> has <u>said</u>: "We must also support the watchdogs and advocates on the ground, including civil society organizations and independent media, who often become aware of misconduct first when it occurs." The <u>G20 Independent Experts Group report on Strengthening Multilateral Development Banks (MDBs) noted: "Engaging local communities and civil society in advocacy, monitoring, and problem-solving, through transparent and publicly available project data, can mitigate risks of waste and misuse of public funds."</u>

Recommendation #8: Establish the baseline and increase the attention devoted to using social accountability and demand side of governance approaches in core analytics (including global challenge programs), enhanced county engagement, and financing at the country level.

Recommendation #9: Expand, deepen, finance, monitor, and report partnerships with citizens and CSOs to detect and prevent waste, fraud, and corruption and fund such partnerships at a scale proportionate to the challenges involved. In particular, promote partnerships among local civil society and independent in-country accountability institutions.

B. Adequately Funding Deeper Partnerships with Civil Society

- 10. Deeper local CSO involvement in IDA/IBRD country engagement and financing operations needs to be adequately funded to ensure country-owned and inclusive development. Detailed analysis of available information indicates that major funding gaps limit meaningful local CSO involvement in country engagement, multistakeholder platforms, and oversight of Bank-supported operations to improve impact, accountability, and value for money.
 - a. While project financing for citizen and CSO engagement is available in principle, in practice, it is rarely evident in project approval, supervision, and completion documents. To fix these issues, staff guidance, reporting requirements, and monitoring and evaluation metrics need to be improved.
 - b. There is no systematic financing source to support citizen and CSO involvement in the Bank's <u>country engagement</u> activities and multistakeholder platforms. Local CSOs require funding to conduct analytical work for substantive participation in these activities, but project financing cannot be used for this purpose.

- c. Some <u>trust funds</u> (TF) and <u>financial intermediary funds</u> (FIF) hosted by the Bank can finance CSOs, but they are focused on sectors, funding amounts are negligible, and objectives do not include funding CSO participation in country engagement work, multistakeholder platforms, or anti-corruption activities. Only one trust fund, the <u>Global Partnership for Social Accountability</u> (GPSA), is dedicated to funding CSOs. It has granted about \$5 million annually in the past 10 years and is set to expire in 2026.
- d. Funding for citizen and CSO-led third-party monitoring (TPM) is rare and ad hoc. According to the World Bank monitoring, during 2018–2021, only about 4% of more than 1,000 projects approved by the IDA/IBRD referenced citizen-led monitoring, and it is not known how many are financing and implementing it. CSOs are eligible to be appointed as independent verification agents under the Program for Results lending, but in practice, most such agents are consulting and/or accounting firms.
- e. Many bilaterals and foundations provide direct financing to CSOs, but only a small fraction flows to local CSOs, and funding CSO engagement in IDA/IBRD operations and/or anti-corruption is miniscule. Analysis of data from the Organization for Economic Co-operation and Development (OECD) and the Development Assistance Committee (DAC) (included in the report) shows that the bulk (86%) of direct official development assistance (ODA) to CSOs is earmarked for bilateral programs. It is mainly disbursed to international CSOs, and only a fraction (less than 1%) trickle down to the local CSO. DAC members seem to compartmentalize bilateral and multilateral funding. An analysis of 2017–2021 commitments for the sector category "Anti-Corruption Organizations and Institutions," where NGOs were the implementing channel, reveals amounts that are only a tiny fraction of the 1% flowing to all CSOs.

Recommendation #10: IDA partners consider establishing a Bank-housed facility to close funding gaps for the participation of local CSOs in <u>IDA country engagement</u> and accountability activities. Such a funding facility could initially:

- a. provide grants to local CSOs for analytical work to enable their meaningful participation in the IDA's country engagement activities, including the updated core analytics;
- b. finance CSO-led independent TPM and other oversight activities to enhance process legitimacy, verify and improve results, and prevent and expose waste, fraud, and corruption in government spending; and
- c. support programs to build the technical capacity of local CSOs to participate in country engagement and TPM activities.
- 11. While funding gaps for local CSOs exist in both IDA and IBRD countries, the report recommends that the local CSO funding facility begin with IDA countries. IDA countries have more acute needs for donor funding, as well as relatively greater requirements to

13

Executive Summary

develop capacity and supplement implementation and accountability systems. In addition, foundational work on citizen engagement under the IDA18-20 governance priority provides a basis on which to build. The potential to increase country allocations—by engaging with CSOs to improve portfolio performance and CPIA2 scores under the public sector management and institutions cluster—acts as an incentive for IDA recipient governments. The facility's multilateral and localization focus would complement rather than compete with or substitute bilateral programs that fund CSOs. It would likely have greater acceptability among IDA recipients, given their participation in IDA governance and the apolitical nature of the IDA.

12. Investing a tiny fraction of the proposed hundreds of billions of dollars in development assistance to expand partnerships with local CSOs could have a huge payoff. The principle and practice of governments and MDBs (including the World Bank) paying for systems to control leakages and corruption is well established, though insufficient. Increasing this investment by a very small amount to fund partnerships with civil society that would supplement current efforts to prevent waste, fraud, and corruption should be considered a prudent action to safeguard the additional hundreds of billions of dollars in proposed development assistance.

The IDA contributing to the facility would also incentivize private donors to contribute to such a facility and enhance public trust in both recipient and donor countries, strengthening support for IDA replenishments. All these reasons make a compelling case for the Bank and other development partners to contribute to such a facility. If it prevents leakages of even 1%, this investment will most likely pay for itself.

13. Suggested parameters for the proposed facility. The facility should be geared toward closing funding gaps. It could be set up by adapting existing vehicles such as GPSA or establishing a new free-standing financial intermediary multi-donor trust fund. Its scope, scale, and funding modalities should focus on the funding gaps and objectives articulated in Recommendation #9.

The report suggests a framework for establishing the proposed funding facility that could inform a feasibility report commissioned by IDA partners or others. As funding CSOs requires local knowledge and presence, a good model could be to designate a country or region-based CSO as a country/regional fund manager to administer a small grants program for local CSOs. A small global secretariat could select the country or regional fund managers and oversee the facility. Several trust funds hosted by the Bank utilize such a model. Multistakeholder platforms (where they exist or could be established) could set priorities for analytical work for country engagement activities. The IDA and client governments could identify IDA-funded operations that would benefit from CSO-led TPM and refer them to the facility's management to select, fund, and oversee CSOs doing the

14

The IDA determines "country allocation" for each IDA recipient using a combination of the country performance rating (CPR) and financing needs (assessed by population and gross national income per capita). For a description, see annex 3 in the IDA20 Replenishment report. International Development Association, IDA20 - Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future (Washington, DC: World Bank Group, 2022), 120.

work. These arrangements would help ensure that activities are carried out independently but receive consideration by the relevant authorities.

14. Potential funding sources for the proposed facility. As noted above, it would be in the IDA's interest to contribute to the facility as it would realize direct and significant benefits, including increased development effectiveness due to locally led and country-owned development efforts; better results through TPM; and improved control of waste, fraud, and corruption that could potentially sustain and increase country IDA allocations. These benefits would also appeal to IDA borrower governments.

It would also be logical for the Bank to contribute, given that the facility would help the Bank undertake its fiduciary responsibilities. Appropriate advocacy could attract support from IDA donors and foundations that are concerned about ensuring value for money, country-owned development, and enhanced capacity of local CSOs. Meaningful contributions by the IDA and the Bank would increase the likelihood of their support. The feasibility report would estimate the size and financing requirements of the facility.

Using a simple model, the report estimates between \$60–225 million per year would be needed, depending on the number of countries for promoting local CSO engagement and the number of projects monitored. Enhanced results and prevention/reduction in waste, fraud, and corruption mean that financial returns on allocations would be high. The initiative would pay for itself if it prevents or exposes as little as 1% of financial leakages in the Bank's financing portfolio.

C. Way Forward

- 15. The Bank's commitment to "deepen partnerships with civil society" needs to be followed by a strategy and business plan developed with stakeholders, including civil society. Deepening partnerships will be difficult for many in governments and the Bank who subscribe to the narrative that CSOs are troublemakers that must be managed. This narrative would have to be changed by defining and communicating what partnerships entail beyond consultations and where and how to deepen them. It would also require recognizing that partnerships cannot be unfunded mandates. Proactive staff efforts with due policy and operational guidance, incentives, and support would be necessary. As is evident from stakeholder feedback on the Evolution and calls by the G-20 and OGP, business-as-usual and tokenistic CSO engagement would be a huge missed opportunity to improve for clients. The time is right to take bold actions to rethink, rapidly expand, and adequately finance the involvement of CSOs in the Bank's new operating model. The effort should begin by clarifying what the Bank means by "partnerships," "deepening," and "civil society."
- 16. Deepening partnerships with civil society, beyond consultations, in the historic expansion of the IDA and IBRD would have considerable benefits. It would potentially (a) enhance implementation and delivery by supplementing government efforts; (b) increase inclusion, trust in government, and locally led development; (c) lead to better results through independent CSO monitoring; and (d) expose and prevent waste, fraud, and corruption

15

Executive Summary

through oversight activities. Because of its global multilateral presence, close and trusted long-term relationships with clients, and operationally apolitical mandates, the Bank is also uniquely positioned to support civic space in its member countries through non-project-related funding for CSO activities.

- 17. Collaboration with and funding for CSOs are not new mandates for the Bank. In 1981, the Bank's board was the first among the MDBs to approve a policy on relations with NGOs in Bank activities. In 2012, the Bank shareholders unanimously approved a GPSA to directly fund CSOs with an opt-in provision for countries. To date, 55 countries have opted in. It is noteworthy that the Bank was able to find a way to go beyond its original mandate of funding creditworthy governments to fund the private sector by establishing the International Finance Corporation and to fund non-creditworthy countries by establishing the IDA. The Bank is now considering concessional financing for IBRD borrowers. It is now time to institutionalize collaboration with and a funding mechanism for CSOs, given their emergence as major development players and the roles they can play in the delivery of more and better results with enhanced accountability.
- **18.** This report presents ten recommendations for Bank shareholders, management, and the broader community of stakeholders. Work being done by the Bank—to develop a partnership charter (called for under the Evolution), the new playbook for delivery, an enhanced country engagement model, pilot global challenge programs, a knowledge compact, the "review of how IDA is partnering with other development actors" (an IDA20 Mid-Term Review deliverable), and a strategic directions paper for IDA21—provide suitable entry points when considering these ten recommendations for deepening partnerships with CSOs beyond consultations. The PTF will continue to advocate for the recommended actions during the Bank's Evolution work and the IDA21 Replenishment discussions.

