

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Business Process Innovation - June 19, 1996

Folder ID: 30484848

Dates: 01/01/1995 - 07/18/1995

Subfonds: Records of President James D. Wolfensohn

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-13

Digitized: 02/27/2025

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

DECLASSIFIED
WBG Archives

The logo for the White House Briefings Group Archives, featuring a stylized star and the text "The White House Briefings Group Archives".



30484848

R2002-036 Other #: 13 Box #: 186463B
President Wolfensohn - Briefings Books for Presidents Meetings - Meeting -
Business Process Innovation - June 19, 1996

Archive Management for the President's Office

Document Log

Reference # : Archive-00478

1/2/98

Edit

Print

A. CLASSIFICATION

- ☒ Meeting Material
- ☐ Trips
- ☐ Speeches

- ☐ Annual Meetings
- ☐ Corporate Management
- ☐ Communications with Staff

- ☐ Phone Logs
- ☐ Calendar
- ☐ Press Clippings/Photos

- ☐ JDW Transcripts
- ☐ Social Events
- ☐ Other

B. SUBJECT: Business Process Innovation. Background sent by Nancy Barrett

DATE: 06/19/96

C. VPU

Corporate

- ☐ CTR
- ☐ EXT
- ☐ LEG
- ☐ MPS
- ☐ OED
- ☐ SEC/Board
- ☐ TRE

Regional

- ☐ AFR
- ☐ EAP
- ☐ ECA
- ☐ LAC
- ☐ MNA
- ☐ SAS

Central

- ☐ CFS
- ☐ DEC
- ☐ ESD
- ☐ FPD
- ☐ FPR
- ☐ HRO

Affiliates

- ☐ GEF
- ☐ ICSID
- ☐ IFC
- ☐ Inspection Panel
- ☐ Kennedy Center
- ☐ MIGA

D. EXTERNAL PARTNER

- ☐ IMF
- ☐ UN
- ☐ MDB/Other IO
- ☐ NGO
- ☐ Private Sector

- ☐ Part I
- ☐ Part II
- ☐ Other

E. COMMENTS:

File Location

- ☐ EXC
- ☐ IISC
- ☐ Archives

Cleared By

Date:

05/09/96

View Update History

The World Bank
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

July 12, 1995

Mr. Mark Malloch Brown

Dear Mark:

I attach all the materials sent to me by Nancy Barrett. I am keen that we should get into this whole question of Business Process Innovation once we know who else is working in the area. I am sending the material to you to be sure that we remember it.

cc: Atsuko Horiguchi

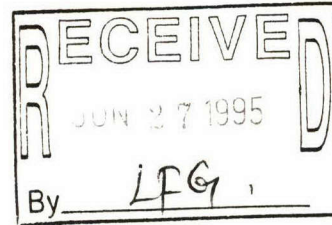
OFFICE MEMORANDUM

DATE: June 19, 1995

TO: Mr. James D. Wolfensohn

FROM: Nancy Barrett 

SUBJECT: **Business Process Innovation**



Following our recent discussion, you asked for a brief note on the Bank's re-engineering efforts. This note will focus on the EA1 experience as that is the one with which I am familiar.

Background. From the beginning it was decided to call this Business Process Innovation (BPI) since the term 're-engineering' evokes somewhat negative images. Under the auspices of Mr. Shahid Husain, five departments were selected in February/March 1994 to pilot BPI within their VPU. These departments included East Asia and Pacific Country Department I (EA1) for regional operations, International Economics Department (IEC) for DEC, and General Services Department (GSD), Personnel Management Department (PMD) and the Information Services Group out of Organization and Business Practices Department (OBP) for Management and Personnel Services (MPS) VPU. Independently of the structured BPI, other organizational innovations were explored and implemented by Mr. Picciotto in Operations Evaluation (OED) and in the Africa, LAC and MENA Regions. The EA1 BPI group collaborated with these areas to exchange ideas and adopt the appropriate aspects.

The objectives of the EA1 exercise were to:

- serve our clients better,
- increase our development impact,
- reduce paper work and costs,
- shorten processing times,
- reduce staff stress.

EA1 conducted three phases:

- Phase I: Planning - identification of processes needing redesign,
- Phase II: Diagnosis - mapping of processes and recommendations for changes, and
- Phase III: Social Systems Redesign and Implementation - piloting recommendations in EA1, which would then spread throughout EAP and to the other regions.

EAP has reviewed the outcomes and will implement the changes Region-wide in July. Attached are background materials with more detailed information, in case you might like to see it. Pages 6-16 of the "blue book" gives a good overview of the key issues and recommendations of Phase II. Also attached are the newsletters on the Social Systems Redesign and updates to staff.

Implementation. The proposals for process redesign and streamlining have been incorporated into several projects in each of the sector divisions within EA1, as well as in other operations departments, with satisfying results in time and cost savings. One of the significant recommendations on process, which has not yet been implemented, is the consolidation of the various documents prepared during project processing - the time from project identification to Board presentation - into a single "evolving document". Since speaking to you of the delay in getting approval of the "evolving document", I have learned that while there were delays for one reason or another, it was decided in the end to clear it with you before presenting to the Executive Directors for a decision. Mr. Choksi is preparing a background note for you and the Managing Directors for your review.

During Phase II, it was recognized that in order to be more results and client oriented, changes in Bank culture would also need to be addressed, specifically, clarity of goals and roles, incentives and accountability, management and flexibility, and client focus. Culture change is the most difficult to implement. The areas in greatest need of support include:

- the shift into a support-oriented management rather than one that is control-oriented. Currently management turns to staff with demands for explanation and correction. This promotes a culture which learns to justify actions rather than change them. A support-oriented management would offer assistance through help and guidance to turn unwanted situations around. This would, of course, impact on the many reviews and advisory roles by making them demand driven instead of supply driven.
- review of Operational Directives to be more flexible and fit established guiding principles. This would require managers and staff to use their judgment on appropriate steps and timing, as well as direct accountability for the quality of projects, their impact and performance.
- modify our measurements for success. A review of the impact Bank lending and economic and sector work has on each country, e.g. adoption of policy changes, increases in output, relative poverty levels, etc., used in conjunction with numbers of loans would encourage focus on quality along with quantity. For lending the primary focus is now on the number of loans and not on development impact. Country Assistance Strategies have not been an effective instrument for determining our activities in and the budget resources allocated to a country. Economic and sector work have not been sufficiently driven by client demands.
- better linkage of incentive and reward systems to the Bank's objectives and guiding principles, e.g. emphasis on development impact of loans and economic and sector work, rather than on the number of loans or the internal appreciation of the quality of economic and sector reports; emphasis on cost-effectiveness and the do-able, rather than excessive completeness and depth of analysis.

I understand that Mr. Preston was very pleased with the presentation made to him on the EA1 BPI experience. The EA1 work has now also been broadened. It fed into a Regional BPI effort where new procedures, processes and systems are being adopted effective July 1. If you would like a presentation on this at some appropriate point, it could be arranged.

June 30, 1995

Mr. Wolfensohn,

Further to my note to you on Business Process Innovation, I now have some information on some of the cost savings that have resulted from the new process. Most of the projects had already begun in the processing cycle when some of the recommendations were being piloted, which makes it difficult to make solid comparisons.

However, 2 projects (Korea Waste Disposal and Cambodia Social Fund), which were fully processed under the new procedures, took about 3 to 4 months to process as compared to approx. 11 months under old procedures between the time of appraisal departure and Board presentation.

The main savings resulted from a more streamlined review process and in combining project appraisal with negotiations in the field.

We hesitate to generalize conclusions from this experience as there were other projects processed under the new procedures where negotiations were not conducted in the field, or where after appraisal delays were incurred from the government side and the processing times were longer as a result. However, we could probably expect under new procedures savings of approx. 3-1/2 to 4-1/2 months on average could be realized, as compared to current procedures.

Nancy

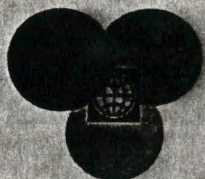
Hand Mr. B
Mr. Wolfensohn

Business Process Innovation - Phase III

The Background

It is almost a year since EA1 was selected to pilot Business Process Innovation, the program of change designed to make the Bank more responsive to the environment in which we work and to improve the effectiveness and efficiency of our operations.

Phase I, the planning phase, identified those processes to be redesigned, and established guidelines to assist in the redesign, as well as benchmarks to measure success. The Phase II team then selected and mapped out process changes in three inter-related areas that represent the core of our activities: strategy formulation, lending, and portfolio management. The team also identified a number of cross-cutting issues which helped clarify the purpose of our operational work and the principles which should guide it. These principles are: *client orientation*; *quality orientation*; *flexibility*; *clarity of purpose and role*; *supportive enabling management*; and *accountability and cost effectiveness*. Details on the Phase II work and recommendations, and on the pilot operations initiated at the end of Phase II are in the July 1994 Design Phase Report.

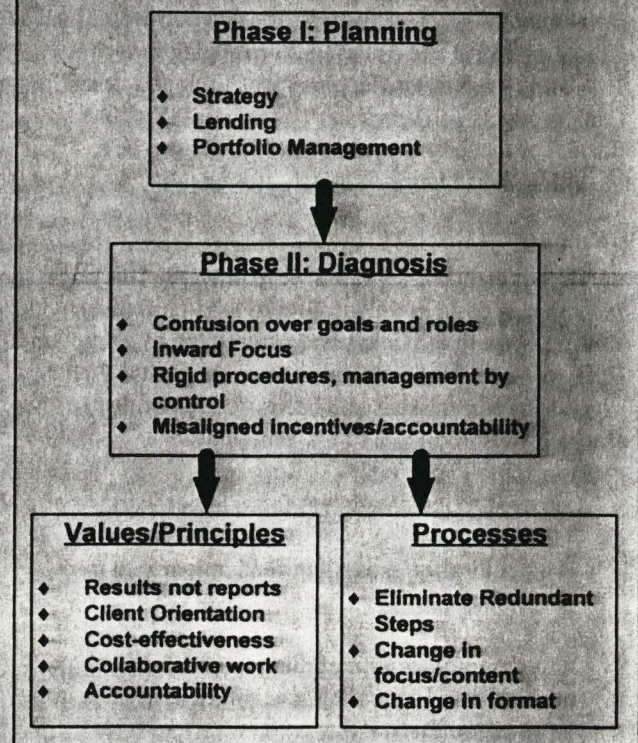


This report, divided into four sections, summarizes the progress made during EA1's third and final design phase:

How the Work Gets Done reviews the Phase III proposals for changing roles and responsibilities, the location of work, and changes in the structure of divisions;

Performance Management and Incentives lays out the process of setting expectations, measuring performance and providing incentives;

WHERE WE CAME FROM



Spreading the Word highlights steps taken to keep the department and others in the Bank informed and involved in the BPI process; and

The Way Forward outlines where the department and the region are heading in implementing the BPI recommendations.

Throughout the three phases, staff participation has been key: from the departmental management team to staff in support services - both within the department and with other Bank units. About one-third of EA1's staff have participated directly in BPI design teams at different times. The one-day departmental workshop in November provided additional input and sharpened the Phase III recommendations.

How the Work Gets Done

In order to improve business processes, a review was undertaken of the structural elements of how we organize and carry out work in EA1 and changes were recommended to support the new processes, roles and incentives. The changes, however, had to address a number of areas. First and foremost, the department's business needs: eight countries, spanning the spectrum of development issues (from sophisticated borrowers such as Korea, Thailand and Malaysia to emerging Indochina countries), each has different expectations and needs for Bank products and services. The premise that "one size fits all" or that any department's changes can be a blueprint for the Bank, is clearly flawed.

Second, our recommendations, which considered the impact on costs, staff and work programs, ensure a reduction in costs in the medium to long-term (even with shifting work to the field), and a minimum of disruption of staff, work programs and relations with clients. Finally, several structural issues and needs were identified in Phase II which we sought to address, including:

- the need to increase client focus in our work;
- possibilities for expanding field presence to meet business needs;
- opportunities for un-bundling the work of task managers and providing specialized assistance in more cost-effective ways;
- the importance of the size of sector divisions (SODs)

to provide critical mass and promote teamwork; and

- potential for information technology to assist us to carry out our work more effectively, improve communications and bring us closer to our clients without the need for a large field presence in all client countries.

Changes recommended to achieve the goals of BPI while addressing the considerations highlighted above included:

Expanding country teams for better client focus, integration of sector and country needs, and resource allocation. The country as a focal point has often been secondary to sectors, with the result that we think acts in the interest of sectoral rather than country programs. The shift towards increasing the use of country teams reflects the overarching goal of client orientation; it provides a framework for staff working on a country to develop a strategy which integrates both sector and country needs, guides resource allocation, addresses cross-cutting issues, shares experiences, and enhances client service. The most important tool for the country team will remain the CAS, but now, instead of simply formulating country strategy, the team will oversee implementation of the CAS and have responsibility for resource allocation. The new composition of the teams will expand staff participation in decision making resulting in staff empowerment; it will provide incentives for teamwork and, will break down the "iron curtain" that has often separated SODs.

The DMT, which selects team members and leaders, has established five country teams in EA1 for our major active clients: Cambodia, Lao PDR, Philippines, Thailand/Malaysia (one team covering both countries), and Viet Nam. The composition of each is identical, drawing on a range of economic, technical and support skills.

A TYPICAL COUNTRY TEAM - PHILIPPINES

Resident Representative

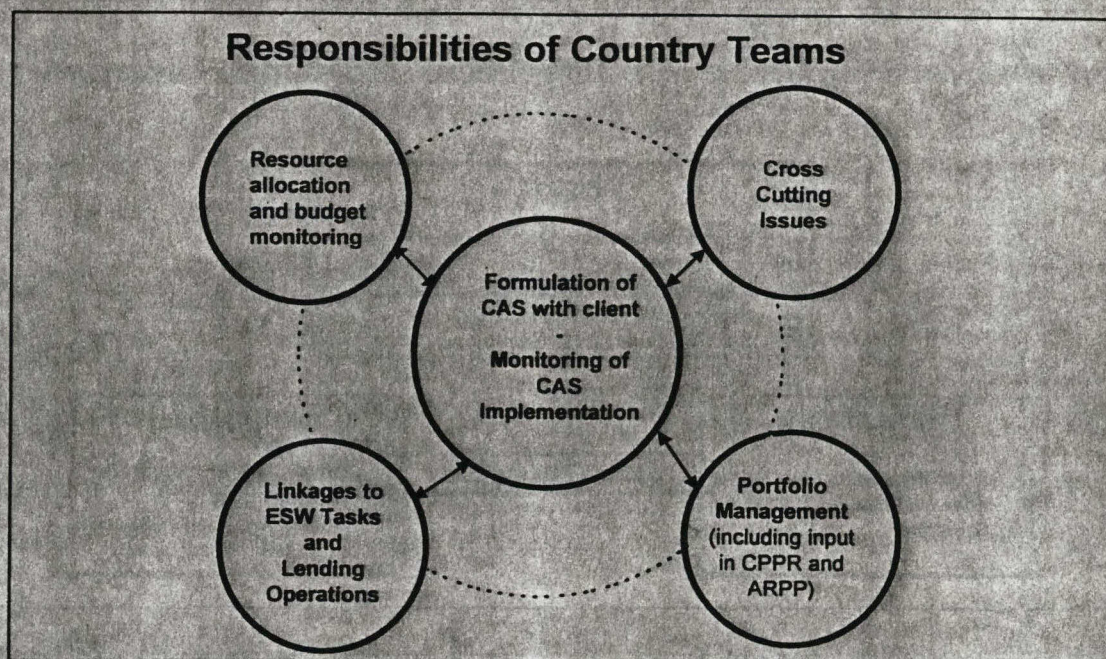
COD Staff
(including Team Leader)

Legal Department
Representative

2 Representatives from
each SOD

Division Chief, COD1
(Mentor)

Support Staff Member
from COD



A number of conditions for success have been identified from experience in EA1 and in the Africa Region: strong and collaborative leadership; support of the DMT; clear functions, work programs and accountability; and training to support team work - all of which have been incorporated into the design of country teams and their roles. The objectives, terms of reference and work programs which have been drafted for the next six months will serve as a measure for accountability.

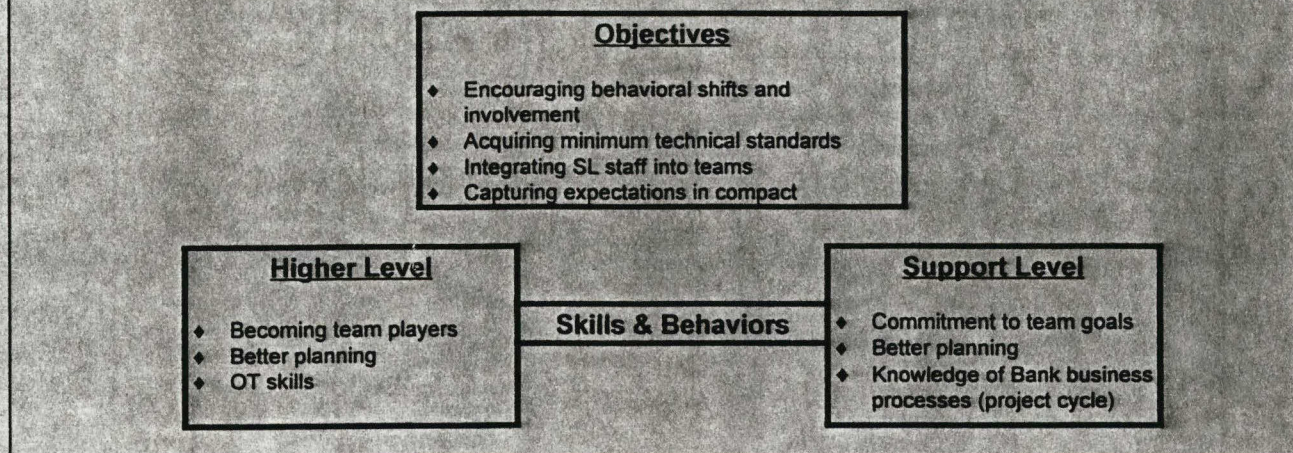
Changing the way we allocate resources, to improve accountability and management of increasingly scarce resources will further support the shift towards a country, rather than sectoral approach in our work program. In place of sector divisions vying for budget resources, integrated country programs will be funded. Pilot changes in the coming fiscal year will be applied for our two major borrowers (the Philippines and Viet Nam), with a review at the end of the FY96 budget period before extending changes to the other country programs in FY97. The CAS, prepared by the country team and endorsed by the DMT, will form the basis for the Business Plan and for annual budgets. The Business Plan will provide overall envelopes of resources for countries. Country teams will put together country budgets within these envelopes (based on task budget proposals developed by task managers in consultation with division chiefs), monitor the use of the funds and make recommendations on major re-allocations during the year.

Greater emphasis on task teams, with new mutually supportive roles for both higher level and support staff. Increased use of task teams to carry out the work program will result in a shift in emphasis from task management to team work. The new budget process, focusing on the country rather than on the divisions, is one step in providing incentives for teamwork and cross-support. Task teams will be assigned budgets to carry out tasks, increasing accountability and cost consciousness. In addition, through the new compact system (discussed below), teamwork will also be encouraged through incentives, clear definition of goals and performance indicators, and roles and responsibilities of task teams.

Collaboration continues, and progress is being made, with the support departments (Legal, TD, PMD, LOA, OPR) following initial discussions during Phases II and III. Their contribution and integration in task teams is essential.

We are also initiating changes in the role of support staff, with significant implications for incentives, recruitment, and performance standards. Support staff will now be task team members, with a commitment to team goals, rather than personal secretaries. Similarly, for higher level staff, there will be an increased emphasis on the importance of being team players, improving planning and communication with support staff and enhancing basic office technology skills. To support these changes, new skills will also be required: a sound knowledge of Bank business processes (the project cycle), good office technology skills, and initiative. We are following up with

Higher Level/Support Level: Objectives, Skills and Behaviors



PMD to make recommendations on recruitment, promotion and performance criteria in light of new support staff roles. Finally, we are following up on recommendations to lessen the burden of the MIS (which currently takes significant support staff time for inputting data).

Shifting more work to and expand resident missions. This was one of the key recommendations of the Phase II design team. Keeping the BPI principles of cost-effectiveness, flexibility and country focus in the forefront, more work will be shifted to the field, particularly in areas where resident missions have the advantage (portfolio management, participatory processes, external relations, to name a few). Needs will vary by sector and by country, and our model allows flexibility for divisions to shift positions out to the field and recruit local or HQ staff on a needs basis - these are "delegated functions", which would be funded and supervised by an individual division. We are also looking at opportunities to expand local assistance in procurement and disbursement, in line with Phase II recommendations to decrease the burden on task managers. Cost effectiveness is improved through expanded use of local higher level staff, flexibility in moving HQ positions to the field and back, and use of HQ secondments for short term assignments of up to six months.

In particular, we have focused on a significant and rapid expansion in our Hanoi office even prior to work program build-up. Our decision is based on clear country needs: Viet Nam is a new borrower with a large and expanding work program. In this start-up phase in

particular, there is need for significant field presence to work closely with new borrowing agencies on project preparation and implementation issues. In contrast, our expansion of field offices in Manila and Bangkok is more measured, given the mature status of these borrowers, their needs for a wide range of more specialized short-term assistance and advice, and stable assistance programs.

Shifting the focus of work to the field is further borne out by the resident representatives' presence on (a) the Country Team, thus increasing their role in work planning and budgeting, and (b) the DMT for country matters, improving communication at all levels. Expanded staffing in resident missions and integration of these staff into task teams will also improve communications. Technology links will be upgraded in the resident missions and with country officials in certain countries.

Adjusting EA1's organization to improve client focus, consolidate SODs, and provide departmental services in the front office to lighten the burden of task managers; and changing the roles of the DMT and managers.

On November 1, EA1 realigned its divisions and the front office. The earlier structure, covering all eight countries with one COD, made it difficult to provide adequate country focus and high-level management of country relations, particularly with the reactivation of Viet Nam and Cambodia, two new borrowers. In addition, with process redesign, the role of the COD division chief also changed: more sustained client interaction is necessary (especially in the CAS and ESW processes), country management is paramount, and country teams require support and coaching. We therefore decided to split the

COD into two: EA1C1 covering the newly industrializing countries (Korea, Thailand, Malaysia and the Philippines); and EA1C2 covering Indochina (Viet Nam, Laos and Cambodia) and Myanmar. We also decided to merge the finance function into the CODs, given the overlaps in the areas of financial and macroeconomic policy.

For the SODs, our findings on portfolio implementation under Phase II indicated a need for increased flexibility and critical mass in sector divisions, to allow greater technical specialization of staff and better back-up arrangements for task managers, as well as rationalization of some overlapping areas (environment, for instance, was previously handled in two divisions, while energy was handled in one and infrastructure in another). Larger SODs also make it easier to shift resources into the field while maintaining adequate mass. The SODs were thus merged from four to three: Infrastructure and Energy (EA1IE); Agriculture, Environment and Rural Infrastructure (EA1AE); and Human Resources (EA1HR). The realignment was done within the existing complement control and with minimum disruption in staff's work program responsibilities. About half the department's staff were affected.

The front office was also strengthened to provide specialized services to the divisions in order to lighten the burden on task managers. Phase II made several recommendations to ease the burden of internal and administrative requirements on task managers, in order that they may focus more fully on the technical aspects of portfolio management.

To accomplish this, EA1 has shifted some positions to the front office and recruited specialist staff to provide support across the department, including

- a Procurement Specialist and Procurement Assistant who will work with clients and resident missions to build up local procurement capacity;
- a Cofinancing Officer will handle cofinancing and trust funds liaison, as cofinancing has increased dramatically in our portfolio; and
- an OT Officer and Information Assistant in addition to the existing OT Assistant.

Department Management Team (DMT)

The realignment of the department into two CODs and three SODs, the increased role for country teams and resident missions, new resource allocation processes and a new incentive structure are all having an impact on the role of the DMT. The DMT has had a one-day retreat to begin to discuss and clarify changing roles, and is

continuing to work on this. In particular, the DMT is focusing on joint responsibility for management of the departmental program, through its role in new processes such as budget allocation and supporting country teams.

"Un-bundling" the multiple tasks which division chiefs have traditionally done is a further priority. Under BPI, division chiefs in EA1 will focus increasingly on coaching and developing staff, setting standards of performance, holding staff accountable (by empowering them to make decisions) and playing a central role in identifying client needs and how best the division can satisfy those needs.

Performance Management and Incentives

Work Environment, Informal and Formal Incentives

Changes in processes and structures will not be sufficient for increasing our effectiveness and efficiency unless they are underpinned by changes in behaviors and incentives - both formal and informal. The Phase III team therefore focused on the incentive framework and explored issues relating to compensation, recruitment, training, promotion, career development, reassignment and termination. The team also investigated the informal incentives reflected in the day-to-day behaviors and in the directives and rules that impact on our every-day work.

On informal incentives, the team emphasized the need for managers and staff to set a tone of conduct consistent with (a) our overall objective of development effectiveness in our client countries, and (b) the six guiding principles, especially client-orientation, cost-effectiveness, and supportive enabling management. That said, the team has highlighted some necessary changes in the Bank's internal rules, regulations and reporting requirements that determine our work environment which need to reflect Bank's objectives and the guiding principles, to support and encourage the behavior we are trying to encourage. One such change is the recognition that the accomplishment of team results should not be limited to a once a year ritual at the time of performance review.

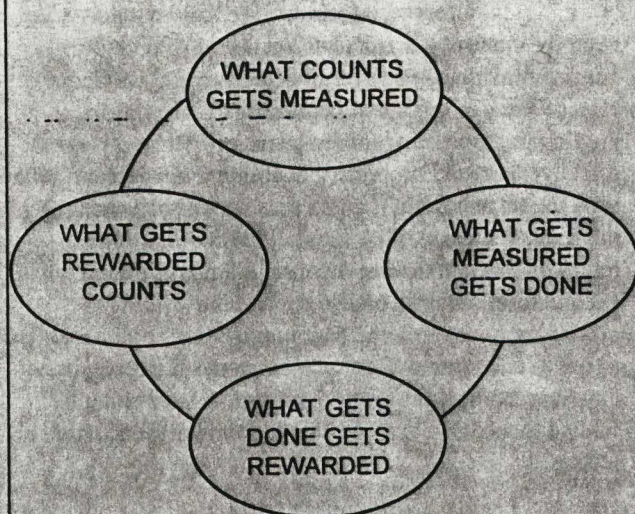
The formal incentives also need to be aligned with our operational objectives and the guiding principles. Promotions, succession planning, reassignments, salary increases, job profiles, recruitment criteria, and termination need to be adjusted to meet the requirements

of our work and the re-focusing of that work on the basis of the guiding principles and the revised processes. The team recognized that most of these subjects cannot be fully addressed within EA1 and need to be resolved on a Bank-wide basis -- and we are working with MPS on them. However, much can be done within EA1, especially when it comes to merit increases, recommendations for promotion or termination, and training; and we are starting to act on this in the PMP cycle now underway.

Setting Expectations and Establishing Accountability. Each staff member and manager should be clear on their role in regard to furthering the Bank's objectives and on the contribution they make within the department's business plan and the division's work program. Similarly, the competencies and behavior required to implement process improvements must be unambiguous and explicit. The Phase III team decided to make "Setting Expectations and Managing Performance" one of its main themes recognizing that for staff empowerment to succeed, major improvements are required in the areas of:

- setting clear performance expectations;
- measuring, monitoring and evaluating performance against such expectations;
- holding managers and staff accountable; and
- rewarding performance.

MEASUREMENT IS ESSENTIAL



Monitoring and evaluation also need to provide for "360-degree-feedback" where input from team members and clients will be integrated. To achieve this, the Phase III team recommended the introduction of a new instrument - the Compact - to help set expectations clearly and assess performance effectively. The Compact will work with the recently improved performance management process, which was designed to more effectively assess managers and staff. In a process which synchronizes with the business year, the Compact will provide an ongoing evaluation and monitoring of actual performance and competencies.

As far as outputs and outcomes are concerned, the emphasis would be on results not reports, development not loans, supervision outcomes not supervision inputs. The Compact would thus highlight the distinction between our real objective -- i.e. results on the ground in our client countries -- and the critical success factors to achieve the expected results, such as loan approval by the Board.

Once the context is established, staff members and their managers would hold discussions to set expectations, and these would be recorded informally in an electronic document. The format of this document is being drawn up to be ready by April.

Spreading the Word

This newsletter is just one of the many communications' tools that EA1 has employed to disseminate the findings and recommendations of the various phases of BPI. Informal discussions with individual staff members by the Director and other DMT members are ongoing and have proved very effective for two-way communication and feedback to the Phase III team. EA1 has also made a number of presentations outside the department which have helped to build a wider support for many of the recommendations, primarily within the Region. In April we will hold a departmental workshop to take stock of where we are in the implementation, and where we need to modify processes in light of experience, and with a view towards continuing improvement.

The Way Forward

We are now implementing the redesigned processes and the recommendations made in Phase III. Implementation started several months ago with the initiation of a number of pilots based on the new processes. We have completed about half of these pilot operations, and results have been promising so far. An example is the participatory CAS preparation used for Viet Nam, where the outcome was so encouraging that we decided to use the new process for all future CASs in the department. The initial results from using the revised lending process indicate also (a) benefits in ensuring greater client ownership, and (b) significant time and budget savings.

We have appointed a change manager to sustain the focus on process changes. Groups of departmental managers, key involved staff and staff volunteers have been established to help implement and monitor the changes, and adjust processes as needed. These groups have been set up for the main areas of change including: CAS and ESW; country and task teams; lending and portfolio management; the new compact and incentives; resident

missions; and office technology. They have agreed on detailed implementation plans together with monitorable performance indicators and milestones. Cost implications of the change will be evaluated. The groups will work closely with our support departments to ensure that the changes will be effective and in line with change efforts under way in these departments.

A follow-up and next steps program is being prepared to position the Region and the department for a coordinated change effort by the beginning of FY96. EA1, EA2 and EA3 will work collectively on this, taking into account the work already done and the pilot efforts and innovations that have been pursued by our regional colleagues.

Our objectives remain the same as when we entered into this exercise: serve our clients better, increase our development impact, reduce paper work and costs, shorten processing times, and reduce staff stress. Throughout our BPI work, we are drawing on the experience and the efforts made in other units of the Bank and continue to be open to further changes.



EA1 Business Process Innovation Update (1)

Country Assistance Strategy (CAS)

The Country Assistance Strategy for Viet Nam was prepared this year following some of the key recommendations for the new CAS preparation process designed under BPL. Since preparation of the Viet Nam CAS had already commenced by the time the process was redesigned, the new procedures could not be applied in their entirety. Nevertheless, the positive experience in the case of Viet Nam provides adequate justification for using the new process for all future CASs.

The main features of the new procedures were (1) fewer review meetings at headquarters as the document was prepared and revised; (2) formal consultations with the Government; and (3) informal discussions with other stakeholders.

Development of the Viet Nam CAS aimed to reduce the costs of preparation, while at the same time increasing the input from the client. The views of other stakeholders — multilateral and bilateral donors, NGOs, and the private sector — were also solicited. The result is an assistance strategy that has full support from the Government of Viet Nam and that takes account of the activities of other players in this large, rapidly developing country.

During the preparation of the CAS, only one review meeting was held at headquarters. This meeting came at an early stage, to discuss the initiating brief. It worked well to have a long, formal meeting at that stage, as all aspects of the CAS were open to debate and reformulation. In the case of Viet Nam, this was a lively meeting with strong representation from around the Bank Group (sector divisions, central vice-presidencies, IFC). On the basis of this meeting, an initial draft of the CAS was prepared. Review of the CAS at the working, RVP, and MD levels was then handled by soliciting written comments in lieu of meetings. There was substantial saving in staff and management time as a result of this innovation. Most comments were non-controversial, and hence it would have been inefficient to hold a sequence of meetings to air these comments. Looking to the future, it will be important for the procedures to be able to accommodate cases in which there are significant differences in opinions within the Bank Group. Cases with significant disagreements would probably require additional meetings to resolve these disagreements.

The draft CAS was sent to the Government of Viet Nam, which organized a workshop for core and line ministries to review the Bank's activities in and strategy for Viet Nam. This proved to be a very good vehicle for improving communication between the Bank and the Government. In general, the Government supported the draft CAS. However, there were a number of cases in which the relevant ministries did not understand the rationale for Bank plans. Furthermore, the Government had strong views about a number of areas in which Bank activities should be expanded — especially rural development. This workshop was scheduled to coincide with other mission work in-country, and thus involved virtually no additional costs to the Bank. (Translating and reviewing the document obviously imposed a cost on the Government, but there was a clear feeling that the benefits from strengthening the assistance strategy outweighed these costs; the Government is enthusiastic about making this review meeting a regular part of the relationship.)

Following the workshop in Hanoi, the Country Team and the management group were informed of the opinions expressed at the workshop. There was general agreement that the Government's suggestions strengthened the assistance strategy, and the draft was revised to reflect these changes.

Consultation with other stakeholders was more informal. The same mission that discussed the CAS with the Government also met with the IMF, ADB, UNDP, major bilateral donors, and NGOs active in Viet Nam to share plans for assisting the country and to discuss the division of labor among these different groups. The mission also solicited views from the domestic and foreign private sector on important issues and bottlenecks in Viet Nam that could be addressed through the Bank's assistance strategy. Altogether these consultations involved no more than one staff-week of time. For our other client countries, the time involved in stakeholder consultation, and the mode and extent of such consultation may be different.

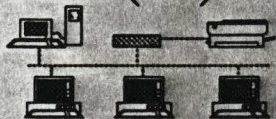
In summary, the new procedure has produced a better assistance strategy at lower internal processing costs. First, it has shown the importance of having a well-organized meeting in the Bank at the beginning of the process. A wide range of views needs to be aired from around the Bank Group before an initial draft of the CAS is prepared, to ensure that the strategy effectively represents the whole institution. Second, the consultation with the Government has strengthened the assistance strategy. Government agencies have clear ideas about where they want our assistance; and even in the many cases where the Government agrees with our proposals, the consultation strengthens the Government's commitment to and ownership of the planned activities. Finally, discussion with other stakeholders has proved to be important, but this needs to be largely in the nature of an exchange of information. It would be unrealistic to expect all of the stakeholders to agree with every aspect of the strategy. Nevertheless, an open dialogue is useful in order to generate better coordination and division of labor among agencies.



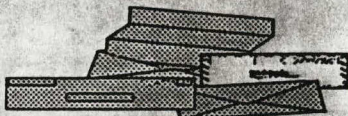
EA1 Business Process Innovation Update (2)

Information and Office Technology

Enterprise Network (EN)



The EN rollout in EA1PH and EA1DR has been completed. We are now working with the Asia IT Center and OBP to establish EN connectivity for notebooks.



Team Links.

Team Links is being piloted in EA1 and will give users the ability to transfer their Word or Excel documents without having to FAP them through All-in-One. Team Links is being rolled out in EA1PH in late October and EA1DR in early November.

Follow Up. Once the initial rollout has been completed and debugged, the plan is to connect the rest of the Department as soon as funding is available.



Communications and Client Focus.

The first important step toward improving communications with our clients was taken in August when OBP headed a mission to the Philippines and Thailand. There is another mission currently in Viet Nam. A number of our borrowers in the Philippines have been provided with All-in-One accounts, and are sending on average three-to-six EMs a day. The OBP mission considered various approaches to connect HQ and the field. Some of the recommendations from the field are very expensive. We have asked OBP to develop at least one alternative so that we can have a frame of reference for evaluating

OBP's preferred proposal. We hope they will have a comprehensive decision memo by the end of November.

Microsoft Office.

Microsoft Office has been installed on the network as well as portables that are used as workstations. Many who have experimented with Word are somewhat unhappy with the Macros. There are several efforts going on in different parts of the Bank to improve them. The BPI EA1 Technology Steering Committee met with OPRIS, the owners of the Macros, to determine the best way to upgrade them.



OT/IT Support.

The EA1 BPI Design Team recommended the establishment of an OT/IT group at the Departmental level. Vandana Sarna (HL/Con) will lead the team. Betty Dulaney and Sandra Ginyard are the other team members.



EA1 Business Process Innovation Update (3)

Departmental Town Meeting -- Feedback

1. Last week's town hall meeting has set an example of how the department can work together to deal with matters of common interest and to reach broad understandings on them. Feedback provided at the end of the day indicated that participants were overall pleased with the structure of the meeting--presentations and small group discussions. Mr. Kaji's presentation and the discussion that followed were especially valued. Appreciation was also expressed for providing everyone with an opportunity to make an input in the BPI recommendations, and to have the whole department together to do so. Comments on the Phase III team's presentation were generally positive, but some felt that they could have been shorter. Others thought that there was too much material to digest and discuss in one day. And several staff felt that the meeting would have been more useful earlier in the design phase. (Some thought there was a disconnect between the general quality of the meeting and the quality of lunch!)

2. Staff were able to exchange views on only two areas of recommendations during the small group discussions in the afternoon. Several therefore asked for an opportunity to learn more about the recommendations on the other subjects in which they did not participate. Some felt also that they would have liked to discuss further the topics they examined in the small groups. In response to these requests, we plan to hold more informal group discussions over the next two to three weeks in order to provide additional information on the following key topics: (i) country teams, (ii) SL/HL work arrangement, and (iii) setting and management of expectations (the compact). A communication on the times and location will be issued separately.

3. Feedback on the overall focus and direction of the Phase III team's recommendations has been positive. Most staff agreed with the core ideas, including:

- a) forming stronger country teams,
- b) establishing clear expectations through the compact,
- c) rewarding team work, and
- d) integrating support staff in task teams.

4. There were also some areas where staff expressed concern, or made alternative suggestions. These included:

- a) importance of measurement and integration of team-work in the compact; individual versus team accountability; the management of

multiple evaluations; need for simplicity in the compact; the inherent difficulty in bringing about behavioral change;

- b) importance of leadership of country teams; cost of country teams' involvement in budget matters; risk of more management layering; incentives for and measurement of the teams' and of individual members' performance; clarity of the teams' goals and roles; role of the SODs/CODs vis-à-vis country teams; and
- c) reporting relationship of SL staff in task teams; risk of pooling SL staff; SL work arrangements.

5. The Phase III team is adjusting some of the recommendations to reflect key concerns and suggestions. Further refinement in the recommendations may also emerge following the additional small group discussions mentioned above. But we do feel that there is enough agreement to begin implementing the key recommendations while refining the design as we go. After briefing senior management in early December, we therefore plan to shift gears totally into the implementation phase. The design team has started to prepare an implementation plan. We will be in touch with some of you to assist in implementation, especially with those who signed up for it, and we will inform the whole department as we are getting close to completing the implementation plan. In the meantime, we are already acting on some of the Phase III team recommendations, such as the appointment of country teams, which is scheduled for next Monday.

6. Since we are in this together, and because everyone will be affected by the BPI changes, we want to include more and more EA1 staff as we shift to implementation. This also means that we want to continue to get feedback on the whole exercise (how well it is working), and ideas for what we could do differently. In fact, we would like to do this as an ongoing process of implementation feedback, redesign, back to implementation, etc. So we plan to have other feedback meetings as we move along, and we would like to encourage you to speak up whenever you can. Towards the end of this fiscal year we plan to take stock of where we are overall and organize a departmental retreat to review the results together.



EA1 Business Process Innovation Update (4)

Country Teams

One of the central recommendations coming out of the BPI exercise has been to increase the client - and country - focus. The Phase III team has recommended an expanded role for country teams in preparing the CAS, monitoring resource use, and addressing crosscutting issues. The departmental town meeting we held two weeks ago supported this recommendation, and we would like to move ahead with implementation.

The DMG met recently and nominated country team leaders and core country team members. We agreed that in order to ensure full coverage of subsectors and representation even when some members are travelling, each SOD would have two full team members on the core country teams. The team representation is:

Cambodia:

Guy Darlan (Team Leader) (EA1C2)
Yoshio Sanaka (EA1C2)
Su-Yong Song (EA1C2)
Lily Tsang (EA1C2)
Christopher Chamberlin (EA1PH)
Kathryn Johnston (EA1PH)
Philippe Boyer (EA1AE)
Christopher Redfern (EA1AE)
Enrique Crousillat (EA1IN)
Maurice LeBlanc (EA1IN)
Arnaud Guinard (EA1TH)
Mostafa El-Erian (LEGEA)

Laos:

Shilpa Patel (Team Leader) (EA1C2)
Rebecca Hall (EA1C2)
Stefan Koeberle (EA1C2)
Merle Mendis-Dennis (EA1C2)
Ruth Kagia (EA1PH)
Sue Szabo (EA1PH)
Frank Byamugisha (EA1AE)
Supee Teravaninthorn (EA1AE)
Maurice LeBlanc (EA1IN)
Jamil Sopher (EA1IN)
Arnaud Guinard (EA1TH)
Mostafa El-Erian (LEGEA)

Philippines:

Sanjay Dhar (Team Leader) (EA1C1)
Erika Jorgensen (EA1C1)
Shamima Khan (EA1C1)
Hisan Shishido (EA1C1)
Hedwig Abbey (EA1C1)
Francoise Delannoy (EA1PH)
Althea Hill (EA1PH)

Syed Husain (EA1AE)
Rahul Raturi (EA1AE)
Jamil Sopher (EA1IN)
Thomas Zearley (EA1IN)
Thomas Allen (EA1PL)
Anthony Toft (LEGEA)

Thailand/
Malaysia:

Sudhir Shetty (Team Leader) (EA1C1)
Ismail Dalla (EA1C1)
Flavia Fernandes (EA1C1)
Jo Martins (EA1PH)
William Rees (EA1PH)
Philippe Boyer (EA1AE)
Choeng-Hoy Chung (EA1AE)
Darayes Mehta (EA1IN)
Lance Morrell (EA1IN)
Arnaud Guinard (EA1TH)
Teresa Genta-Fons (LEGEA)

Viet Nam:

David Dollar (Team Leader) (EA1C2)
Daniela Gressani (EA1C2)
Donna Haldane (EA1C2)
Jennie Litvack (EA1C2)
Grace Coward (EA1C2)
Richard Meyers (EA1PH)
Kathryn Johnston (EA1PH)
Choeng-Hoy Chung (EA1AE)
William Cuddihy (EA1AE)
Dieter Havlicek (EA1IN)
Darayes Mehta (EA1IN)
Bradley Babson (EA1VN)
Carlos Escudero (LEGEA)

The country teams will meet over the next few weeks to develop terms of reference and a work program for the coming year. These will form part of the implementation plan we are developing for the entire BPI exercise. The country team leaders, together with Pamela Cox, will also meet regularly to monitor implementation, absorb feedback, and share information across the country teams on what is working well and what needs adjustment. Mr. Sven Burmester will join this group when he comes on board in March 1995. For those staff not nominated to core country teams, we look forward to your active support of the teams, your involvement in broader country team activities, and your continuing feedback.

EA1 is a high performance team.



EA1 Business Process Innovation (5)

Summary on the Status of Implementation Subteams

Country Assistance Strategy (CAS).

EA1's modified CAS process has been well received in EAP. The China and Indonesia CASs were recently done using the new participatory process. The RVP's office has added one internal step to review the CAS requesting that a table be provided with measurable indicators. The Philippines, Cambodia and Viet Nam CASs are under preparation using the new procedure.

Economic and Sector Work (ESW).

Two pilots were identified in Thailand and the Philippines to ascertain the client's interest in proposed ESW and to garner ideas for future ESW. The Thailand pilot, for example, looks at social security and poverty/income distribution. These pilots are proceeding as scheduled and will be evaluated at the end of the fiscal year.

Lending. The subteam has completed a draft of the components of the Evolving Document and the requirements for the two stage review. Kevin Page drafted a "Cook Book" which spells out the new project cycle requirements: developing the new CAS, ESW, and the elements of the "Concept Stage" and the "Final Decision Meeting". It will be distributed to EA1 for lending in early April.

Portfolio Management

is at the heart of achieving development impact. The subteam is establishing service standards, evaluating resource needs and providing incentives to foster behavioral shifts that will enable EA1 to measure critical success factors to ensure that expected results are achieved.

The Resident Missions are being strengthened to assist task managers and borrowers in disbursements, auditing and procurement prescreening.

Standard LCB documents are being prepared for Viet Nam and Cambodia, and we are working with Mr. Srinivasan to raise the prior review thresholds in mature countries (possibly Thailand and Philippines) to expedite processing.



Country Teams (CT).

Terms of reference have been prepared for all the CTs and have been discussed and agreed with DMT. The Human Resource Service Team (HRST) is helping us to develop CT training.

The Philippine CT held a two-day retreat in Manila in February.

Most of the Cambodia CT is in the field following-up on the Donor's Meeting and discussing the Technical Assistance Project (that become effective today),

the Economic Recovery Credit and the CAS.

Lao CT will hire a consultant in the Vientiane liaison office to facilitate and support EA1's operations. The CT is preparing for the ESW program and has submitted PHRD proposals for the Spring Tranche. The CT is also reviewing the initiating brief for the CAS, and is planning a procurement seminar in June.

The next newsletter will report on Viet Nam and the Malaysia/Thailand CTs.



Budget. The group working on Country Teams (CT) has agreed on budget allocation procedures, time-frame and formats to be used by task managers (TMs). The procedures will be cleared by the DMT and circulated to all TMs via the administrative assistants.

Task Teams (TT). A set of generic job criteria for support staff has been cleared by the DMT and the group working on TTs has reviewed the implications for existing staff. The preliminary assessment reveals the need to develop training in four areas: project processing and organizational structure, office technology, communications (including proofreading) and black book filing. The TT group is now developing training in these areas to bring where necessary

staff skills up to speed to meet new benchmarks.

Technology. The Enterprise Network (EN) still needs to be rolled out in EA1AE and EA1IN. The rollout has been delayed to give OBP time to develop remote access for the large number of notebooks in these divisions. The rollout is scheduled for early May. The FY95/96 IWP funds were used to upgrade workstations to meet EN standards (minimum PC standards 270 MB HDD and 12 MB RAM). Arrangements are now being made to upgrade staff to 16 MB RAM.

A local area network will be rolled out in the field offices until we can bear the upfront communications cost associated with linking across fiber optic cables and satellites.

The *Word* macros have been installed on the network, and they have been downloaded on most machines. The standard bank macros (business templates) are also available, but the corresponding database for distribution lists has not been completed. The OT Group is working with OPRIS to this end.

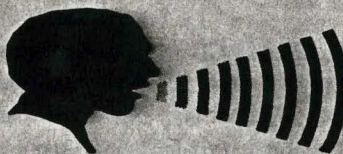
EA1 has delivered customized and "nearby" *Word* courses. A more comprehensive training strategy is being developed to meet future business-driven technology needs.

A *Task Manager Workstation* (TMW), demo was delivered and well received. TMW will be rolled out in the department in the near future. EA1AE and EA1IN will receive TMW when the EN 1.05 is rolled out in May.



Work on the MIS — affectionately known as "feeding the beast" is being taken over at the regional level. OPR is developing client servers and Kevin Page is working on that pilot. If you are interested in ensuring that the client servers are designed to meet business needs, please give your name to Kevin.

Role of DMT. The DMT met for a full-day retreat in December to ensure a common approach to establishing a more enabling and supportive environment. A follow-up half-day retreat is scheduled for April 4.



Role of RMs. We have expanded each of EA1's field offices with one additional HL staff to meet the core functions and with locally hired HL and SL to meet the delegated functions. EA1 has worked from the premise that all RM expansions must be business-driven. We have already begun to build up RM capacity, especially in Viet Nam where we expect an expanding program.

Managing Expectations, Performance & Incentives. The BPI efforts at the Regional level have taken on this work. EA1 has received approval to evaluate performance on a FY basis. We are working with MPS to ensure that mechanisms are in place to

enable us to use the COMPACT in May 1995.

Requirements from Support Services. We also met with HRST in January to seek their assistance in setting and managing expectations and measuring performance through the COMPACT; effective work environment for CTs and TTs; incentives; staffing of RMs; managing staff with problems and skills mapping. HRST is committed to tackle some of these issues at an institutional level.

Front Office. Terms of reference are being developed for the Cofinancing Officer and the OT Group's TOR will be sent to the DMT for clearance next week. We are also expecting to finalize soon the selection of the Department's Procurement Advisor.

Communications and Dissemination. Two-way communication is key in a changing environment. We will continue to prepare newsletters when there is something to share, but newsletters will only be one means of conveying information. Information will also be disseminated through meetings, informal discussions, brown-bag lunches, and through team work. The Departmental drive will also be a means to this ends.

The "Cook Book" mentioned here-in and an interview with one of EA1's task managers are forthcoming. On April 24-26 we will have a Departmental Retreat at Cool Font, Berkley Springs in West Virginia to review the business plan and BPI progress.

EA1 is a high performance team.



EA1 Business Process Innovation Update (6)

The Ruth Kagia Story

(An Interview by Rachel McColgan, EAPVP)

BPI on the ground

By now all of us have heard about BPI, the business streamlining initiative that East Asia is spearheading. Most of us are excited about its tantalizing prospects - better, faster, cheaper products, stronger partnership with our clients, less paperwork, more teamwork, more empowerment of staff. But in what ways does this affect the way work gets done? Does it really change the way a Task Manager handles a project? How does the central theme of client orientation play out in the field, where it really matters? I recently spoke about this with Ruth Kagia, a Task Manager in charge of one of the BPI pilots in EA1.

The Lao PDR Training and Capacity Building is one of the BPI pilots. What does this mean?

This is one of several projects that would be prepared using the redesigned lending process. The project had gone through the first of the two mandatory decision points - "the concept review meeting". It is at this meeting that a considered decision is made on whether the Bank should invest in the operation - is the project relevant and viable? Is there sufficient client commitment for it? What issues will the project address? What are the budgetary resource requirements?

But is this any different from an IEPS review?

Oh yes! First of all, technical support to the Task Manager is in-built into the review process - this is the point at which the quality of the task team is evaluated. Secondly, the attention to the substance of the project and to client commitment, forces the task team to prepare more carefully for the review. IEPS discussions are often held when the project concept is so nascent that no substantive decisions can be made, or after such heavy investment in time and resources that the review team is presented with a fait accompli. Thirdly, the development of the

project preparation plan involving the client, introduces new and concrete evidence of ownership and commitment. Finally, the new process forces greater discipline on the use of resources - in our case, the task team was given a ceiling of \$100,000 with which to bring the project to appraisal - additional expenses would need to be justified before they could be committed.

Why then after all this did you change your mind about going ahead with this project at this time?

It was not so much the suitability or viability of the project that were at issue here. There is a crying need in Laos for a strong pool of skilled managers and professionals in all fields - a need that has to be fulfilled urgently if robust economic growth is to be maintained. It was not even a question of a lack of client interest in Bank assistance. Government had made a specific request for Bank support in this area. However during our discussions in Laos, we found out that what the Government really needs first and wanted was policy advice - advice that would enable them to develop a strategic and comprehensive program which would help them manage external resources including those from IDA.

In other words, while you both agreed on the nature of the problem, you noticed that you needed to approach it from a different angle?

Exactly. We were confronted with a different solution for the same problem. I was faced with a dilemma. At the Bank, there were high expectations that this would be a well focussed, and possibly fast track project and we had received full endorsement at the concept review meeting. At the country level, expectations were high that the Bank had come to provide policy guidance and to help leverage donor resources. Should I push to proceed with project preparation or should I take BPI at face value and make the client the deciding factor? We voted in favor of the client. We decided to proceed in two phases: the first is to leverage donor support for the

development of a comprehensive investment training program underpinned by clear policies and strategies; and the second is to develop an IDA-funded project that fills critical gaps in this program.

**What if there are no gaps for IDA to fill?
Does that mean there will be no project?**

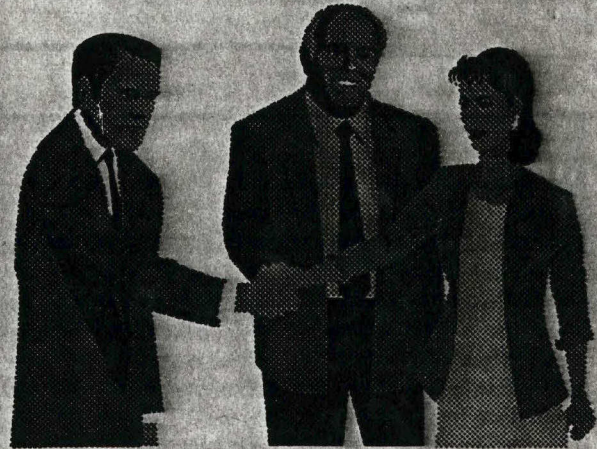
That might happen, and it would be fine. In that case, our assistance in resource mobilization and in program design (including policies and strategies) would still make an important contribution to capacity building in the country; and isn't that what our development effort is supposed to focus on? Also, by not pushing ahead quickly with an IDA-supported operation, we will not incur significant expenditures that we might have to write off if the operation needs to be abandoned later. Alternatively, if we were to move ahead rapidly with a lending operation, we might get a problem project on our hands.

Lao PDR enjoys strong support from grant funding agencies. The problem is low absorptive capacity, donor driven programs, and a lack of planning and coordination at the government level. An important and immediate need is to enable the government to take the driver's seat so that it can manage the entire spectrum of needs. Our operation then becomes an integral part of that process.

In what ways did BPI influence your decision?

If this had been before BPI, I would have found a way of coming back from that mission with a project or the promise of one. After all, a key measure of our effectiveness as Task Managers is the number of projects we take to the Board. But BPI is acknowledging that you cannot have results on the ground without full ownership of the project by the client. What happened with this project demonstrates that BPI can make a difference: We listened to the client and responded to their articulated needs. More importantly, here at the Bank, we had a supportive environment for following through on BPI recommendations - my management was receptive and supportive and has given the task team resources to implement these proposals. We were enabled to exercise our technical

judgement. Such institutional flexibility is ultimately what will make a qualitative difference.



What lessons have been learned?

All new processes need to be fine-tuned. We have to work some more on ensuring client ownership before investing too heavily in project preparation. The redesigned CAS is proving to be an effective tool for shaping client-owned development instruments. The project preparation plan is another important tool for this, but we need greater client involvement at an early stage in the process. We also need to do more work on developing measurable outcomes from non-lending interventions: How do you measure the development impact of our work if our output is not a lending operation? How do you compare products when greater partnership with the client results in diverse services such as resource mobilization and advice to help structure a program that may in the end not need Bank financing? How do you maintain efficiency in resource utilization when building effective partnership with clients is so resource intensive?

EA1 is a high performance team.

OFFICE MEMORANDUM

DATE: June 19, 1995

TO: Mr. James D. Wolfensohn

FROM: Nancy Barrett

SUBJECT: **Business Process Innovation**

Following our recent discussion, you asked for a brief note on the Bank's re-engineering efforts. This note will focus on the EA1 experience as that is the one with which I am familiar.

Background. From the beginning it was decided to call this Business Process Innovation (BPI) since the term 're-engineering' evokes somewhat negative images. Under the auspices of Mr. Shahid Husain, five departments were selected in February/March 1994 to pilot BPI within their VPU. These departments included East Asia and Pacific Country Department I (EA1) for regional operations, International Economics Department (IEC) for DEC, and General Services Department (GSD), Personnel Management Department (PMD) and the Information Services Group out of Organization and Business Practices Department (OBP) for Management and Personnel Services (MPS) VPU. Independently of the structured BPI, other organizational innovations were explored and implemented by Mr. Picciotto in Operations Evaluation (OED) and in the Africa, LAC and MENA Regions. The EA1 BPI group collaborated with these areas to exchange ideas and adopt the appropriate aspects.

The objectives of the EA1 exercise were to:

- serve our clients better,
- increase our development impact,
- reduce paper work and costs,
- shorten processing times,
- reduce staff stress.

EA1 conducted three phases:

- Phase I: Planning - identification of processes needing redesign,
- Phase II: Diagnosis - mapping of processes and recommendations for changes, and
- Phase III: Social Systems Redesign and Implementation - piloting recommendations in EA1, which would then spread throughout EAP and to the other regions.

EAP has reviewed the outcomes and will implement the changes Region-wide in July. Attached are background materials with more detailed information, in case you might like to see it. Pages 6-16 of the "blue book" gives a good overview of the key issues and recommendations of Phase II. Also attached are the newsletters on the Social Systems Redesign and updates to staff.

Implementation. The proposals for process redesign and streamlining have been incorporated into several projects in each of the sector divisions within EA1, as well as in other operations departments, with satisfying results in time and cost savings. One of the significant recommendations on process, which has not yet been implemented, is the consolidation of the various documents prepared during project processing - the time from project identification to Board presentation - into a single "evolving document". Since speaking to you of the delay in getting approval of the "evolving document", I have learned that while there were delays for one reason or another, it was decided in the end to clear it with you before presenting to the Executive Directors for a decision. Mr. Choksi is preparing a background note for you and the Managing Directors for your review.

During Phase II, it was recognized that in order to be more results and client oriented, changes in Bank culture would also need to be addressed, specifically, clarity of goals and roles, incentives and accountability, management and flexibility, and client focus. Culture change is the most difficult to implement. The areas in greatest need of support include:

- the shift into a support-oriented management rather than one that is control-oriented. Currently management turns to staff with demands for explanation and correction. This promotes a culture which learns to justify actions rather than change them. A support-oriented management would offer assistance through help and guidance to turn unwanted situations around. This would, of course, impact on the many reviews and advisory roles by making them demand driven instead of supply driven.
- review of Operational Directives to be more flexible and fit established guiding principles. This would require managers and staff to use their judgment on appropriate steps and timing, as well as direct accountability for the quality of projects, their impact and performance.
- modify our measurements for success. A review of the impact Bank lending and economic and sector work has on each country, e.g. adoption of policy changes, increases in output, relative poverty levels, etc., used in conjunction with numbers of loans would encourage focus on quality along with quantity. For lending the primary focus is now on the number of loans and not on development impact. Country Assistance Strategies have not been an effective instrument for determining our activities in and the budget resources allocated to a country. Economic and sector work have not been sufficiently driven by client demands.
- better linkage of incentive and reward systems to the Bank's objectives and guiding principles, e.g. emphasis on development impact of loans and economic and sector work, rather than on the number of loans or the internal appreciation of the quality of economic and sector reports; emphasis on cost-effectiveness and the do-able, rather than excessive completeness and depth of analysis.

I understand that Mr. Preston was very pleased with the presentation made to him on the EA1 BPI experience. The EA1 work has now also been broadened. It fed into a Regional BPI effort where new procedures, processes and systems are being adopted effective July 1. If you would like a presentation on this at some appropriate point, it could be arranged.

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: July 18, 1995

TO: Mr. Mark Malloch Brown, EXTDR

FROM: Ismail Serageldin, ESDVP



EXTENSION: 34502

SUBJECT: **Bank Committees**

In response to your request of June 30, we are not involved with any committees currently studying Bank initiatives.

We have, however, a number of ongoing activities and committees, that we would consider part of the ongoing work of ESD. We are reporting them here in case you needed to know. We have clustered them in four groupings: improving internal efficiency, raising quality of Bank staff, improving external partnerships and promoting development differently

1. Improving Internal Efficiency:

Re-organizing Agriculture: (Completed)

On July 1, 1995, AGR reorganized itself; from three to two Divisions. This was done to better align the work and integrate staff skills with the new Vision Statement and goals set for the Department. Previously, technical staff working on water, agronomic, animal, fish and forestry issues were in two Divisions. The economic, social and financial staff were in the third Division. The reorganization of the Department better integrates skills and sharpens the focus on rural sector development, for which agriculture, forestry and the associated management of the natural resource base are central.

Environmental and Social Policy Advisory Group: (Ongoing)

A new group chaired by the Director of ENV, established by the MDs in April to help bring coherence to interpreting the Bank's environmental and social operational policies. This group, comprising specialists and managers from around the Bank, gives guidance on complex, sensitive or ambiguous project-related issues relating to environmental or social issues. By clarifying issues, and providing guidance early, the group can help staff avoid losing time and potential costly mistakes.

Social Policy Thematic Team: (Ongoing)

Chaired by the chief of ENVSP, this group is designing and testing approaches for social assessment of projects and investment programs. Draft guidelines are being tested, and a paper outlining the costs and benefits of social assessment will be submitted to senior management in the late Fall.

Improving synergies between Bank and GEF financed projects: (Ongoing)

A Steering Committee, consisting of VPs and chaired by Mr. Sandstrom has just been established to ensure effective procedures. A middle management group, chaired by the Director ENV, coordinates all operational activities financed by the GEF.

Sub-sector groups in TWU: (Ongoing)

Ensuring linkages between cross-support and own managed work--(i) the three sub-sector staffing groups (one for transport, water, and urban) are consulted regularly to identify the sectoral priorities and strategic issues/themes that should form the focus of our cross-support and own-managed work; (ii) each TWU division has developed its cross-support program after examining regional work plans to identify areas of mutual interest and comparative advantage, and visited with SODs to discuss possibilities for involvement; (iii) for the own-managed work program, in addition to the above consultations, regional steering groups have been constituted to advise on major own-managed tasks; (iv) each division has developed a specific cross-fertilization strategy in consultation with regional staff and several thematic groups have been formed to provide a forum for regular interaction among Bankwide professional groups.

2. Raising quality of Bank staff:*Core training program for agriculture: (Ongoing)*

AGR is leading a small task force to develop a core training program for agriculture and natural resource staff across the Bank designed to respond to the dynamics and diversity of the Bank's work and borrowers' needs.

Environment training: (Ongoing)

In addition to increasing the number of internal training courses from 10 to 26 over the past 3 years, ENV has now made a joint appointment with EDI to produce a series of joint courses in FY96.

Infrastructure Training Program: (Ongoing)

(i) Sector/subsector staffing groups--originally set up by Personnel in 1992 to advise on skill needs assessment and external recruitment, their mandate has been expanded to advise on internal reassignment and training needs; and in the infrastructure subsectors of TWU at least, they are a consultative forum for a whole range of TWU work program issues. (ii) The new Infrastructure Training Program for professional staff was initiated during FY95. Developed under the BPI, this ITP has become the model for sectoral training in the Bank. Structure consists of a core curriculum that all sector staff would take over three years, with extended program of special and regional interest courses. Content of courses is agreed by Sectoral Staffing Groups and SOD chiefs, and linked to Bankwide themes and business objectives. Advisory Group of senior regional staff contributes to ensuring relevance of content. Courses developed in collaboration inter-departmentally and inter-VPU, e.g. between TWU and FPD for private sector development. There is an intensive post-course evaluation and review process to strengthen quality of repeater courses and strengthen applicability to operational needs.

3. Improving external partnerships:Strengthening partnership with other agencies (UNDP, FAO, IFAD, etc.): (Ongoing)

Considerable effort is being given to strengthening partnerships with other agencies (UNDP, FAO, IFAD) as well as with NGOs. Programs have been launched with FAO to promote widescale uptake of more environmentally friendly pest management approaches (IPM), to develop indicators to better monitor land degradation at the national and global levels and to join forces in analyzing and prioritizing work to address the management of the world's forests. Similarly, we are participating actively in supporting the CSD inter-Governmental panel on Forests and the Commission on Forests. Active and constructive collaboration with the NGO community is taking place on a regular basis on such topics as (i) pesticide usage, (ii) biodiversity management, and (iii) soil fertility management.

Environment Organizations: (Ongoing)

A series of formal understandings will be reached with some of the major environmental organizations to promote joint work, and to help move the debate on environmental issues from that based on advocacy--and in recognition that the Bank has now built up considerable capacity (and an improving reputation) on the environment. The first such agreement has been signed with IUCN, the largest international grouping of environmental organizations in the World. A series of joint programs with leading NGOs is being monitored with the aim of increasing the share of our work produced jointly with environmental organizations in the future.

Global water partnership: (Ongoing)

(i) UNDP-World Bank Water and Sanitation Program--in FY95, the Program was merged into the water division, TWUWS. During this year, the division has taken the lead in collaboration with the Regions to gain support among the Program donors and clients for the creation of a global water partnership to improve the assistance available from the international community by providing more coherent advice on comprehensive water management issues. Within the Bank, the Water Partnership would be overseen by a water council, whose membership would include regional sector division chiefs.

(ii) UNDP/UNCHS/World Bank Urban Management Program (UMP)--Now in its second phase, the UMP is being decentralized and shifting to partnerships between the UMP regional offices and the Bank's regional operating divisions.

4. Doing development differently:New strategy approach to increased agricultural productivity and natural resource management: (Ongoing)

The recently published Strategic Vision Statement for the Rural Agricultural and Natural Resources sectors, which was developed through a broad collaborative process across the Bank, refocuses attention on the need for the Bank to think in terms of rural sector strategies and the intra-sectoral linkages between agriculture, infrastructure, health and education. The focus has shifted away from such linkages over the past decade because of difficulties in implementing the complex integrated rural development projects of the 1970's and early 80's. The new strategy outlines approaches to increased agricultural productivity and natural resource management, and greater local participation, empowered through an enabling policy environment, better knowledge transfer using modern information technology, and the financial resources to participate in the development process through access to rural credit, fiscal decentralization and targeting of vulnerable groups.

Environmental measurement: (Ongoing)

In ENV, we are seeking 10 countries in the next year to implement new measures of adjusted accounts to reflect environmental concerns. And we are sponsoring a conference jointly with World Wildlife Fund to launch this initiative.

cc: Messrs./Mmes. Horiguchi, McCalla, Pellegrini, Petit, Steer, von der Osten, Cohen, Stover, Martin-Brown, Chadha