

INSTITUTIONS MATTER: INSIGHTS FROM THE ECA GOVERNANCE KNOWLEDGE MANAGEMENT AND EXCHANGE SERIES 2018–2020

By Andres Falconer and Runyararo Gladys Senderayi

NOVEMBER 2020

How does the ECA Region fare in building effective, accountable and inclusive institutions? What does the data reveal? What do our clients—and what do citizens—want? What roles are the World Bank and other development partners best suited to play in supporting governance reforms, and what tools do we have at our disposal? What new challenges does COVID-19 present?

These are some of the key questions discussed over the past two years during the Knowledge Management and Exchange series hosted by the Governance Global Practice’s Europe and Central Asia (ECA) region. The series showcased insights and lessons from ongoing Bank initiatives as well as the work of other development partners, discussed new and existing tools and approaches, highlighted data and trends from governance publications and created space for lively debate and knowledge exchange. The sessions attracted diverse audiences who participated in person and remotely, including Bank staff from multiple sectors and practice areas, external thought leaders, academics, development partners and government officials from countries in ECA, as well as other regions. Sessions typically averaged 50 or more participants, with twice as many connecting remotely as those attending in person. With the onset of the COVID-19 pandemic the format was adjusted to virtual webinars. If anything, the “new normal” of 2020 abolished the distinction between in-person and remote participation, further reducing barriers to engagement in knowledge and learning, as well as increasing attendance.

The ECA Governance-led knowledge initiative encouraged collaboration with other Global Practices, worked with various [Global Solutions Groups and Communities of Practice](#) in the [Governance Global Practice](#) to broker knowledge, capture good practices and share them internally and externally, and engaged a wide array of external partners. The topics covered in the series focused on a range of governance areas that are critical for building effective, accountable and inclusive institutions; from fiscal affairs, public administration and state-owned enterprises (SOEs), to democracy, justice and the rights of minority groups, with examples from across the ECA region and beyond.

Overview

In 2018, the series launched with a session on [Budget Transparency in Europe and Central Asia: Has the Train Stopped?](#) which provided an overview of the 2017 Open Budget Survey (OBS) implemented by the International Budget Partnership (IBP). Two years later, IBP returned to present the results of the newly released 2019 OBS, in a session titled [Improving Budget Transparency: Can Europe and Central Asia Keep Up?](#) LGBTI exclusion in Serbia was addressed in a session on [Mystery Shopper Experiments](#), and again in 2020 in [LGBTI Exclusion in Serbia: Measuring its Socioeconomic Dimensions](#). The issue of trust was also addressed twice; in [Determinants of Trust in Institutions in Times of Crisis: Evidence from Europe](#) and, in 2019, focusing on fiscal matters in [Building Trust in the Tax System: A New Approach](#). The [Citizen-Centric Local Governance Scorecard Initiative in Turkey](#) was the final session in 2018.



In 2019, [Multisectoral P4Rs: Accelerating Service Delivery](#), explored an innovative yet seldom used instrument in the region, and [Bulgaria's Shared Services Journey: Changing the Mindset of the Public Administration](#) addressed the challenge of change management in public sector reform. [SOE Employment Practices, Labor Markets, and Firm Performance: The Case of Russia](#) brought the issue of state-owned enterprise productivity to the fore.

2020 kicked off with a session on [Fiscal Decentralization, Local Governments & Policy Reversals in Southeastern Europe](#), based on a large comparative study on decentralization in the region. [Justice Surveys: Why to do them and how to do them](#) highlighted the effectiveness of surveys in assessing the performance of the judicial system. [Democratic Governance in ECA: One Step Forward, Two Steps Back](#), in partnership with International Idea, explored the concept and business case for an expanded view of governance. Finally, [Managing the Public Sector Wage Bill During COVID-19](#) examined the prickly issue of public sector productivity amidst a health emergency that is also causing deep economic upheaval.¹

Sharing knowledge within and across teams is a powerful way to understand different contexts, leverage lessons learned and identify intersectionality in governance issues that can help to improve development outcomes. This note is intended as an *introduction* and a *reading guide* to the treasure chest of knowledge contained in these sessions, which can all be retrieved and viewed in full through the links provided. You will hear about the Bank's experiences that may be directly relevant to your work, learn about tools, approaches and methods used to address key governance challenges, and will also find internal and external experts you may wish to reach out to. The sessions contain case studies and candid reflections of what works, what doesn't, and how local contexts, political economy issues and other circumstances affect our interventions. We invite you to take the dive and explore how we put knowledge into practice!

¹ Complete information on each session is in the Annex. Underlined hyperlinks lead to full session recordings.

Effective Institutions

Enhancing productivity, building capacity, improving the quality of services, increasing tax revenues, strengthening systems, driving effective reforms — these are some of the core governance issues that featured prominently in all the learning sessions, whether focused on the center of government, in sectors, or in decentralized or autonomous spheres of the state.

[Bulgaria's Shared Services](#) focused on an ongoing ambitious public administration reform process—supported by a World Bank advisory program (or RAS)—seeking economies of scale and improved quality of administrative support services in Human Resources, ICT and property management. Beyond the technical design of the proposed reforms, “changing the mindset” of the public administration was important to overcome resistance to reforms and avoid fating the initiative to an all too familiar “graveyard of reforms.”

Productivity was addressed in the sessions on SOEs and the public sector wage bill, which directly correlated productivity to the effectiveness of the public sector as well as to economic growth. Using data to go beyond the common negative stereotypes about SOEs, [the case of Russia](#) revealed the complexity and diversity of SOEs in the Federation. The data showed that employees in SOEs are better compensated than those in the private sector, and also highlighted the weak correlation between compensation and productivity. Within the public sector, we were reminded that the wage bill represents a large share of public expenditure—20–30 percent, sometimes more—and that public sector pay is also often poorly linked to productivity and performance. Yet, the calculations on addressing [the public sector wage bill during COVID-19](#) have changed significantly, as the role of public sector employment vis-à-vis the challenges of responding to the health crisis, restoring jobs and maintaining fiscal balance, require more nuanced approaches.

We also learned that the impetus for reforms in the region is not always, or only, informed by technical considerations: in [Southeastern Europe](#), decisions on fiscal decentralization (and subsequent reversals) were driven by trends in democratization as well as post-conflict reconciliation of multi-ethnic nations, with different political considerations. These non-technical political economy issues can be easily overlooked by the international community if sufficient time and expertise are not invested in understanding the local context and the underlying drivers of reforms.

The interconnection between the three pillars of governance—effectiveness, accountability and inclusion—was evident in all the sessions. [Justice surveys](#), for example, are an effective accountability and management tool to track performance and inform reforms. The link between accountability, inclusiveness and effectiveness was also highlighted in the fiscal space, as increased [trust in tax](#) systems reduces transaction costs, improves productivity and expands the revenue base, because citizens believe that tax revenue will equitably benefit society as a whole. Furthermore, [LGBTI discrimination](#), which may lead to lower income, diminished career prospects and poor health outcomes for these individuals, was also shown to have broader negative socio-economic impacts which extend beyond the individuals affected and impact a country's overall economic growth and development. Finally, according to [International Idea](#), data support the notion that countries, citizens and the private sector do better where there is stronger and more inclusive democratic governance, as it reduces impunity and opportunities for corruption.

Accountable Institutions

Accountability is the second pillar of governance linking all the learning sessions. Enhancing transparency and responsiveness is at the core of all Bank operations, as a goal in itself, and as a means to promote effectiveness and inclusion.

While all the sessions addressed the issue of accountability, some explored it as their primary topic. This was the case for two sessions co-hosted with the International Budget Partnership (IBP), featuring the then recently released [Open Budget Survey \(OBS\) results for 2017 and 2019](#). These reports, amply used by the Bank in its public financial management work, have, in these most recent editions, expanded their

Accountability featured prominently, albeit often in a supporting role, across all sessions. Accountability can be an effective information management and decision-making tool. The sessions on the [Local governance scorecard in Turkey](#), [Justice surveys](#) and [LGBTI exclusion](#) focused on producing quality data to highlight gaps in institutional performance and service delivery, from the perspective of users in the respective sectors, to drive reforms. In [SOE employment practices](#), the case was made for the need to shed more light on the complex ownership arrangements and legal frameworks that obscure the understanding of a significant “shadow” or hybrid public sector, revealing where this sector falls short and how it can be supported, regulated or reformed.

As [International Idea presented](#), accountability, alongside other dimensions, gives broader meaning to the notion of democratic governance, beyond free and fair elections. Accountability, alongside participation and contestability, correlates to better functioning institutions, inclusion, judicial independence and reduced corruption. International Idea presented a mixed picture for the ECA region, with overall high performance and positive long-term trends in democratic governance, but with a notable decline since 2009, and significant backsliding experienced in south, central and eastern Europe.

Beyond the Bank, international actors play a major role in promoting accountability. EU accession criteria, for example, were noted as a driver for reforms in many ECA countries, including [decentralization in Southeastern Europe](#). Expanding the focus on accountability to the subnational level is an often-repeated demand for further Bank engagement. Finally, the COVID-19 emergency—with the large-scale and fast-tracked disbursements—poses new challenges for accountability, requiring a delicate balance between control and expediency.



Governments are still failing to provide sufficient budget information to the public, for them to understand, debate, and participate in the budget process.

focus on transparency to also include oversight institutions and citizen participation. The reports signal that while there has been considerable progress in access to information, oversight capacity has been uneven, and the majority of governments fall short on facilitating public participation. The OBS has sought to build incentives for a virtuous cycle among governments seeking to improve their ranking, creating opportunities for institutions such as the Bank to support these efforts. Countries in the ECA region have experienced remarkable improvements in budget accountability in the past years. The question is: can they keep up?

Inclusive Institutions

The protection and inclusion of the most vulnerable in society is the third tenet of good governance. Similar to effectiveness and accountability, inclusion was a recurrent cross-cutting theme in all the sessions, whether framed as an inherent right, part of the implicit social contract between citizens and their governments, or viewed as a quality of service issue. Examples covered in the learning sessions included the issue of equity and fairness and citizen [trust in tax](#) systems, [fiscal decentralization](#) in Southeastern Europe as a post-conflict strategy to include ethnic groups, mapping gaps in [access to justice](#), or the perception of inequities in [public sector pay](#), among others. We were reminded that inclusion is a core component of what International IDEA names [democratic governance](#).

No other sessions highlighted the issue of inclusive institutions as prominently as the two events focused on LGBTI discrimination in Serbia. While [Mystery Shopper Experiments](#) focused primarily on the use of an innovative research methodology designed to identify discrimination objectively, [LGBTI Exclusion in Serbia](#) revisited the findings of these studies to examine not only the issue of discrimination itself, but its broader socioeconomic impacts, and implications for other marginalized groups. We learned that discrimination is often a veiled and plausibly denied phenomenon. Yet the mystery shopper surveys clearly identified discrimination in access to the public-school system—with “feminine” boys three times more likely to be refused enrollment—and in access to housing in the private rental market, especially for same-sex couples. Studies such as these remove the veil and support concrete government action plans.

The role of the Bank in promoting inclusion was discussed widely. While the institution’s Environmental and Social Framework requires the Bank to embrace inclusion, with enhanced attention to gender and vulnerable groups, there are perceived risks and resistance to a more proactive agenda in this area. As shown in the Serbia LGBTI sessions, some countries

may be more hospitable and cognizant of the roles the Bank can play; lending its credibility, producing data, examining broader economic implications, creating conditions for honest dialogue on contentious or uncomfortable issues, among others. Again, demands of the EU accession process also seem to have created incentives and openings for change, but we are cautioned against contributing to a perception that action against discrimination is an externally driven agenda. The social and economic effects of discrimination need to be understood and resonate internally for meaningful and sustainable change to take place.



In addition to these three pillars of governance, the [14 learning sessions](#) revealed a number of recurring and cross-cutting themes. Among these, we emphasize: the use of data; leveraging instruments, tools and methods for action; the role of the Bank and other international development partners; context and political economy considerations; decentralization and subnational governments; partnerships in learning; and, a brief epilogue: responding to COVID-19.

A Broader View of Governance

As shown in the recent [ECA Governance Conference](#), the world is facing increasing pressures on resources, more complex service delivery needs, demands for transparency and inclusion, with increased global

fragility and migration flows. While citizen expectations continue to rise, the ability of governments to respond to these challenges is stretched, resulting in an increased deficit in trust. As with the Conference, which convened more than 500 delegates in Ankara, Turkey in 2019, the learning sessions showcased aspects of accountable, effective and inclusive institutions, as the three pillars that are inextricable, mutually reinforcing, and cut across all thoughtful and well-implemented governance interventions.



On average, democratic regimes tend to do much better in areas such as gender equality, corruption, ease of doing business, among others.

The Role of Data

All sessions highlighted the importance of reliable and accessible data as the cornerstone of any intervention or reform, and emphasized the Bank's role both in producing information as well as grounding its interventions in solid evidence. Certain sessions (e.g. [Mystery Shopper](#), [Justice Surveys](#), [Open Budget Survey](#), [Global State of Democracy](#)) focused squarely on the data itself—surveys, studies, reports, as well as on underlying data gathering and analysis tools and methodologies. All the sessions highlighted the importance of the collection and use of data to support decision-making (e.g. [Multisectoral P4Rs](#), [Shared Services](#), [SOE Employment Practices](#), etc.). From one-off surveys to evidence-based accountability mechanisms, readily available and reliable data is a necessary condition for effective, accountable and inclusive institutions, as it reveals obscured or counterintuitive truths, adds detail and nuance to complex systems and sheds light on inequities, inefficiencies or vested interests.

We were reminded, however, that any data supporting contentious reforms is likely to have its validity questioned and its underlying source or methodology scrutinized, emphasizing the need for rigor in data collection tools and methods. Quality data creates entry points to table difficult policy issues for dialogue and can be a driver for change.

Tools and Instruments for Intervention

Sessions showcased the vast array of resources available in the development practitioners' toolbox—from scorecards to complex technical assistance, advisory services and financing instruments.

Bank-focused sessions introduced and examined a number of instruments, from one-off surveys, social accountability tools, to Bank instruments such as the RAS and the P4R. These sessions enabled participants to better understand each tool—its design features, potential uses, limitations, and inherent risks, allowing development practitioners to better design and implement interventions. [Multisectoral P4Rs](#), for example, were the subject of an entire session, introducing examples of early use of this instrument in Mozambique and in Brazil, and examining its suitability for ECA and its role in institution-building given that, by nature, the tool focuses on sectors rather than on governance itself.



Any instrument that is going to do results-based operations has to go through institutions, (...) and therefore there should be greater collaboration with the Governance group.

The Role of the World Bank and International Development Partners

Delivering for people is at the core of what we do at the Bank. Understanding client needs, responding to them and proactively proposing solutions drive the institution. The Bank is respected as the “gold standard” development agency, whose credibility and technical expertise enhances governments' ability to implement difficult reforms. While the reputation of the institution is anchored in its technical expertise, we learned that the demand for Bank support is often not only technical: the Bank's convening power and ability to draw on international experts from different parts of the globe brings a comparative dimension that enriches policy dialogue and reform options. Clients that had clarity of their reform processes reiterated that they relied on the Bank's authoritative position and “brand” to assist in navigating complex political currents.

Other international development partners play an analogous part, within their specific roles and realms. The IBP's Open Budget Survey, for example, puts pressure on governments, but also creates incentives and roadmaps for improved transparency outcomes, while EU standards have played a major part in driving reforms in neighboring countries seeking accession.

Still, international development agencies should be weary of driving reforms that do not have clear and sustained internal ownership and buy-in.

Could we have done it without the World Bank? No, we couldn't have. Sometimes you need the authority & prestige of an external organization.




Context and Political Economy

Reforms take place in specific local contexts with histories and unique alignments of actors and interests that must be fully understood for the design and implementation of successful development interventions, especially as they pertain to reforming systems and institutions. As noted above, the Bank was a trusted ally in understanding LGBTI discrimination and promoting civil service reforms. But also noted was the failure of “cookie cutter” decentralization interventions by other development actors that did not take the local context into account.

The ability to read, interpret and address political economy factors—whether in a focused intervention or a large-scale institutional reform can be as decisive to success as the technical expertise. We were also reminded that transparency, or access to information, is a necessary but not a sufficient condition for accountability and impact: understanding the role that information plays—who benefits, who loses, and who uses the information and how—is essential.

Political economy analysis—and politically-savvy intervention—is a unique asset within the Global Governance Practice. A skill set and expertise that must be utilized and leveraged more broadly within the institution.



We tend to treat political economy as a separate line of analysis when we do our work, and that doesn't quite work. How can this be truly integrated into the core work that we do?

Subnational Government

As national governments make strides to build capacity, strengthen systems and institutions, and transfer sizeable amounts of services and fiscal responsibilities to subnational spheres, interest has grown in understanding and supporting the issues faced by local, provincial or regional-level governments. We heard that rapid decentralization was often not matched with added revenue, leading to debt, low capacity and poor quality of public services, which undermined the rationale for reforms. We also learned that decentralization efforts in the region have often been reversed amidst economic downturns, in a pendulum of centralization and decentralization.

Paradoxically, having led the charge for decentralization, as a way of promoting accountability and good governance, the Bank and other international partners now often find themselves limited in their ability to operate where the locus of action lies beneath its primary client, i.e. national governments. As growing proportions of national budgets are implemented by subnational entities, nationally aggregated data, when available, present an incomplete picture of fiscal affairs, service delivery and other governance systems. This has led international development partners to call for increased attention to the subnational level.

Partners in Learning

A common feature of all the knowledge and learning sessions was the focus on partnerships. Partnerships in developing and hosting the sessions themselves as well as—in most cases—in the implementation of the initiatives presented. While the learning series was led by the Governance Global Practice’s ECA region, each session featured the experience of internal and external partners, including think tanks, universities,

governments, other Global Practices and units in the Bank, as well as initiatives such as the Nordic Trust Fund (now [Human Rights, Inclusion, and Empowerment Trust Fund](#)), among others. Notably, collaboration with various Communities of Practice (CoPs) provided a platform for the cross-fertilization of ideas across the Practice and for CoPs to disseminate their work.

Epilogue: Responding to COVID-19

Finally, as noted, this series of learning events was confronted with the reality of the COVID-19 pandemic, impacting the sessions both in form and in substance. The two last sessions covered in this note were conducted fully in virtual mode. While in-person interaction has its own benefits, the transition to virtual sessions was seamless, demonstrating that remote engagement is not only a good substitute, but can also enhance the scale and the experience of participation. With physical barriers removed, online participants are no longer an often forgotten, hardly seen, “second tier” audience.

The pandemic has demonstrated the need for a strong and effective public sector, as governments lead in the response. This includes providing rapid and coordinated actions in the economic, social and health spheres, in an efficient yet transparent and accountable manner, while ensuring business continuity. The crisis has exposed the weaknesses of governments, particularly in fragile contexts, and has highlighted the importance of building governance and institutional capacity. Future learning sessions will highlight the challenges presented by COVID-19, and the Bank and other partners’ operational responses to address the multiple facets of the crisis and strategies to build resilience to mitigate future crises.



COVID-19 is a unique crisis that requires a different set of policy measures compared to our standard menu of responses.

Annex: List of Learning Sessions

Session	Panel	Date
Budget Transparency in Europe and Central Asia: Has the Train Stopped?	Elena Mondo Sally Torbert Mitchell O'Brien Stephen Davenport Roby Senderowitsch	May 2, 2018
Mystery Shopper Experiments: A Powerful Tool to Measure LGBTI Exclusion	Dominik Koehler Luis Benveniste Dragana Todorovic Edward Olowo-Okere Roby Senderowitsch	May 7, 2018
Citizen-Centric Local Governance Scorecard Initiative in Turkey	Habib Rab İnan İzci Lorena Vinuela Carolina Vaira Roby Senderowitsch	October 22, 2018
Determinants of Trust in Institutions in Times of Crisis: Evidence from Europe	Christos Kallandranis Mario Guadamillas Waleed Malik Gladys Senderayi David Gould Roby Senderowitsch	November 19, 2018
Multisectoral P4Rs: Accelerating Service Delivery—Lessons for ECA	Lorena Vinuela Davide Zucchini Ana Bellver Roland Clarke Sudarshan Canagarajah Roby Senderowitsch	March 14, 2019
Bulgaria's Shared Services Journey: Changing the Mindset of the Public Administration	Christian Filipov Krasimir Bojanov Ivelina Taushanova Roby Senderowitsch	October 3, 2019
Building Trust in the Tax System: A New Approach	Anna Custers Roel Dom Raul Junquera-Varela Vishal Gujadhur Marijn Verhoeven Roby Senderowitsch	November 25, 2019

Session	Panel	Date
SOE Employment Practices, Labor Markets, and Firm Performance: The Case of Russia	Zahid Hasnain Anya Vodopyanov Marc Kasher Dorota Nowak Roman Marshavin Roby Senderowitsch	November 26, 2019
Fiscal Decentralization, Local Government & Policy Reversals in Southeastern Europe	Sanja Kmežic Katarina Dulic Lorena Vinuela Linda van Gelder Pedro Arigti Mediha Agar	January 28, 2020
Justice Surveys: Why to do them and how to do them	Srdjan Svircev Domagoj Ilic Gladys Senderayi Nicholas Menzies	February 11, 2020
LGBTI Exclusion in Serbia: Measuring its Socioeconomic Dimensions—Data Matters	Andrew Flores Gladys Senderayi Dominik Koehler Dragana Todorović Roby Senderowitsch	February 25, 2020
Democratic Governance in ECA—One Step Forward Two Steps Back?	Kevin Casas-Zamora Annika Silva-Leander Verena Fritz Camilla Lindstrom Roby Senderowitsch	March 4, 2020
Managing the Public Sector Wage Bill During COVID-19: A Panel Discussion	Zahid Hasnain Lalita Moorty Bill Maloney Tara Vishwanath Roby Senderowitsch	May 8, 2020
Improving Budget Transparency: Can Europe and Central Asia Keep Up?	Elena Mondo Alex Kreko Mediha Agar Roby Senderowitsch	May 12, 2020



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

LEARN MORE

www.worldbank.org/ECAGovernance