

**FEEDBACK FROM INITIAL CONSULTATIONS ON  
*STRENGTHENING BANK GROUP ENGAGEMENT ON  
GOVERNANCE AND ANTICORRUPTION***

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1. To initiate the process of broad consultation with interested parties outside the World Bank Group, in July 2006 the Bank Group sought comments on the draft outline of the paper, “Strengthening Bank Group Engagement on Governance and Anticorruption.” The draft outline was posted on the Bank’s website on July 13, 2006; and views were sought via a series of face-to-face, videoconference, and teleconference discussions held between mid-July and mid-August as well as via electronic feedback through the World Bank’s website and e-mail. Subsequently, the draft paper was posted on the Bank’s website on August 18, 2006, and comments invited through August 28, 2006. Participants in these discussions and those who submitted written comments included several hundred stakeholders representing civil society organizations, the private sector, academic institutions, parliamentarians, and other interested parties from 18 countries in Africa, Asia, the Middle East, Europe, Latin America, and North America. Below is a summary of the key issues raised by the contributors in this initial consultation phase.

2. ***Enhanced transparency, participation and accountability.*** A major theme across the comments are for transparency, participation, and accountability in the Bank Group’s approach to diagnosing and mitigating corruption risks in borrowing countries, as well as in its lending. Several parties strongly emphasized the centrality of transparency and participation to good governance and effective anticorruption approaches and the need for clearer elaboration of how the Bank Group will support this in the strategy.

- ***Publication of any new governance diagnostics and newly proposed governance and anticorruption assessments.*** Many respondents argued that these analytical documents (including possible Country Governance and Corruption Assessments) should build on the work of others, should be informed by consultations with local stakeholders, and should be made public. This approach was seen as important to enhance clarity and transparency around a key determinant of the Bank’s assessment of a country’s ability to use aid effectively and to strengthen incentives for improving governance and citizen engagement with the state.
- ***Bank Group operations and procurement.*** Several parties stressed that this strategy should include a plan for how the Bank Group will expand disclosure of its own operations as a means to encourage greater transparency by governments, the private sector, and other partners; to mitigate risks of corruption, and to empower media, civil society and other stakeholders to participate in decision making as well as to monitor results and hold governments more accountable.
- ***Public revenue and asset management.*** Several respondents suggested the paper should more clearly state the importance of having transparent revenue and public asset management frameworks, especially in resource-rich countries, since history has shown that nontransparent use of such revenues in the past has fueled corruption and thwarted effective development. The Bank Group should play a more active role in promoting government transparency in this area.

- **Public officials.** The paper should also be more explicit about the importance of access to information by citizens about the wealth of their public officials and of measures to bar public officials from having conflicts of interest with private companies or enriching themselves while in office.
- **Department of Institutional Integrity.** One respondent in particular asked that the Bank Group's Department of Institutional Integrity broadly disseminate lessons learned from its investigations and that some cases be highlighted to external stakeholders to help them prepare effective anticorruption and antifraud strategies.
- **The private sector.** The Bank's approach should advocate that countries adopt legal frameworks that demand transparency in company ownership, so shell companies cannot be used for the purposes of sheltering or laundering corrupt payments.

3. **Restrict intervention to areas of expertise.** An umbrella civil society organization suggested the Bank Group should have a "limited and specific role to fulfill in supporting governance and anticorruption work. It should not take on a role as central arbiter of standards of governance or corruption, or be seen to take on such a role." It argued the Bank Group should limit itself to its areas of expertise, such as economic analysis, decentralization and intergovernmental fiscal relations, administrative and civil service reforms, public expenditure analysis and management, and institution building, particularly in social sectors and infrastructure.

4. **Don't reinvent the wheel; harness existing expertise, especially local.** A number of respondents argued the Bank should be explicit about its intent to draw upon existing work and efforts underway by civil society, governments, private sector and professional groups as well as other donors with regard to diagnostic tools, especially in the formulation of the governance and anticorruption assessments. The Bank Group should not simply rely on external (i.e., non-local) advisers to do this work. Enlisting local expertise—and building local expertise where it doesn't exist—is critical to reflect local knowledge and understanding of local processes of change, which may stem from traditional or emerging processes of decision making. The Bank Group should expand its analytical base and draw on credible, publicly available assessments. Assessments by United Nations human rights bodies, reports by independent human rights organizations, analyses of press laws or those governing the formation of civil society organizations, and consultations with domestic and international human rights organizations could form the basis for evaluating country conditions with respect to such criteria. In doing so, the Bank Group also further empowers independent groups to act as watchdogs on governance and corruption matters. Several parties also stressed that the Bank Group should recognize its own constraints in this area, and find ways to let others lead.

5. **Support other international initiatives which are better placed to tackle corruption.** Some civil society organizations commented that the Bank Group lacks the mandate and internal capacity to take on the role of "global policeman" or "global arbiter" on corruption. Corruption is not just a developing country problem, and the Bank Group should place greater emphasis on combating corruption in developed countries. For example, the Bank could play a useful role in getting countries to ratify and implement international efforts to reduce corruption, including the United Nations Convention Against Corruption. In addition, the Bank could help to establish a more effective monitoring system for the Convention and provide financial support for national

and international institutions involved in its implementation. The Bank Group should also support the anti-foreign bribery convention of the OECD and mandatory adherence to the Extractive Industries Transparency Initiative.

6. ***Engaging more with parliamentarians, the judiciary, civil society, private sector, media and youth.*** Many respondents argued for greater specificity in the paper's references to natural allies in the campaign for good governance and less corruption, in particular to the role of civil society, the private sector, the media, and parliamentary and other public oversight committees. Several respondents urged that the paper be more robust in its recognition of the role of these actors and on the various ways the Bank can support and empower them to be both agents of change as well as effective watchdogs in their countries. Key elements for attention included:

- ***Enabling environment.*** Bank Group operations and approaches should intensify attention on creating a legal and regulatory environment which supports the growth of independent media and civil society. The Bank should recognize and reward borrowers who practice freedom of the press and of expression and provide access to information; conversely the Bank should recognize and condemn efforts to intimidate the media and civil society.
- ***Funding.*** Additional Development Grant Facility and IDA grant resources should be set aside to help strengthen civil society organizations (including the media), and the Bank should assist in creation of a sizeable global multi-donor grant facility for this purpose. IFC could set aside monies to support improved corporate governance and strengthen chambers of commerce and industry associations.
- ***Training and curricula.*** From contributors in several countries in Africa, there was strong emphasis on the need for support for ethics training in schools and universities to influence the behavior of the next generation of public and private sector leaders as well as to strengthen citizen demand for good governance.
- ***Ongoing consultation processes.*** Independent feedback mechanisms are needed to ensure that the Bank receives continuous feedback from diverse stakeholders on progress on reforms in countries where it operates, to help detect new forms of corruption and design methods and incentives to overcome them. Civil society involvement in different phases of the project cycle, especially identification and monitoring and evaluation, should be prioritized. In addition to local civil society consultations, one group recommended that the Bank Group establish an Advisory Committee on Governance and Anticorruption comprised of outside experts.
- ***The judiciary, parliaments and ombudsmen.*** Several parties argued the paper should more clearly recognize that while the judiciary and parliaments should indeed be critical allies and instruments of oversight and monitoring of governance and anticorruption efforts, these institutions are not immune to corruption, and the Bank should identify strategies—at the national and subnational levels—to address how these institutions can be strengthened and monitored to ensure they can fulfill their roles as checks on the executive. It was also suggested that the Bank should support the creation of independent ombudsman offices.

7. **World Bank Group standards for private sector partners and consultants; e-procurement.** Several argued that the Bank Group can set a powerful example and mitigate risk of corruption by setting minimum standards for consultants and firms who wish to participate in Bank projects, to ensure that they are not themselves engaged in corrupt practices and/or have appropriate systems in place to guard against corruption.

- **E-government and documentation.** Electronic procurement processes were suggested to remove potential for corruption within the civil service in the handling of government contracts, while at the same time enhancing overall transparency, accountability and efficient in the provision of public services. Additionally, representatives of the construction industry strongly urged the Bank Group to conduct an in-depth review of its contractual documents to eliminate clauses that may provide loopholes for malfeasance.
- **Increasing role for IFC and private sector banks.** IFC, in particular, should play a more proactive role in requiring companies to adhere to anti-bribery codes of conduct as part of their investment decisions. A significant step could be to integrate bribery and corruption assessment procedures into the environmental and social impact assessments conducted by the IFC and by financial institutions that have adopted the Equator Principles. The IFC could also play a more effective role in promoting best and more consistent practices across the financial sector.

8. **Bank Group entry points and support to countries.** Commentators provided various additional suggestions on where the Bank Group should engage more intensively so as to enhance its effectiveness in promoting governance in partner countries.

- **Target high-risk sectors.** In addition to devising an approach for dealing with high-risk countries in which governance is poor and corruption evident, the Bank Group also is urged to examine high-risk sectors—in particular, infrastructure—and formulate specific anticorruption plans to govern projects in these sectors. The use of independent assessors, and partnerships with groups like local chambers of commerce, were specific steps urged by one group. However, another group warned that the Bank Group and other donors need to be cautious about using sector-wide approaches which assume political will toward good governance; the Bank should focus on working with those government institutions which have demonstrated a commitment to reform.
- **Support and strengthen institutional anticorruption watchdogs.** It was suggested that the paper could make specific reference to the need to bolster existing public institutions that are charged with anticorruption efforts, such as parliamentary committees, ombudsmen, supreme audit institutions, anticorruption commissions, and auditors-general, which in some cases are under-funded, under-staffed and hobbled by weak mandates. Additionally, the Bank Group could do more to express its commitment to assisting in the implementation of reforms suggested by such bodies, which are again sometimes neglected because of lack of political will or resources. Several groups emphasized the importance of fostering the creation of independent institutions for anticorruption free from government interference.

- ***Recovery of looted funds.*** Several respondents remarked that the paper could be more specific regarding the role the Bank can play in advocating and facilitating the return of looted assets and funds to developing countries and assisting use of those funds for poverty reduction. Allied with this point, one of the groups associated with the debt relief effort suggested that the Bank could send a strong message by canceling so-called odious debts incurred during a corrupt administration.
- ***Whistleblower protections.*** The paper should make specific reference to the importance of whistleblower protections and the steps the Bank Group will take to expand protection for whistleblowers on Bank-financed projects as well as to support whistleblower protection in countries.
- ***Speak out against acts that undermine governance and the fight against corruption.*** One group called for an explicit mandate in the paper giving Bank Group staff the authority to comment in cases where members of the press or civil society are harassed or restricted. It was noted that President Wolfowitz had set a clear precedent for such action in his condemnation of the imprisonment of two civil society representatives in Republic of Congo recently. Empowering Bank Group management to speak out in such instances would end the “ad hoc approach” to such instances and again provide a clear signal of the Bank Group’s commitment to the principles behind good governance.

9. ***Bank Group’s internal organization.*** Some noted that aspects of the Bank Group’s organization and incentives might well stand in need of reform to implement this agenda.

- ***Approval culture.*** Several submissions suggested the Bank Group should address the issue of its own internal incentives more strongly, in particular to address the impression that any progress toward a more critical evaluation and mitigation of corruption could be undermined by pressure on staff to ensure lending is not held up or reduced. Accordingly, rather than asking whether the Bank Group can or should accept a slowdown in project approvals, delays in disbursements or project suspensions and cancellations, Bank Group management should declare that such considerations will not stand in the way of a strong and effective approach to improving governance and fighting corruption in borrowing countries. This was echoed in a number of submissions in which the effectiveness of a stronger approach to governance and anticorruption was questioned, given the perception that the Bank Group has not, and will not, sacrifice business priorities for such considerations.
- ***Strengthening the Bank’s Department of Institutional Integrity and the sanctions process.*** The Department of Institutional Integrity should consider how to use its capacity not only to punish offenders but also to encourage both companies and civil society organizations interested in working with the Bank Group to take steps to remedy deficiencies and deter future violations. Some suggested that this should include suspending disbursements and short-term ineligibility for future contracts if there is strong reason to believe that funds have been diverted because of corruption.

10. ***Approach and content of the strategy.*** A number of suggestions were offered about the overall approach of the paper and where emphasis would be most appropriate.

- ***Why top-down?*** There was question of the wisdom of designing a strategy such as that outlined in the paper in a top-down fashion, noting the paper's statement that the objective is to fashion a "consistent approach, with differentiated applications." A better approach might be to examine the numerous approaches already in existence in this field and design a strategy that reflects the lessons of experience, particularly those lessons learned by those outside the Bank's sphere of operations. However, there also was clear recognition among those providing feedback that strong leadership is critical to foster better governance and resistance to corruption at all levels.
- ***Role of the Country Assistance Strategy.*** Several respondents emphasized the central role of the country assistance strategy. The Bank was urged to be more systematic in ensuring that the Bank Group strategies are developed through a process of broad consultation with civil society in addition to all branches of government. Support for international conventions supporting good governance and transparency should be factored into Bank strategies. Some suggested that strategies should build upon the framework laid out in the Global Monitoring Report 2006 by clearly indicating how accountability, effective provision of services and poverty alleviation are either enhanced or constrained by existing regulations and practices on transparency and freedoms of assembly, association, and expression.
- ***No new conditionality.*** There were several strong statements that the Bank Group should not impose new conditions related to governance and anticorruption on its loans. In particular, it would be wrong to impose more conditions on low-income countries at the same time that the Bank is proposing greater flexibility and less conditionality for middle-income countries. However, respondents also suggested that the Bank Group, like other donors, should agree with governments and other national actors on benchmarks that are developed in a transparent and publicly accountable manner. But the Bank also should be prepared to take action when necessary. Some respondents suggested that the Bank should be prepared to "cut back, isolate, and in certain cases, cut off" lending in situations where bad governance is the norm, and corruption is rampant.
- ***The motives behind corruption.*** There should be more of an examination in the paper of the motives behind corruption and what might be done to address more directly corruption at its roots, e.g., low (or late payment of) wages for civil servants or other policies and regulations. There should be greater specificity in the paper regarding these aspects and what the Bank Group can do to help governments mitigate corruption through better analysis and assistance in combating underlying incentives or 'drivers' of corrupt behavior.
- ***Defining governance and anticorruption.*** Some suggested that the paper should clearly identify the root causes of corruption and define them within the following categories: administrative corruption; small-scale and individual corruption; large-scale and structural corruption; international corruption; and private sector corruption. Since the perception of corruption defined by the Bank Group may not be acknowledged by the country's law, it is imperative to ensure that the public, including civil society organizations and law enforcement, clearly understand how the

Bank Group defines corruption and the importance of a clear definition of corruption in national law. Some commentators stated that it would be vital to conduct a thorough study on regional culture and perspectives on corruption behavior and that the strategy paper should give more attention to cultural situations and emphasize local context.

- ***Long-term perspective.*** The Bank Group should convey a clear message that success in anticorruption and governance reforms requires a long-term commitment. At the project level, some suggested that Bank-financed projects should be longer-term, to allow for the building of systems of accountability.
- ***Make language more user friendly for multiple audiences.*** Participants in one African country felt that the language employed for the strategy paper was much too technical. They questioned whether government officials and other interested parties who are not specialists will have the patience to read and decipher the "coded messages." Some felt the Bank Group is deliberately mystifying the strategy because of a hidden agenda; it would be helpful to provide other versions of the strategy or other ways of communicating that are more appropriate to different audiences.

11. ***Consultation process.*** Numerous commentators have urged the Bank Group to conduct a broader consultation process around this paper so that a wide range of stakeholders and partners globally and at country level have an opportunity to share their perspectives and experience. The consultation thus far was described by several groups as "rushed," noting that it was based on a broad outline of the paper. There are high expectations now among many external stakeholders that there will be a more structured and wider process of consultation once the Development Committee paper is made public, and many have asked for this to be made explicit in the paper. In order for consultation to be viewed as meaningful, commentators urge that an adequate time period be provided to organize discussions on the paper, in particular so that developing country stakeholders can contribute further; that the Bank Group invite feedback both on the strategy itself as well as on implementation issues and challenges; and that feedback received through this process be reflected either in a revised strategy or other follow-up paper(s) that will go to the Board and/or Development Committee for review at a future date.