

**STRENGTHENING WORLD BANK GROUP
ENGAGEMENT ON GOVERNANCE AND ANTICORRUPTION
CONSULTATION FEEDBACK**



BANGLADESH

(DECEMBER 9-11, 2006 AND JANUARY 15-16, 2007)

Participants:

Justice Sultan Hossain Khan, Chairman, ACC; Anisul Huq, Industrialist; Manzur Ahmed, BRAC University and Education Watch; Syed Moinul Ahsan, Bangladesh Bank; Abul Hossain (PPRC); Syed Kamaluddin, print media; A.N.Mahmood (BLAST); Iftekhar Ahmed (Bangladesh Enterprise Institute); Beata Czajkowska (BRAC Centre for Governance Studies); David Skully (BRAC Centre for Governance Studies); Shaheen Anam (NGO/civil society); Shahdeen Malik (BRAC University Law School); Moazzem Hossain, Editor, The Financial Express; Naomi Hossain (BRAC Centre for Governance); Arif H. Khan (Programme Manager, Governance); Peter Duncan Jones, AUSAID; Danish Ambassador; Hans-Peter Melby, Norwegian Embassy; Rae Fasumae, JICA; Zulfiker Ali, JICA; Ayshanie Labe, UNDP; Soren Laursen, UNDP; Fatema Hassan (CIDA); Peter Evans and David Gray (DFID); Sunsup Ra and Putu Kamanaya (ADB); Sara Werth (USAID); Nick Taylor (ED); Chinese Embassy; Mr. M. Hafizuddin Khan (former C&AG, now TIB), Mr. Nurun Nabi Chowdhury, Dr. Mashiur Rahman, Dr. Quazi Azher Ali (all former senior civil servants); Siddiqur Rahman Choudhury (Finance Secretary)

Note of clarification:

As anticipated in previous correspondence, the timing of the consultation process was not conducive to broad-based participation and feedback of stakeholders. Bangladesh was in a troubled pre-election period, under a caretaker administration. Some of the key interlocutors with whom we are supposed to be consulting are consumed by nothing but the electoral process during the period of the caretaker government - for instance, parliamentarians and Government representatives. The country was caught in a series of blockades called by the political opposition due to serious flaws in the election process. In light of the crisis in which Bangladesh found itself, many may have questioned the relevance of participating in a consultation process that was ultimately about the Bank's approach. Many of our interlocutors in the bureaucracy did not feel empowered to speak without an elected Government in place.

How did the process fit into ongoing country dialogue?

The Country Team carried out a number of consultations in preparing the Country Assistance Strategy for FY06-09, and the CAS reflects many aspects of the GAC strategy. Thus, while we indicated that some aspects of the GAC paper were new, we stressed that much of it simply documents the Bank's evolving approach, which is already reflected in the CAS and recent programming.

What were the key issues/themes raised by participants?

Politics and political corruption are at the core of the governance problems in the country and as a consequence:

- Partisan politics have penetrated all public institutions. Many state institutions are captured -- the bureaucracy/Public Services Commission, Electoral Commission, Judiciary/Supreme Court and Attorney General, Parliament -- and operate under political influence.
 - Most importantly, the institutions of accountability have themselves been politicized and made ineffective.
 - There is no space for democratic dialogue, no intra-party political competition and Parliament is neither a forum for dialogue nor policy making.
 - There is corruption at the very highest levels of Government. There is no will for changing a system in which the politicians are so heavily implicated and where there are so many vested interests.
- Possible entry points may have to come from the “demand side”, organizing civil society/ media, think tanks, more cohesively; involve NGOs in monitoring projects.
 - Local governance/decentralized decision-making is another possible entry point (to diffuse political power)
 - Two pronged approach for the Bank: (i) work more closely with civil society, strengthening their capacity and ability to take the Executive to task; (ii) engage constructively but firmly with government, focusing on a few areas such as procurement (since the macro-problems of governance are various and beyond the capacity of the Bank to confront in any comprehensive manner).

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • Lack of accountability in all sectors • Lack of government willingness to change the system
[Private sector]	<ul style="list-style-type: none"> • Corruption at the highest levels of Government, under the patronage of political leaders, and originating from “No. 1” • Business syndicates formed by corrupt business people • Political influence has made many government institutions dysfunctional
[Media]	<ul style="list-style-type: none"> • Lack of accountability and transparency • Impunity; a system where laws and regulations are only enforced arbitrarily on some and others are above the law
Academia/think tanks	<ul style="list-style-type: none"> • Poor information • Lack of accountability • State institutions captured by the two major political parties • Politicization of public life/institutions/state • Alienation of a population that is not demanding reform
2. Promising areas of governance and anticorruption reform and potential obstacles	
[Government] Ex Government	<p><i>Entry points</i></p> <ul style="list-style-type: none"> • Strengthen local government /decentralized decision making • Empowerment of citizens <ul style="list-style-type: none"> • Empowerment of citizens • Local government has to be made more powerful and accountable. • Instead of macro-level reforms, we also need to look at micro-reforms eg. Customs – many unnecessary forms

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	<p>from British times, each point one of rent seeking.</p> <ul style="list-style-type: none"> • Bank should engage in civil service training, working with institutions – supporting parliament, police, legal institutions. Many improvements do not have costs eg. Improvements in service delivery. • Civil servants need to be paid adequately. <p><i>Obstacles</i></p> <p>Just establishing institutions on paper is not enough e.g. Despite the ACC, corruption is increasing. The Government has to make very clear its willingness to tackle corruption. Strongly stressed that the fight against corruption is a “management” issue as opposed to a “judicial” process of prosecution.</p>
<p>[Representatives from Civil Society]</p>	<p><i>Entry points</i></p> <ul style="list-style-type: none"> • Strengthening civil society and oversight institutions such as parliament, the Election Commission, Anti-Corruption Commissions • Civil service reform • Media and community engagement • Ratification of the UN Convention against Corruption <p><i>Obstacles:</i></p> <ul style="list-style-type: none"> • Corrupt and politicized bureaucracy • Lack of political will to initiate reforms • Political interference • Criminalization of the political system • Absence of a “pro-poor” attitude of leaders and politicians
<p>[Private sector]</p>	<p>Entry points</p> <ul style="list-style-type: none"> • Strengthening public institutions, local government, NGOs, civil society

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • Community and NGO monitoring <p>Obstacles</p> <ul style="list-style-type: none"> • Top government officials, politicians and bureaucrats are involved in corruption: a sense of pervasive corruption, against which it is difficult for the individual to take a stand • Influential business people are involved in corruption
[Media]	<p>Obstacles</p> <ul style="list-style-type: none"> • Lack of accountability and transparency <p>Entry points</p> <ul style="list-style-type: none"> • Strengthen local government institutions
[Academic/think tanks]	<p>Obstacles</p> <ul style="list-style-type: none"> • Absence of political will, in so far as the present system benefits those in power. • Political rot is the foundation of corruption; as long as elites are comfortable with corruption, things are unlikely to change. • Politicized and corrupt bureaucracy <p>Entry points</p> <ul style="list-style-type: none"> • Sectoral strategy for improved governance involving government and civil society. • Procurement, training • Major political pressure and massive funding, together with the threat of withdrawing from Bangladesh entirely
[Donors]	<p>Obstacles</p> <p>Corrupt political system, politicized bureaucracy</p> <p>Entry Points</p> <ul style="list-style-type: none"> • Local governance and participation.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • Need to utilize golden opportunity of a new government. • Civil service reform
3. How the Bank should engage where governance is weak, and circumstances under which to disengage	
Government	<ul style="list-style-type: none"> • Concerned about a threat that lending will be stopped if corruption is not reduced, as the Bank ends up punishing the poor. The Bank is still a development agency, and its concerns must be those which affect development results. • Government must show a clear and demonstrated willingness to punish corrupt people, not just play lip service. Need both a short term and long term approach. • The Bank needs to provide positive incentives to Government, and reward clear signs of progress, not just lip service, or the implementation of a consultant's report or the establishment of a single institution (which are seen as ends in themselves).
Former Government officials	<ul style="list-style-type: none"> • The Bank needs to convey strong/ harsh messages, otherwise we send the wrong signal to Government, and are perceived as a collaborator in corruption by others. • However, the Bank needs to engage because pulling out is a hindrance to economic development. The World Bank should continue lending (poverty will increase if lending stops), but we need to develop a multi-pronged approach to combating corruption. Need to undertake an assessment of fiduciary risk and consider whether a project is worthy or not, considering social and political aspects. • Need to sell good governance by appealing to the self-interest of parties, not to morality/the public good. • Need to indicate clearly and publicly that the Bank wants politicization of key institutions to end: judiciary, Public Service Commission, Election Commission. The system of appointments has been corrupted and totally politicized, at the discretion of the political class. • The decline in elitism in the civil service has coincided with politicization of its ranks, the end of a meritocracy and a decline in its caliber. The civil service has moved from a more homogenous system in terms of social values, to a heterogenous composition, drawn from all walks of life. Accompanying the decline in elitism, the service has been spoilt, senior officers are openly involved in corruption, secretaries are constantly changed. Donors must insist on the revival of the meritocracy.

Respondent Type	Consultation Reply
Civil society	<ul style="list-style-type: none"> • Support those institutions that can potentially reduce corruption. • Impose “sanctions”. • Should put pressure through WB projects, and make the findings of corruption in projects public. • Focus on poor governance and corruption issues in the public sector. • Help improve recruitment procedures of the PSC to ensure merit-based recruitment, placement and promotion. • Strengthen oversight institutions • Strengthen civil society • Make the ACC independent • Reduce anomalies in the public procurement rules • Enhance the salary scale of government officials
Private sector	<ul style="list-style-type: none"> • Bank should assist in the amendment of laws necessary to make Anti Corruption Commission functional • Bank should consult various sectors and identify specific governance issues which it should analyze and report upon. • Impose conditions on lending (e.g. make the ACC independent)
Media	<ul style="list-style-type: none"> • Need consistency of effort • Concentrate on a few things and put resources into these efforts
Academia/ think tanks	<ul style="list-style-type: none"> • Engage constructively yet firmly with Government of Bangladesh; heavy conditionality with the threat of assistance being pulled out in terms of projects with Government • Work more directly with non-government stakeholders • Focus on issues where the Bank has a clear/direct interest • Focus on politics and the bureaucracy
Donors	<ul style="list-style-type: none"> • Many countries are increasing aid flows, with serious pressures to disburse, but these leaves open the question of what we do we do in countries with recalcitrant systems. There are major problems in the sector programs – specifically the health and education SWAPS -- and a commonly held view that we need to decrease aid flows.

Respondent Type	Consultation Reply
	<p>Nevertheless, there is a lot of money to be spent, and a lot of pressure to disburse.</p> <ul style="list-style-type: none"> • Need homegrown, rather than “carrot and stick” approaches. If you do not risk much, you do not get much either. There is a trade-off. • Search for the strategic entry points and catalytic reforms.
5. How to strengthen the Bank’s work with champions of reform outside the executive branch of government – parliament, judiciary, civil society, media and the private sector	
<p>Government</p> <p>Ex Government officials</p>	<ul style="list-style-type: none"> • Bank must work to effectively empower citizens and civil society organizations. Demand for anti-corruption needs to come from the bottom. Past attempts have addressed corruption from the top (establishing national commissions etc). The demand will never come unless you empower citizens. Once a person has a mobile, it makes him/her infinitely more powerful, in so far as he/she has access to various channels of accountability. • Must listen more to local stakeholders • Exploit the explosion of media – while its quality has declined, it reports everything of public concern. However, it does not know how to properly investigate. The World Bank should support reforms such as the TIB campaign to train journalists in how to undertake investigative journalism. • CDD projects should be endorsed, especially in the infrastructure area. • Engage local level stakeholders, as has been done in the past. In the East Pakistan era, many of the principles of local level involvement in decision-making were used. Accounts were open to viewing, booklets were printed for beneficiaries. (e.g. Rural Development Committee in Comilla)
<p>Civil society</p>	<ul style="list-style-type: none"> • Bank must “rehabilitate” its image amongst civil society, as there is a great suspicion of the Bank and a common belief that it is heavy-handed in its prescriptions for Bangladesh. • Greater consultation with all stakeholders. • Focus on the empowerment of women as there is an interrelation between gender and governance. • Engage and support youth to undertake good governance and anti corruption initiatives.

Respondent Type	Consultation Reply
Private sector	Greater consultation with all stakeholders
Media	<ul style="list-style-type: none"> • Greater consistency and transparency with regards the Bank’s approach to governance and corruption in projects • Greater media engagement necessary
Academia/ think tanks	Work more directly with non-government stakeholders in all aspects of project work.
Donors	<ul style="list-style-type: none"> • The findings of key assessments of government systems (e.g. PEFA assessment) should be made known publicly if there is to be an effective civil society role in galvanizing reform. • Perhaps we could think about working with international NGOs on relevant areas - encourage governments, companies, international organizations, and other interested parties to work together to develop a framework to promote transparency and the anti-corruption agenda.
6. How to mitigate fiduciary risk in Bank operations?	
Government Ex Government	<ul style="list-style-type: none"> • The Bank needs to convey strong/ harsh messages, otherwise we send the wrong signals to Government, and are perceived as a collaborator in corruption by others. • Stakeholders are directly suffering, not the heads of civil society organizations in Dhaka. They need education about their rights and privileges. • How far has the procurement law been implemented? The Bank’s representatives/consultants need to be involved in major purchases, at least in relation to its own projects. • Civil society engagement in ensuring accountability is a big check on corruption.
Civil society	<ul style="list-style-type: none"> • Be consistent and transparent where the Bank finds corruption in its projects: make findings public. • Should put pressure on the country level governance agenda through exposure of corruption on WB projects
Private sector	<ul style="list-style-type: none"> • Extensive monitoring of projects. • Address media on a regular basis, Government needs to be cautioned frequently.

Respondent Type	Consultation Reply
Media	Transparency and consistency
Donors	<ul style="list-style-type: none"> • Mandate to use country systems comes from the Paris Declaration, but fiduciary risk arises in countries with high corruption. • By using country systems, do we get value for taxpayers' money? Many reports and assessments that say we are wrong.
7. The Bank's role vis-à-vis other donors in supporting governance reform	
Donors	<ul style="list-style-type: none"> • Donors need to speak with the same voice. Joint approach and analysis needed • Currently, there is no political will in many areas, need to find it for engagement. • Need to observe the ground reality. We work with what we term "civil society", which are Dhaka elites, while real people suffer on the ground. Trying to short-circuit a direct relationship. What kind of investment is this? • Hope that we can be more coherent in our dialogue with Government, informed by political economy analysis.
8. How to monitor progress in governance and anticorruption at the country level	
Civil society	<ul style="list-style-type: none"> • Tracking change is one area where the Bank has the expertise, and should work with each country about the indicators against which they will be measured. These indicators should be customized, keeping in mind the need to have comparability. • There should be some indicators built in, but those indicators cannot be generic and you have to give lot of thought into designing those indicators. One, make it participatory in terms of setting the parameters, deciding on the indicators, mechanisms and methodology and involve the stakeholders in this process. And secondly, whatever results you get, share these, see what you have got, how are going to use it, what does it tell you and then go on to the next step. At least in social sectors these are very important, and can be applied to other sectors too.
Academia/Think tanks	<ul style="list-style-type: none"> • Most people are looking for a simple formula when they talk about indicators. That is fine for specific issues but not for the full range of governance matters. It is very difficult to develop good indicators of governance. It would make sense to develop a kind of index of indicators for which data are already regularly collected within

Respondent Type	Consultation Reply
	<p>Bangladesh, and supplement that with qualitative but objective indicators.</p> <ul style="list-style-type: none"> • To monitor progress on the ‘core’ governance institutions and processes, it may be possible to develop objective qualitative indicators that cover Bangladesh-specific concerns e.g. to do with politicization. • The best way of ensuring accuracy and avoiding in-built and enduring bias is to use as many sources with as many different kinds of indicators as possible. It should not be necessary to rely exclusively on perceptions surveys, which are difficult to do well. • Develop a smaller set of process indicators or markers to help to identify processes and directions of change on the institutions/ processes which are litmus tests. This would probably give you more useable information in preference to using static scores – although not enable cross-country comparison. (e.g. It was only clear once we added up a number of smaller incidents and emergent tendencies over a period of 3-4 years that the Supreme Court was becoming weaker – up until the whole caretaker government incident erupted and showed the clear deterioration. Of course by that time there was no need to issue early warning signals – it was too late.) • There are data gaps that could usefully be filled to track progress on dimensions of governance that affect poor and vulnerable groups eg experiences of crime and violence, security of property/tenure etc.
9. Areas for improvement in GAC strategy and country-level support	
	<p>Across all stakeholder groups, the approach of the GAC strategy was well received with the exception of the prospect of the withdrawing assistance. Also see below at #10.</p>
Donors	<ul style="list-style-type: none"> • In the World Bank paper, key aspects of the problem of corruption are raised and solutions are touched upon, but they are not addressed systematically. For example, mention is made of the need to “incentivise” governments and the example of the large political incentive to prospective new EU member states was cited. How can such a powerful and apparently successful lesson be applied? Would a possibility be to base such incentives on trade (i.e. with regard to obtaining preferences), since this is so manifestly more important than aid, particularly in the Asian context. As the former Finance Minister said quite regularly, “aid does not matter to Bangladesh”. • The fundamental centrality of civil service reform is illustrated in Annex C, but only briefly alluded to elsewhere. Is it just too difficult to talk about when governments do not already have a clear commitment to it? Surely, if it is so fundamental, then we cannot avoid it? • The analysis of causes over time, types of corruption and suitable remedies based on such an analysis is not treated

Respondent Type	Consultation Reply
	systematically.
10. Other key issues	
Academia/ think tanks	The ultimate risk for the Bank in the GAC strategy is that its crusader tone will lead to it being displaced as a lender. The Bank is not the only player as in the post-WWII reconstruction period. China is displacing the Bank and the Fund in sub-Saharan Africa. It has a lot of money and will not ask these questions. It becomes the lower cost lender and displaces the Bank activity. So if you make it too onerous, the Bank gets pushed out of the market, and governance does not necessarily show up on their agenda. Therefore the Bank should not overreach. While the overall agenda is well received, if the Bank goes into the institutional problems and address it as aggressively as it is spelled out in the GAC, you will face problems.
Donors	The above point was made in a less forceful manner.