

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



CAMBODIA

(JANUARY 11-12, 2007)

Participants: See attached list

How did the process fit into ongoing country dialogue?

In Cambodia we have a very active on-going dialogue on governance and anti-corruption issues. The Government's Rectangular Strategy (RS) puts governance at its heart and the Bank's Country Assistance Strategy (CAS) that was endorsed by the Board of Directors in May 2005, and which was designed to support the implementation of the RS, also puts governance at its heart. The CAS was designed after extensive consultations with a broad range of stakeholders who all identified governance and corruption as the main challenges in Cambodia's development. We have been tackling these challenges through a program designed to support public financial management; private sector development; natural resources management; and decentralization and social accountability. An innovative part of the CAS is also to help strengthen the demand for good governance in Cambodia by working with a broad range of stakeholders.

What were the key issues/themes raised by participants?

1. The World Bank is to be congratulated in formulating this global Governance and Anti-corruption (GAC) strategy. It has also done well in taking the lead on these issues in Cambodia in the last two years, but it needs to persist and see follow through.
2. The Bank needs to stay engaged even in countries with weak governance (in most cases) since these countries are also often the poorest countries and the Bank will not be able to fulfill its mandate of poverty reduction without engaging in the more challenging countries.
3. The Bank's mandate should remain poverty reduction—improving governance and fighting corruption should be the means to an end, not an end in itself.
4. The Bank needs to treat all client countries equally and with respect. This applies especially to the Bank's Department of Institutional Integrity (INT). The INT review should involve public consultations to seek inputs, like those being held for the GAC strategy.
5. The strategy presents a two-pillar approach for fighting corruption—prevention and enforcement. A third, even more important pillar, is one of education and awareness-raising in the general population. This should be the first and most important pillar of the strategy because without that, the strategy will not be effective.
6. The approach of using “sticks” should be complemented with using “carrots”: donors need to create incentives for honesty and commitment to good governance. The Bank's approach with the

Government should be constructive to be productive. The approach should not be confrontational and should avoid a deadlock in dialogue.

7. The Bank has worked well on the supply side, and should continue to play a strong role in that. But it now needs to work with a much broader range of stakeholders—the private sector, civil society, donors, parliamentarians, media, and reformers within government-- to create a stronger demand for good governance.
8. Sub-national level government is a good entry point for the Bank to promote governance reform and promote the idea of social accountability. The Bank should create an environment where resources are linked to progress on governance at the sub-national level. By building institutions at the local level, citizens are then trained to demand better from their elected leaders. The Bank should continue to support the process of decentralization and deconcentration in Cambodia and elsewhere.
9. Working with women also provides a strong entry point for better governance. The Bank should work with women to help them create and support organizations of women at local levels that come together to demand greater focus on women's and children's issues.
10. A third important area of focus is civil service reform. The Bank should support and advocate for civil service reform in countries with weak governance. Corruption starts in the public sector, normally because civil servants are not adequately compensated.
11. The Bank's approach to governance and anti-corruption should be practical and not excessive. The new measures to protect the Bank's portfolio should not be too costly or burdensome. Corruption cannot be eliminated overnight and the Bank needs to have patience to deal with this issue. Also, the Bank needs to work with other donors to harmonize its procedures with others.
12. The Bank needs to work with multinationals, especially in the extractive industries sector.
13. The Bank should set clear standards in defining and measuring governments' commitment to good governance and anti-corruption and to monitoring progress in this area. Without these clear criteria, it will be seen to be subjective and that will undermine the Bank's credibility in its governance and anti-corruption (GAC) agenda.
14. All key stakeholders--government, civil society, donors and private sector--are willing to work closely with the Bank to support its GAC strategy. Civil society organizations could play an important role in education, prevention, and investigation of corruption. Donors should move in a multi-donor fashion in encouraging governments to have better commitments to governance and the fight against corruption. The private sector can share their experience of corruption, as they are direct victims of it.

Respondent Type	Consultation Reply
1. Top governance challenges in country	
Civil Society Representatives	<ul style="list-style-type: none"> • Neutrality of the bureaucracy vis-à-vis the political parties is an important factor in creating a professional and honest civil service. The Bank and donors should support civil service reform since it links directly with governance and corruption. • In a country where there is high state capture and administrative corruption, focusing on the demand side is important because the government is not doing its job. A lot of political rhetoric on governance reform is not translating into real action on the ground. The Bank should play a stronger role in changing the political will, which is the key for better governance and less corruption. The Bank has worked well on the supply side, but now needs to work more with private sector, civil society, donors, and reformers within government to create a stronger demand for good governance. • Cambodia needs reform its electoral system to make a dent on governance. Currently, the people elect political parties who in turn appoint member of parliaments from their party list. There is no clear link between parliamentarians and their constituencies. Parliamentarians are more loyal to their party leaders than the people they are supposed to represent. Donors need to support electoral reform in Cambodia.
Private Sector	<ul style="list-style-type: none"> • The private sector was very encouraged when the Bank took firm action on corruption in its projects in Cambodia. Before that, they have given up hope that anyone in this country cared enough to take any action against corruption and that corruption would ever decline in this country. The World Bank has done well in Cambodia in the last two years on this agenda, but it needs to persist and see follow through. • Oil reserves in the waters of Cambodia have been discovered. In order to really benefit the people, there must be transparency in the use of the potential oil revenues. The Bank and donors should advocate for the adoption of an oversight mechanism such as EITI and there must be public knowledge in the use and allocation of these revenues.
2. Promising areas of governance and anticorruption reform and potential obstacles	

Respondent Type	Consultation Reply
Civil Society Representatives	<ul style="list-style-type: none"> • Civil society representatives congratulated the Bank for formulating the strategy and for its leadership in the fight against corruption. The Bank was now seen as the leader amongst all donors in the effort to improve governance and fight corruption; other donors were now seen to be scrambling to catch up with the Bank. • Another challenge in promoting good governance is in creating effective complaint mechanisms. The Bank should support effort to establish a system where an ordinary citizen could report on corrupt acts and law enforcement agencies will follow-up. This mechanism should be independent and free of influence from the ruling party. • Sub-national level government is a good entry point for the Bank to promote governance reform. The Bank should create an environment where sub-national level governments compete for resources. The Bank should link these resources to commitment on governance. • Many community-driven development programs, like the Bank-supported SEILA program in Cambodia, promote the idea of social accountability. There is clear accountability on the resources and an effective complaint mechanism is also put in place at the commune (village) level. This idea should be further supported. • Working with women also provides a strong entry-point for better governance. The Bank should work with women to help them create and support organizations of women at local levels that come together to demand greater focus on women's and children's issues • The Bank should support the government in disseminating information to the public regarding new laws. Currently the effort done by the government is not effective. • The Bank should assist the government in strengthening and improving tax collection. There is a very small tax base in Cambodia. When people pay taxes, they will demand more from their government. This includes demanding for better governance.

Respondent Type	Consultation Reply
Donor Community	<ul style="list-style-type: none"> • Donors welcomed the support for decentralization in the GAC strategy. Cambodia’s SEILA Project, a community-driven development initiative, is one example where communities are empowered to have stronger ownership of development initiatives and at the same time play an oversight role in ensuring its success. By building institutions at the local level, citizens are then trained to demand better from their elected leaders. The Bank should continue to support the process of decentralization and deconcentration in Cambodia and elsewhere, though it was important to be cautious and not decentralize corruption. There is a need to build anti-corruption measures of greater transparency and participation at local levels to prevent corruption from being decentralized. • The Bank should encourage governments to adopt competitive bidding in development projects that are not financed by the Bank. Governments need to be exposed to best practices in the procurement of goods and services. • There is also corruption in public services and the poor bear the brunt of the cost. They would have to pay more than the official rate to receive public services. The Bank and other donors need to look at this side of corruption because the poor are directly affected. The poor are entitled to access to public services. • The Bank needs to work with multi-national companies, especially in the mining and mineral exploration sector. This will be extremely important in the context of Cambodia given its recent discovery of oil and gas and other mineral wealth. • The Bank should support and advocate for civil service reform in countries with weak governance. Corruption starts in the public sector, normally because civil servants are not adequately compensated.
Private Sector	<ul style="list-style-type: none"> • In promoting good governance, there must be a clear political will from the top leadership in a country. The Bank and donors should play a role in persuading governments to have this political will. • The Bank should advocate for more transparency and openness. The private sector would benefit from more transparency and certainty. When private sector thrives, poverty falls. • Corruption is sometimes based on a hierarchy of political patronage. Dismantling it requires political will from the top and it will be difficult to do. There is vested interest to keep to the status quo. The Bank should analyze the politics before putting an effective governance and anti-corruption strategy in place.
3. How the Bank should engage where governance is weak, and circumstances under which to disengage	

Respondent Type	Consultation Reply
Government	<ul style="list-style-type: none"> • The Government congratulated the Bank on this strategy but emphasized that the strategy must be used to help rather than hurt developing countries. The Government also emphasized that it would be important to highlight the spirit of partnership and prevention rather than punishment in the strategy. • In order to make government agencies accountable, we have to adopt a result-based approach. The Bank tends to focus on the process and not on the result. If a country is progressing well from a development perspective, that should be taken into full consideration when looking at the country's commitment to governance and anti-corruption (GAC). • Corruption cannot be eradicated overnight. The Bank should change its approach in publicly punishing governments on grounds of corruption. The dignity of every sovereign state as owners of the World Bank must be maintained and respected. The loss of reputation of a country should not be the end result in the Bank's fight against corruption. • Since the Bank's level of engagement will be tied to commitment on governance, in a country where governance is still a challenge, the poor will be deprived of their rights to a better life. By reducing its engagement, there will be less development and growth will be stalled. There is an error in the basic philosophy of the strategy. The Bank needs to stay engaged in countries with weak governance and high corruption but to tailor their strategy of engagement for such countries. For example, the Bank could choose to work in sectors that are responsive. • The Bank should assist the government in facing the governance challenges. Disengaging with them will be counterproductive and will only close the door for all potential policy dialogue. In the end, the poor will bear the brunt because governance will only deteriorate further and go on a downwards spiral.
Civil Society Representatives	<p>The Bank should not disengage completely with countries with weak governance. This will undermine the possibility of dialogue for change with the government. It will do further harm on the prospects of governance in that country and the people that you are trying to help, the poor, will eventually suffer. The Bank needs to stay engaged and find the right strategy for creating the political will for reforms.</p>

Respondent Type	Consultation Reply
Donor Community	<ul style="list-style-type: none"> • The World Bank should not say that it will disengage with countries with no commitment to governance and anti-corruption. It will lose its leverage in countries where governance is a challenge. Cutting off aid should not be an easy decision, although that option should be kept open. Things have to be very dire before deciding to suspend. If the Bank walks away, it is allowing the enemies of reform to take over. The Bank needs to think of <i>how</i> to engage in countries with weak governance, not <i>whether</i>. • The Bank and other donors should not punish the poor who happen to live in countries with weak governance, there is still merit in staying engaged in difficult contexts. There is a tendency to try to solve governance problems by reducing aid. The approach of using “sticks” should be complemented with using “carrots”: donors need to create incentives for honesty and commitment to good governance. This is the only way governance issues could be addressed because disengaging with governments would mean losing leverage and a seat at the table.
Private Sector	<ul style="list-style-type: none"> • The Bank should not disengage with countries where governments’ commitment to good governance is low. The Bank should seek all avenues to engage and promote governance reform. By disengaging, countries will go further away from the path of reform. • The Bank should publicly voice itself more if it disagrees with the government and should not be seen as a partner in crime, especially on governance and corruption issues. The Bank should also help expose policies that promote bad governance. • If governments do not take punitive actions in corruption cases, it will create a culture of impunity. The Bank should voice its concerns when punitive actions are not taken. The Bank needs to follow up with the Government to find out the results of the Government’s investigations into corruption in its projects. If no measures are taken against the wrong-doers, this will only reinforce the culture of impunity that exists in Cambodia • The Bank’s approach with the government should be constructive to be productive. The approach should not be confrontational. This would avoid a deadlock in dialogue.
4. How to ensure fair and consistent treatment across countries	

Respondent Type	Consultation Reply
Government	<ul style="list-style-type: none"> • If the Bank is serious in fighting corruption, the effort should be done in partnership with the government. There is mutual responsibility in facing a corruption case and governments should be put on an equal footing in resolving it. The Bank should not dictate to its member countries as it will be seen as a new form of financial colonialism. • Indications of corruption should be dealt with from the very beginning. In Bank-financed projects, oftentimes problems and indication of corruption are identified near the end of the project cycle. This does not provide opportunities to correct the problem in a timely manner to take corrective actions early on. • The customized approach in fighting corruption, the proposed “not one-size fits all” policy, leaves a lot of discretion to the Bank to decide and judge a country’s level of commitment to good governance and fighting corruption. There will be a lot of subjectivity and the measurement stick is unclear. In deciding these three categories, the Bank should not overlook the fact that these countries are its members and owners. Governance and corruption is not black and white, the Bank should not deprive its member countries and owners of its rights because of its subjectivity. There need to be very clear criteria for deciding which category a country belongs to. It is not clear how the Bank can measure the political will to reform or the performance of the Government. The Bank needs to come up with a good methodology and very clear and transparent guidelines on the approach. • In defining good governance, the Bank should take each country context into consideration. In defining this, the Bank should work together and in partnership with the country. The Bank should not impose its definition unilaterally to each country as this will only support the perception that the partner country is not on equal footing. • In handing down sanctions, the Bank’s Department of Institutional Integrity (INT) should be consistent across countries. A lot of times, the approach varies from country to country. The amount of information disclosed to the public in one country also differs from one country to another. The INT should review its approach through public consultations worldwide such as these, including inputs from developing country governments.
Donor Community	<p>The Bank’s Department of Institutional Integrity (INT) should consider all clients as equals. The INT often discloses little information in one country and more in others. Clear standards need to be adopted for information disclosure and other operating protocols by INT and applied equally and consistently across all countries.</p>

Respondent Type	Consultation Reply
Private Sector	<ul style="list-style-type: none"> • The Bank should set clear standards in defining governments’ commitment to good governance and anti-corruption. Without these clear criteria, it will be subjective and will undermine the Bank’s credibility in its governance and anti-corruption (GAC) agenda. • The GAC message needs to be specific. It needs to outline which areas in governance and corruption need to be addressed.
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	
Government	<ul style="list-style-type: none"> • In empowering the media and civil society organizations to conduct oversight, it is unclear to what extent the Bank will vouch for the credibility of each institution or media outlets. The criteria are unclear. Governments are put in place by the people through democratic means. Activist in NGOs are never elected to office, yet they provide oversight to governments. The Bank needs to work with responsible and accountable institutions. • When engaging with civil society groups, the Bank should exercise caution. Some groups are politically motivated. Relationship with the government should still be the primary focus of the Bank because, after all, they are democratically elected. CSOs are self-appointed. • The GAC Strategy should not use jargon like “champions of reform” and “build coalition for change”. “Champions of reform” implies that the government is divided and not monolithic. The World Bank should support reforms and not just individual reformers. “Build coalition for change” could be misconstrued that the Bank is only willing to work with opposition groups to push for change and undermine the government, or it could even imply that the Bank is pushing for regime change. The Bank should understand the political sensitivities these terms create.

Respondent Type	Consultation Reply
Donor Community	<ul style="list-style-type: none"> • In order to be sustainable, more efforts need to be made in building capacity of independent oversight institutions within a country. The broad and comprehensive oversight of these institutions is important. The Bank normally works only with the executive branch. This thinking needs to shift by also supporting independent oversight institutions outside the executive branch, like parliaments, independent audit agencies, the judiciary, or anti-corruption commissions. • Donors welcomed the cautionary note against regarding relying too heavily on anti-corruption agencies. It was noted that such agencies can only work well when the judiciary is strong. In developing countries, by contrast, the judiciary is normally very weak. Even when there are strong laws, the enforcement aspect is difficult because of that weak judiciary. The Bank and other donors should work together to support judicial reform and building institutions within the judiciary. Donors also felt that it was important to have a strong anti-corruption law; a bad law will only make things worse.
Private Sector	<ul style="list-style-type: none"> • The idea of the Bank only working with governments should be revisited. The Bank should also work with non-government actors to push for change. • Small and medium-size enterprises (SMEs) are oftentimes victims of corruption. Large multi-national corporations are immune because they have diplomatic backings. The Bank and the IFC should play a role in amplifying the voice of local SMEs and help convey their concerns to the government. • The Bank and the IFC should engage more regularly with the private sector and, particularly, with SMEs in discussing the governance challenge they face every day. The IFC should work with the Chamber of Commerce to build capacity for demanding better governance. • The IFC should partner with the private sector in promoting zero tolerance to corruption. The mentality needs to change and governments need to understand that they need businesses to generate employment. • The private sector is very willing to work with the World Bank Group on this agenda for improving governance and fighting corruption. They are willing to devote their time to provide inputs into improving and implementing this strategy. After all, they are the victims of bad governance and high corruption. The World Bank should consult with them more and seek their input more actively.
6. How to mitigate fiduciary risk in Bank operations?	

Respondent Type	Consultation Reply
Government	<ul style="list-style-type: none"> • The setting up of an additional parallel mechanism in oversight or using independent procurement agents will only add to the transaction cost. This starts with the premise that all government agencies are inept and corrupt. This also goes against the spirit of building capacity within the government. Already a huge proportion of loans go to paying salary of consultants, this additional mechanism will only be of further financial burden to the country. • The Bank’s approach in governance and anti-corruption should be practical and not excessive. It should not be counter-productive to the development agenda. Imposing conditionalities that are difficult to implement will distract the country’s attention and resources from the larger development challenges. • Based on the principles of the Paris Declaration, the Bank should make extra efforts to build capacity within the government. Weaknesses in implementation are because of lack of capacity within the public sector. Capacity building is a sustainable solution and the only way to invest for the longer term. There is an impression that the Bank is more willing to engage and build capacity of the Civil Society Sector rather than the government. This should not be the case and the Bank needs to help build capacity in both.
Donor Community	<ul style="list-style-type: none"> • The new measures in governance and anti-corruption should not be costly or burdensome. The measures should be practical on the ground. • Project implementation units (PIUs) which are created to ring-fence donor-financed projects and minimize leakages, typically end up doing the opposite since they evade normal scrutiny within a ministry. In line with the commitments of the Paris Declaration, donors should mainstream their activities and avoid working through PIUs.
Private Sector	The Bank should go beyond its website in exposing corruption. It should go all out in informing the mass media when sanctions are passed. This will create a deterring effect to corruption.
7. The Bank’s role vis-à-vis other donors in supporting governance reform	
Government	Based on the principles of the Paris Declaration, the Bank should work with other donors on its governance and anti-corruption strategy. This does not mean, however, that all donors should be expected to adopt the Bank’s strategy. The Bank needs to learn to compromise and not expect everyone to follow it.
Civil Society Representatives	<ul style="list-style-type: none"> • The Bank and donors should support civil society organizations in pushing the governance reform agenda. CSOs could play an important role in education, prevention, and investigation of corruption. • The role of a free press in oversight is extremely important. The Bank and donors should help build capacity within the media, namely technical skills for investigative journalism.

Respondent Type	Consultation Reply
Donor Community	<ul style="list-style-type: none"> • Governance assessments should be a joint exercise. The Bank should work together with other donors in conducting country governance assessments in order to avoid duplication of efforts and wasting of resources. DFID is starting a governance assessment in Cambodia and invited all other donors to join in to make it a joint, multi-donor assessment. • Donors should move in a multi-donor fashion in encouraging governments to have better commitments to governance and the fight against corruption. When donors get together and carry the same message, it will have more leverage. When there is no coordinated and consistent approach, it will lead to confusion and be prone to manipulation.
8. How to monitor progress in governance and anticorruption at the country level	
Civil Society Representatives	The GAC strategy relied on two pillars: prevention and enforcement. However, a third critical pillar of education and awareness-raising was missing. Education should be an important pillar in promoting good governance. Awareness needs to be raised around these issues in government, civil society, and the private sector. Although punitive action is needed to fight corruption, prevention is just as important and education provides a strong pillar for this. The Bank and donors should support a broad effort to mainstream this in the education sector, working alongside civil society, government, and the private sector.
Donor Community	The Bank should work on a reliable system to track governance and corruption. The Transparency International (TI) Index is one tool, but it is too perceptions-based and does not adequately measure changes. A rating system that is based more on facts as opposed to perceptions is really needed. There needs to be a more reliable measuring system. And the Bank's decision to engage or disengage with a country should be based on facts and clear measurements, not subjectivity. Measures are needed that will capture progress over time <i>within a country</i> , not relative to other countries.
Private Sector	The GAC agenda is a long-term agenda and there will be many battles to fight. The Bank should advertise success stories along the way to give people hope.
9. Areas for improvement in GAC strategy and country-level support	

Respondent Type	Consultation Reply
Government	<ul style="list-style-type: none"> • The strategy also gives the impression that the Bank could never do anything wrong—that any wrongdoing is committed by governments or companies involved in projects. The strategy should also address oversight within the Bank itself. • The Bank’s assistance should focus on the sectors that matter and have direct correlation with poverty reduction. If too many resources are allocated for governance and anti-corruption, that will only mean less roads, clinics, and schools for the poor. The Bank’s governance and anti-corruption agenda should not overshadow its development work. • The term “joint sanctions” in the GAC Strategy is unclear and it also poses a question on how this will actually be implemented.
Civil Society Representatives	<ul style="list-style-type: none"> • Focusing on the demand side of good governance is tricky in a country where education levels are very low. The majority of the population is not aware of their rights. They also do not realize that the government has an obligation to serve its people. There is a strong incentive to maintain this status quo, to keep people in the dark. Bad governance and corruption flourish in this kind of environment. Educating the people is a key factor in this. • Even demand side mechanisms of good governance can be captured by the State. It is important to have strong checks and balances to ensure that these mechanisms are not captured and utilized for political purposes.
Donor Community	<ul style="list-style-type: none"> • The Bank should support linking governance and anti-corruption work to education. It all starts with education: in order to bring about cultural change on this issue, the younger generations need to have a better understanding about good governance. • The strategy should focus more on prevention than on sanctions. Prevention can be enhanced by a range of measures including greater transparency and disclosure.

Respondent Type	Consultation Reply
Private Sector	<ul style="list-style-type: none"> • Education and awareness campaign is important in making the population aware about governance. That way they could demand more from their government. In developing countries, there is also the culture of corruption that needs to be broken and education could play a part. The Bank needs to allocate resources for education on good governance. Education on good governance should be as strong as education on HIV/AIDS Awareness Campaign. Change is more likely to come from the younger generation in which investments need to be made. • The Bank should help define the term governance and create public awareness around the theme. The public are oftentimes unaware of the concept and what it means to them. Educating the public is important. • The Bank needs to help build capacity within the government. Private enterprise does this automatically because they need to compete in the market. Governments need to be exposed to international best practice. The Bank and the IFC needs to invest in building the capacity for change in the country.
10. Other key issues	
Government	<ul style="list-style-type: none"> • The World Bank needs to focus on the root cause of corruption: poverty. There is a causal relationship between poverty and corruption. Poverty breeds corruption. The Bank's anti-corruption effort should not make it deviate from its core mandate: poverty reduction. The Bank should stick to this mission statement and focus on it. • This governance and anti-corruption initiative is too ambitious in scope. There is an impression that governance and anti-corruption is an end in itself, instead of a means to an end. The implementation of this agenda will be difficult and costly. The strategy is unclear in identifying who will do what and who will be responsible of what and who will bear the cost of what. These need to be clarified. • Cambodia has been growing at around 7-8% per annum on average in the past 10 years, yet its ranking on governance ratings is low. While the Bank is making the case that good governance and growth are interlinked, this seems to go against the Cambodia story. Two possible explanations here: the theory must be flawed or the ratings are baseless.
Donor Community	<p>The Bank's staffing profile globally and in Cambodia should support its governance and anti-corruption agenda. Currently, it does not have sufficient expertise on anti-corruption and governance. So far, there are not many staff working in this area. The Bank should have decentralized, country-based teams working on governance. These skills on the ground are needed in order to effectively implement the GAC strategy.</p>