

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



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(DECEMBER 7-8, 2006)

Participants: See attached list

How did the process fit into ongoing country dialogue?

Consultations were organized in close coordination with high level counterparts in the Government and included participation of a broad group of stakeholders. Consultations were led by the CMU Director as part of the high level dialogue between the Bank and the Government. They were also held in the context of ongoing and planned activities supporting the Governance and Institutional agenda and touched on issues currently discussed under such activities.

The consultation exercise also provided with the opportunity for the Bank team to touch base and open new channels of communication with other local stakeholders like civil society groups, the private sector and Congress.

What were the key issues/themes raised by participants?

- a) Although there is broad consensus on the importance and relevance of addressing governance and corruption issues as part of the development agenda, the Bank should be very careful not to create additional obstacles and “hassle factors” that could increase transaction costs for borrowers to do business with the Bank. This is particularly important to middle income countries that can find alternative funding sources in capital markets and other multi-lateral institutions.
- b) It is necessary for the Bank to ensure strong coordination with other donors and partners on this agenda. The Bank shouldn’t take this difficult agenda alone at the risk of weakening its competitive advantages as a lending institution.
- c) The Bank should take into account different country circumstances and levels of institutional development. Governance diagnostics should focus on countries’ capacities and the existence of country control systems. Any measure of corruption must be done on the basis of objective indicators rather than perceptions.
- d) There is a wide consensus that the Bank should not consider disengagement from difficult environments since this could worsen the situation and doesn’t help to solve the problem.
- e) Civil society groups and the private sector tend to differ on their interpretation and diagnostics from those of the Government. These groups are looking for more effective ways to access public information and for instruments that enable them to play a more effective monitoring role.

Respondent Type	Consultation Reply
1. Top governance challenges in country	
[Government]	<ul style="list-style-type: none"> • State and Public Sector Modernization. • Development and implementation of management systems to provide more transparency (Financial management and procurement). • Targeted social programs to promote social equity. Mapping of poverty to better target Government interventions. • Enhanced control mechanisms at the local level.
[Legislature]	<ul style="list-style-type: none"> • Strengthening the control system and institutional capacity of the external control agency (Corte de Cuentas). • Strengthen controls over the use of consultancies and salary levels in Bank sponsored projects. • Enhance control over procurement processes, focusing on collusion between contractors and supervisors. • Support passage and implementation of Access to Information and ethics legislation.
[External control and enforcement institutions]	<ul style="list-style-type: none"> • Need for further strengthening of control systems. Not only financial controls but also performance, results and overall management. • Strengthening and modernization of the Judiciary. • Strengthening specialized capacities of enforcement institutions like the attorney general office and public prosecutors. • Strengthening the recently created Ethics Tribunal that would on charge of transparency and ethics issues for all the public sector. • Provide better controls and technology to exercise more effective supervision and keep track of prosecutors and judges' performance. • Support passage and implementation of Access to Information legislation • Foster more effective participation of civil society groups via “observatories” • More effective sanctions to private companies involved in corruption.

Respondent Type	Consultation Reply
[Civil society groups]	<ul style="list-style-type: none"> • There is no a clear commitment from the government for eradicating corruption while the impunity increase. • Access to information is no a priority by the Government. • The external control agency (Corte de Cuentas) has been politicized. • There is no a legal framework enabling civil society and other relevant groups to monitor the performance of the central government. • Political parties appear not to allow for broad representation of all sectors of the population. • Limited institutional capacity at the central and local levels.
[Private sector]	<ul style="list-style-type: none"> • Limited institutional capacity at the central and local levels. • Access of information. • The external control agency (Corte de Cuentas). • Limited social monitoring. • Impunity.
2. Promising areas of governance and anticorruption reform and potential obstacles	
[Government]	<ul style="list-style-type: none"> • Implementation of information systems and e-government initiatives. • Poverty mapping and better targeted interventions in social programs.
[Legislature]	<ul style="list-style-type: none"> • Access to Information and ethics laws. • Implementation of the Ethics Tribunal. • Enhance controls and sanctions to private companies particularly to multinationals.
[External control and enforcement]	<ul style="list-style-type: none"> • Modernization of the external control agency. • Modernization of the Judiciary with an extensive use of information technology.

Respondent Type	Consultation Reply
[institutions]	<ul style="list-style-type: none"> • Strengthening of control mechanisms in municipalities. • Implementation of e-government initiatives. • Developing alliances with civil society organizations to strengthen supervision capacities. • Passage and implementation of Access to Information Law.
[Civil society groups]	<ul style="list-style-type: none"> • Access to information • Social monitoring • Independent external control agency • M&E systems • Institutional capacity at the central and local levels • Developing independent and efficient system for reporting irregularities. • Legal framework for implementing an ethical system for public official at the central and local levels
[Private sector]	<ul style="list-style-type: none"> • FUSADE has led an assessment of several institutions in El Salvador which has been disseminated and discussed with all relevant groups, including the Executive Branch. See attached in Annex 2 the document: “<i>Las Instituciones Democráticas en El Salvador: Valoración de Rendimientos y Plan de Fortalecimiento</i>” • Private Sector has participated in key Governance initiatives, including the drafting and then dissemination of the procurement law, overseeing contract awards, reviewing procurement complaints, promoting ethics values, developing a competitive investment climate, administrating external funds allocated for municipal projects.
3. How the Bank should engage where governance is weak, and circumstances under which to disengage	
[Government]	<ul style="list-style-type: none"> • Disengaging limits the capacity to influence and to push the agenda forward in difficult countries. At the end the Bank would need to re-engage at a possible higher reputation cost. • Punitive actions if any should be complemented with preventive actions as well. Constant evaluation of country control systems should be a priority.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • This approach faces the risk of getting the Bank involved in countries' internal affairs (politics). This is a subjective and political arena that could damage the Bank's technical credibility.
[Legislature]	<ul style="list-style-type: none"> • The Bank shouldn't consider disengagement. Disengaging won't correct the problem and the most affected are the poor. • The Bank should strictly comply with its norms and procedures and strengthen supervision of its activities. • Positive conditionality should be considered. • In extreme cases, activities and components directly supporting the poor should be reinforced.
[External control and enforcement institutions]	<ul style="list-style-type: none"> • Bank's disengaging could worsen the situation and, moreover, this can negatively affect neighboring countries. The Bank should at least work on containing the problem and preventing its spread. • In all countries there will be groups and stakeholders promoting transparency. These are the groups to be supported. • Seek for more preventive actions. • The Bank should avoid using the term anti-corruption, which is more sensitive. Governance is a more acceptable term.
[Civil society groups]	<ul style="list-style-type: none"> • The Bank should develop sound strategies, avoiding, as needed, implementing extreme approaches (such as cutting all financial assistance at all). The Bank should design instruments to improve governance and AC, such as establishing and measuring conditionalities for lending linked to governance and AC indicators. • Limited access to information on how the Bank allocates its lending and technical assistances and how its operations are implemented has limited participant's capacity to response this question. The Bank should disseminate its policies, lending and project implementation, given that this information is not made available by the government. • Questions on actual Bank's tolerance for lending in countries with severe corruption.
[Private sector]	<p>In designing a GAC strategy the Bank should be cautious. Corruption is a structural problem and, therefore, a GAC strategy may fail to meet objectives if it is not supported by a medium long term action plans focused on strengthening institutions, prevention, education, promotion of values, etc.</p>
4. How to ensure fair and consistent treatment across countries	

Respondent Type	Consultation Reply
[Government]	<ul style="list-style-type: none"> • Improve assessments and evaluations and take into account the existence of management and control systems. • Extreme cases should be assessed on the basis of transparent, predictable and uniform criteria. A good practice is the US Millennium Challenge Account.
[Legislature]	Indicators should consider law enforcement and compliance as criteria to assess countries' situation.
[External control and enforcement institutions]	The Bank can establish standards and minimum conditions in terms of the existence of adequate public policies and normative frameworks.
[Civil society groups]	<ul style="list-style-type: none"> • The Bank should develop objective indicators, instead of those entirely based on perceptions, for assessing GAC risks and monitoring their performance. • The Bank should also consider indicators already implemented and monitored at regional and global levels, such as anti corruption convention developed by OAS and United Nations, Millennium Challenge Corporation/ MCC, etc. • The Bank should better disseminate its monitoring indicators, which are not very accessible and/or understandable outside the WB.
[Private sector]	The Bank should take into account GAC indicators already implemented and monitored at regional and global levels, such as anti corruption convention developed by OAS and United Nations, Millennium Challenge Corporation/ MCC, etc.
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"> • Civil society is very complex and with multiple interests. Excessive attention to external groups could slow down project implementation. • Consultation and dialogue are welcome but those need to be separated from project implementation, and shouldn't affect the technical nature of projects' design.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • Engaging non-executive agencies should be carried out in the context of an operation as agreed with the Executive Branch. If the Bank wants to explore different approaches outside agreeing with the Executive Branch, the Bank may be a need to modify its Articles of Agreement. • Participatory mechanisms should be promoted at the project level. • The Bank should reinforce the role of the Resident Representative in order to get a better understanding of country context.
[Legislature]	<ul style="list-style-type: none"> • Comptroller offices and legislatures should be strengthened and provided with technical capacity for more effective supervision. • Foster independent oversight entities with emphasis on monitoring fiscal policies.
[External control and enforcement institutions]	<ul style="list-style-type: none"> • Although social accountability should be reinforced, there should be understanding that civil society groups and private sector have vested interests and ideological identities. • Democratic States need strong institutions. It has to be prevented that participation of external groups do not weaken formal institutions. • Use reports and studies from specialized civic groups or the private sector to improve project preparation and implementation. • The Bank should establish communication and relationship with groups beyond the executive to provide and facilitate access to information.
[Civil society groups]	<ul style="list-style-type: none"> • The Bank should design operations aimed at supporting social monitoring of Government's performance. • Furthermore, the Bank should also support civil society's activities promoting awareness among the poorest of the quality of public services that the Government should deliver. • The Bank should also engage academic groups, such as universities, in the design and implementation of GAC operations.
[Private]	<ul style="list-style-type: none"> • The Bank should also engage relevant non-government stakeholders, in the design, implementation and supervision of

Respondent Type	Consultation Reply
sector]	<p>its projects, in particular in decentralized operations.</p> <ul style="list-style-type: none"> • The private sector may also play a key role in promoting social values, and overseeing government's performance. Furthermore, the private sector should participate in developing an ethical and competitive investment climate.
6. How to mitigate fiduciary risk in Bank operations?	
[Government]	<ul style="list-style-type: none"> • The Bank should have a closer supervision of project implementation. • Due diligence should be strengthened at the executing agencies level. • The Bank should avoid the use of PIUs that can distort the work of government agencies and are unsustainable. • Countries' normative framework and systems should be strengthened and used for project management.
[Legislature]	<ul style="list-style-type: none"> • The Bank should enhance effectiveness of project supervision and foster capacity building in countries. • Bank's reaction is too slow to detect project mismanagement cases. • Debarment and companies' black-listing should be expanded to shareholders.
[External control and enforcement institutions]	<ul style="list-style-type: none"> • Project supervision should be considered in context of agencies' performance. • Country systems are capable to supervise the use of Bank's funding. • Project supervision should be accompanied with institutional strengthening to build auto-control capacities. • The use of technology can facilitate control and make it more effective. • The Bank should evaluate countries' control norms and systems and strengthen and use them. This could reduce costs for project supervision. • Management and performance auditing should be also included in project supervision.
[Civil society groups]	<ul style="list-style-type: none"> • Public dissemination of Bank's project information. • Promoting awareness of project objectives and implementation among project beneficiaries. • Increasing social monitoring and designing instrument for reporting and following up irregularities.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> Increasing fiduciary evaluations at the implementation phase of the projects.
[Private sector]	Private sector or other relevant and credible groups can be engaged to support the implementation of Bank's operations, overseeing contract awards, reviewing complaints, etc.
7. The Bank's role vis-à-vis other donors in supporting governance reform	
[Government]	<ul style="list-style-type: none"> The Bank could and should take the lead and set the agenda for other donors to follow. The Bank shouldn't spend much time and effort in coordinating with donors. More emphasis should be paid to coordination and integration of agendas among multilaterals. The role of donors financing NGOs should be evaluated.
[Legislature]	The Bank should foster more control and sanctions to multi-national companies.
[External control and enforcement institutions]	<ul style="list-style-type: none"> Donors should organize themselves in thematic roundtables to avoid duplications and inconsistent views in their activities. Donors should establish collaboration mechanisms. It should start with more coordination among donors and then with the unification of strategies. The Bank and donors can support regional and multilateral control mechanisms (i.e. the Central American Court).
[Civil society groups]	GAC strategy has not addressed the need to develop regional strategies, in particular for those countries with regional links.
8. How to monitor progress in governance and anticorruption at the country level	
[Government]	<ul style="list-style-type: none"> Monitoring responsibility should pertain to official bodies. The Bank should restrict its monitoring activities to own projects and country systems. It is necessary to work on more objective and technical monitoring indicators based on hard data and statistics.
[Legislature]	<ul style="list-style-type: none"> Monitoring should be the responsibility of an independent observatory.

Respondent Type	Consultation Reply
	<ul style="list-style-type: none"> • It is necessary to keep track and monitor corruption cases and how they are resolved. • Monitoring should include law enforcement.
[External control and enforcement institutions]	<ul style="list-style-type: none"> • Measurement should not be restricted to corruption but also to institutional development. • There is a need for more objective indicators to measure the quality and quantity of justice that is produced and delivered (access, timeliness and quantity) • Objective indicators and baselines should be established ex-ante and by project. • Civil society and private sector can support monitoring activities via independent observatories. • Monitoring should be done by countries' institutions.
[Civil society groups]	Carrying out surveys on GAC topics, in particular target potential beneficiaries; and designing appropriate instruments for monitoring Government's performance.
[Private sector]	Private sector and other relevant groups should be engaged.
10. Other key issues	
[Civil society groups]	The GAC strategy has not explored the hypothesis that severe corruption could be also generated by international interest outside a country context.