

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



GUATEMALA

(DECEMBER 5, 2006)

Participants:

Civil Society, Private Sector and Academia

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2. Marvín Flores, Acción Ciudadana
3. Roberto Ardon, Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (CACIF)
4. Guillermo Monroy, CENTRARSE
5. Carlos Zúñiga, Camara de Agro, (CAMAGRO)
6. Álvaro Pop, Organismo Naleb
7. Cesar Lechuga, Fundación para el Monitoreo de la Obra Pública, (FUNDEMOP)
8. Diego de León, Fundación Myrna Mack
9. Lisardo Bolaños, Centro de Investigaciones Económicas Nacionales, (CIEN)
10. Juan Luis Velásquez, Coordinador Regional para Centroamérica, Transparencia Internacional
11. Norma Cabrera, Comité Beijing
12. Mayra Rodríguez, Foro Ecuménico por la Paz
13. Rigoberto Queme, Municipios Democráticos
14. Ana de Molina, Instituto Centroamericano de Estudios Fiscales, (ICEFI)
15. Alberto Leyton, Banco Mundial, Washington, DC
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17. Neeta Sirur, Banco Mundial, Oficina Residente en Guatemala
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How did the process fit into ongoing country dialogue?

Consultations were helpful to provide the opportunity to discuss governance country issues in an open manner. The Government was particularly critical with Bank's approach to measure corruption using perception based indicators and this was a great opportunity for them to express their concerns and to provide recommendations.

This opportunity was also helpful to the Bank country team to touch base with a variety of stakeholders and to get a sense of their perceptions and recommendations on country issues. The Bank has been supporting the country's institutional development for many years and is now starting the preparation of a new operation to support governance related initiatives. These consultations have provided with valuable inputs to the Bank team.

What were the key issues/themes raised by participants?

- All participant stakeholders recognize the importance of the governance agenda and welcome the Bank's approach to link it with the development agenda.
- The Government emphasizes the need for a broad understanding of the governance concept and its linkages to broader issues like economic and social inequalities, ethnic exclusion, institutional weaknesses, and organized crime. There is need for a better understanding of the supply and demand aspects of the corruption phenomenon.
- There is a strong claim for the Bank to develop sounder methodologies to measure corruption in a more objective way. The Bank has to realize on the impact that its assessments and monitoring indicators have both internally and externally in countries. Further efforts and resources should be invested in developing more accurate and relevant indicators. This is even more important if the Bank is considering conditioning its engagement on the basis of such measurements.
- Given the global implications of the corruption problem, the Bank should use its comparative advantage as an international institution to help tackling the problem globally. The Bank can take the leadership among other international institutions to help controlling the global flow of funds and other corrupt networks.
- The World Bank should remain engaged to help reduce poverty even in those countries with weak governance and severe corruption. To this end, the Bank should develop programmatic assistance programs; assess risks and identify/implement mitigating actions; as well as identify effective and flexible entry points at all levels of government, not only the executive branch, including decentralized operations.
- The Bank should tailor its GAC approach to the individual country context, and consider the possibility that weak governance and severe corruption could be also a transitional problem. In this scenario, the Bank should design transitional assistance programs to address these short-term problems. However, such assistance should not jeopardize potential long-term financial and technical engagement which could progressively be implemented once critical conditions have been met.
- Corruption, as a governance challenges in a country, is a problem with social roots generated by a progressive loss of values. If mitigating actions are not implemented in a timely fashion, society itself could be also “captured” and social groups cannot become effective instruments for overseeing government’s performance.
- Increasing fiduciary supervision and investigations are sound policies to mitigate fiduciary risk in Bank operations; however, prevention should also play a key role in the strategy to combat corruption in the WB portfolio. To that end, the Bank could disseminate good practices and experiences implemented by country clients as well as strengthen country fiduciary capacities.

Respondent Type	Consultation Reply
1. Top governance challenges in country	
Government	<ul style="list-style-type: none"> • Four top issues are affecting overall governance situation in the country: a) economic inequality; b) ethnic exclusion; c) institutional weaknesses; and d) organized crime. All these factors lead to weak governance scenarios and are related to corruption issues as well. • There is a need to develop a transparency and freedom of information framework. • There is a need for a more effective control of illegal accumulation of wealth as well as the inclusion of more specific stipulations in this regard into the penal code. • Strengthening of the civil service. • Strengthening of preventive instruments in internal and ex-ante control mechanisms and independence of the external control institution.
Representatives from Civil Society, Private sector and academia.	<ul style="list-style-type: none"> • Corruption is a problem with social roots generated by a progressive loss of values. The Bank should design long term preventive operations, which include: education, promotion of values, transparency, social accountability, etc. • Limited participation of relevant groups in key developmental decisions/actions directly affecting these groups, i.e. indigenous people, civil society, etc. Furthermore, the development agenda is not a State policy. It is conceived as short term agendas linked to specific government in power. • Governance and anti-corruption strategies have been approved by groups in power without reaching consensus with relevant social forces. • Political parties appear to not allow for broad representation of all sectors of the population. Furthermore they have shown limited understanding of their role in promoting open and participative democracy. • Limited institutional capacity of local governments. • Limited support to education, in particular to the indigenous people. • Inadequate access to information.

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	<ul style="list-style-type: none"> • Need to develop transparent, comprehensive and open budgets linked to M&E systems.
2. Promising areas of governance and anticorruption reform and potential obstacles	
Government	<ul style="list-style-type: none"> • Four major areas of success that need to be further consolidated and expanded: a) implementation of a modern financial management information system (SIAM); b) comprehensive reform of the tax administration agency (SAT); c) implementation of a modern and transparent procurement system (GUATECOMPRAS); and d) development of a transparent and effective public investment planning and monitoring system still to be completed. • Further coordination is needed between the Executive and the other branches of Government. The Legislature and other enforcement institutions are not accompanying the Executive efforts at the same pace. • There are good practices to be replicated in the promoting of integrity pacts among public and private stakeholders in the tax collection sector.
Representatives from Civil Society, Private sector and academia.	Access to public services in poorest areas, including judicial services; independent external control bodies; access to information, transparency mechanism for political parties, social monitoring at the central and local levels; independent media, institutional capacity of local governments, M&E systems for budget allocation and its implementation, among others.
3. How the Bank should engage where governance is weak, and circumstances under which to disengage	
Government	<ul style="list-style-type: none"> • There is no need for complete disengagement even in difficult situations and is very difficult to determine whether the situation will justify extreme measures. • If the Bank is going to condition its intervention to country circumstances, there is a need for further improvement and verification of its monitoring and measurement indicators of corruption.
Representatives from Civil Society, Private sector and	<ul style="list-style-type: none"> • The World Bank should remain engaged to help reduce poverty even in those countries with weak governance and severe corruption, and where government leadership is not consistent in tackling these problems. • To that end, the Bank should develop programmatic assistance; assess risks and identify/implement mitigating

Respondent Type	Consultation Reply
academia.	<p>actions; as well as identify effective and flexible entry points at all levels of government, not only the executive branch, including decentralized operations. In some circumstances, the Bank may consider ring-fencing its operations.</p> <ul style="list-style-type: none"> Furthermore, the Bank should tailor its GAC approach to the individual country context, designing transitional assistance strategies that do not jeopardize potential long-term financial and technical support which could be progressively implemented, once critical conditions have been met.
4. How to ensure fair and consistent treatment across countries	
Government	<ul style="list-style-type: none"> Existing methodologies to monitor governance and corruption are not adequate and could lead to erroneous and inconsistent treatment of country situations. There is an urgent need to develop more adequate methodologies and therefore there is a need to invest financial and technical resources as well as enough time to develop such instruments.
Society, Private sector and academia.	<ul style="list-style-type: none"> The Bank should develop fair but flexible (that can be tailored to country specific contexts) indicators, as well as objective indicators (instead of those indicators entirely based on perceptions) for assessing GAC risks and monitoring performance. In developing these indicators the Bank should also consider those indicators already implemented and monitored at regional level, such as OAS anti corruption convention. The World Bank and other multilateral agencies should better disseminate their monitoring indicators, which are not very accessible and/or understandable outside these institutions.
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 middle income countries with reasonable institutional development, it would be very dangerous that the Bank seeks engagement with other stakeholders without Government intermediation. This could lead to further governance problems and deteriorate institutional credibility. Participation and support to stakeholders should be exercised through the Executive and according to national strategies.

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Society, Private sector and academia.	<ul style="list-style-type: none"> • The Bank should also engage relevant non-government stakeholders, including civil society, beneficiaries; in the design, implementation and supervision of its projects, in particular in decentralized operations. • However, civil society groups should have clear objectives and agendas focused on promoting values and monitoring the public service, and oversight of government performance. To that end, the Bank should create programs aimed at strengthening the capacity of civil society. If these actions are not implemented in a timely fashion, society itself could be also “captured” and, therefore, social groups cannot become effective instruments for overseeing the implementation of development agendas. • The media and private sector should 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?	
Society, Private sector and academia.	Increasing fiduciary supervision and investigations are sound policies to mitigate fiduciary risk in Bank operations; however, prevention should also play a key role in the strategy to combat corruption in the WB portfolio. To that end, the Bank could disseminate good practices and experiences implemented by country clients as well as strengthen country fiduciary capacities.
7. The Bank’s role vis-à-vis other donors in supporting governance reform	
Government	<ul style="list-style-type: none"> • The Bank is a global player and could, along with other international institutions, play a role in controlling international corruption and help controlling global flow of funds. • The Bank can also provide support to countries with other donors in systematizing good practices and collaboration among countries. The Bank could work as a knowledge broker among reformists. The WBI could play a key role in this regard. • Other aspects of the international agenda like Free Trade Agreements could also be beneficial in the governance work and the fight against corruption. Such elements should be also supported by donors.
Society, Private	<ul style="list-style-type: none"> • Corruption is a worldwide phenomenon that cannot be fought by a single entity. In order to implement the

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sector and academia.	<p>proposed GAC strategy, the Bank should also create alliances with other multilateral agencies and donors at a global level. This alliance would enable donors to undertake and support those areas where the Bank can have limited participation due to its agreement of incorporation.</p> <ul style="list-style-type: none"> • Furthermore, the multilateral agencies should also develop a unified set of GAC indicators in order to avoid confusion.
8. How to monitor progress in governance and anticorruption at the country level	
Government	<ul style="list-style-type: none"> • New methodologies are urgently needed to better assess country situations and to more properly monitor progress in governance and control of corruption. • The timeframe of measurements used to produce governance related indicators needs to be reviewed. It is very difficult to show results in short periods of time. It is also necessary to harmonize measurement cycles with each country political cycle in order to avoid misinterpretation and political utilization of this information.
Society, Private sector and academia.	<ul style="list-style-type: none"> • The Bank should consider using monitoring indicators already designed and carried out by local oversight institutions and civil society groups (i.e. Transparency International) for overseeing central and local government performance. Furthermore, at the country level, local agencies and civil society should be primarily responsible for monitoring these indicators, for example, the Comision Nacional de los Acuerdo de Paz. • The Bank should lead discussions with the government, civil society and other interested groups on the development and monitoring of the GAC strategy at country level.
9. Areas for improvement in GAC strategy and country-level support	
Government	<ul style="list-style-type: none"> • The Bank needs to have a better understanding of the political context and patronage relationships that operates in most developing countries affected by corruption. There is also a supply-demand phenomenon that needs to be further analyzed. • More emphasis could be made regarding the use of technology and information systems to control and fight against corruption. Linkages with e-government initiatives could be very helpful.

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Society, Private sector and academia.	<ul style="list-style-type: none"> • Strengthening strategies for disseminating of good practices and lessons learnt at regional and worldwide levels. • Governance cannot be achieved without reaching and protecting vulnerable groups, such as indigenous people. • World Bank's GAC strategy has a limited proposal for developing regional strategies, in particular in those countries with regional links. • Direct link between weak governance/anticorruption and issues related to democracy.
10. Other key issues	
Society, Private sector and academia.	<ul style="list-style-type: none"> • FUNDEMOP experience building capacity at decentralized level, empowering local governments to identify solutions to their problems as well as teaching them how to communicate their needs with the central government. • Private sector (CENTRARSE). Centrarse have developed ethical agreements for its members. • Accion Ciudadana: The IADB has designed operations engaging civil society in the approval of selected projects. Under this operation, civil society is asked to issue no objections to proposed projects for approval and implementation.