

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



MEXICO

(DECEMBER 18-19, 2006)

Participants: Representatives from Federal and sub-national governments, Legislative, Judiciary, Civil Society, Private Sector, Media and Multilaterals.

How did the process fit into ongoing country dialogue?

With the recent change in government, the strengthening of the Bank relationship with the legislative, and the definition of a Partnership Strategy Progress Report (PSPR) underway, this dialogue comes in a very timely manner. President Calderon took office on December 1st and Bank specialists have already initiated contacts with his secretary of public administration. This comes as a natural result of the work done during the transition period, in which governance issues were discussed with counterparts. In addition, the Bank is now strengthening its relationship with the Mexican Congress on issues of transparency and governance among others. Representatives of both the executive and the legislative were present in the consultation. Finally, the outcome of these consultations could be a good input for the PSPR.

What were the key issues/themes raised by participants?

- It is difficult for the Bank to assess a country's political situation from Washington and it would be dangerous to disengage based on an external assessment as the Bank could be easily caught up in an internal political battle. Instead of penalizing countries with weak governance, positive incentives (e.g., loan/credit interest rates, additional technical assistance, etc.) should be developed for them to be more open being a more accountable and transparent government. Need to create an incentive scheme for governments using existing indicators and need to develop specific ones for each key GAC area.
- As Mexico is financially self-sufficient, the added-value for the donor community will be: i) to share international good practices through financing of exchanges and study tours and to bring leading international governance examples/practitioners to Mexico, and ii) to provide support to networks of local governance reformers and link them to peer international networks.
- Need for more transparency about Bank's relationships with countries and mechanisms to engage other institutions apart from main counterpart.
- The Bank needs to simplify its internal processes and interest rates to become more competitive if it wants to work with sub-national governments;

- A need for the donor partners to coordinate/harmonize and to utilize common frameworks for governance and anti-corruption activities. This may require the donors, particularly all the Multi-Lateral Development Banks, to sign a Memorandum of Understanding;
- There is also a need to address governance issues of the international system and there were questions about the legitimacy of the Bank to talk about GAC issues;
- The two main governance challenges faced by Mexico are: i) eliminate areas of power and opacity inherited from the one-party system and harmonize rules and legal framework across the country/sectors; and ii) bring governance reforms carried out at the Federal level to the sub-national levels of government.
- Need to eliminate disparate procurement practices across all levels of government and ensure greater transparency and competition in state and municipal public procurement;
- Judiciary sector (at all levels of government) is considered to be extremely weak and is in urgent need for reform, including increasing access by larger share of the population;
- Need to engage further the private sector and design a differentiated strategy for different type of companies (SMESs, MNCs, etc).
- Excessive regulation creates opportunities for corruption and it is not a cost effective way of combating it. Some good practices that have proven to be effective are Usuario Simulado and Testigo Social (public institutions hire recognized CSOs to certify public procurement processes).

| Respondent Type | Consultation Reply |
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| 1. Top governance challenges in country | |
| Representatives from civil society and private sector | <ul style="list-style-type: none"> ▪ Judicial sector reform at all levels of government. ▪ More transparent procurement processes – specifically to make public criteria for bid evaluation and basis or for granting licenses and concessions, and to do so well in advance of initiation of the actual process. ▪ Need to certify procurement/contracting agents (federal and state level). Need to increase the competitiveness in procurement and contracting process. ▪ Need to clarify and simplify the regulatory framework – do we need to police the “policemen”? ▪ Clarify and improve the transparency of legal frameworks at 3 levels of government (federal, state and municipal) – especially regarding procurement laws and regulations. Why are there different procurement evaluation criteria for <u>each</u> state or between the federal and state governments? Need to eliminate the possibility that each state is allowed to negotiate “rules of the game” with cronies - this comes at the expense of transparency and a level “playing field” for all bidders. ▪ Why is the Access to Information law not uniform across all levels of government? Need to harmonize legislation and rules of the game across the country. ▪ Although state-owned enterprises are overly regulated and need greater autonomy, they operate in an opaque manner – need to enhance transparency regarding their investments, budgets, transfers to 3rd parties, etc. |
| Donor group | <ul style="list-style-type: none"> ▪ Strengthening judicial sector, including access. ▪ Capacity of local government (municipalities and states). Mexican states implement most of the laws that are passed at the federal level – and the role of the states should be accounted for more prominently in the design of future good governance projects. |
| Government | <ul style="list-style-type: none"> ▪ The main challenge for the new Administration is to continue governance reforms from the Federal government to the sub-national governments. An area particularly important because of its impact is the professionalization of civil service in Public Administration at all levels (Federal, State and Municipal). ▪ Another challenge is the pending reform of the Federal system, whereby relationship between different levels of government becomes more horizontal, empowering sub-national governments to participate in policy-making and demanding more accountability from them. |

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| | <ul style="list-style-type: none"> ▪ To build new mechanisms for political participation, especially at the local level, and improve dialogue among three branches of government. ▪ Rule of law and Judicial reform are areas where Mexico is still lagging behind. |
| 2. Promising areas of governance and anticorruption reform and potential obstacles | |
| Representatives from civil society and private sector | <ul style="list-style-type: none"> ▪ More can be done to further strengthen and promote this alliance in such a way that improves the effectiveness of governance and anti-corruption efforts. This would include, but is not limited to, fostering greater participation of Consejos Ciudadanos to oversee and monitor resource allocation and utilization of resources in contracting, procurement and overall government accountability with regard to results and impact of social programs. ▪ Need to engage further the private sector and design a differentiated strategy for different type of companies (SMESs, MNCs, etc). |
| Donor Group | <ul style="list-style-type: none"> ▪ Support and working with country networks as an alternative approach to eliminate the impact of entrenched hierarchical structures in government (e.g., SIAPEN on digital government or USAID’s Ventanilla Unica program) and to help create new incentives for reform. FIAS is a good example with the Doing Business Report, which has been completed in 10 Mexican states. ▪ Sub-national governments are starting to undertake difficult reform measures and can be used as a laboratory for projects that can build momentum <u>up</u> in order to motivate federal government to change. |
| Government | <ul style="list-style-type: none"> ▪ During last administration, progress was made in different governance areas at the Federal level. A priority for the new administration should be to bring down those reforms to the sub-national level and harmonize efforts. The Bank could help in developing standards of anticorruption mechanisms, transparency, accountability, professional civil service, etc; and provide technical assistance to sub-national governments to meet those standards. ▪ The Bank could play a key role in i) disseminating good GAC practices in the region and assist in adapting them to the Mexican context and ii) contributing to the national debate and facilitate a consensus on which anticorruption model Mexico should adopt. ▪ Design and implement monitoring mechanisms based on existing good practices such as Usuario Simulado or Testigo Social (public institutions hire recognized CSOs to participate in public procurement processes and |

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| | <p>certify that transparency standards and legal requirements were met).</p> <ul style="list-style-type: none"> ▪ Public procurement reform at all levels of government. The Bank could develop standard bidding documents for different type of projects, especially at the sub-national level. |
| 3. How the Bank should engage where governance is weak, and circumstances under which to disengage | |
| Donor group | <ul style="list-style-type: none"> ▪ If there is no commitment from the central government, mechanisms should be found to reach the states and the municipal governments, establish good practices at that level that could serve as examples for the central government at a later stage and publicize them widely. ▪ Also, civil society participation could be strengthened and citizen participation institutionalized (e.g., as in the case of the Mexican Federal Institute). ▪ Instead of penalizing countries with weak governance, positive incentives (e.g., loan/credit interest rates, additional technical assistance, etc.) should be developed for them to be more open being a more accountable and transparent government. |
| Government | <ul style="list-style-type: none"> ▪ It is difficult for the Bank to assess a country's political situation from Washington and it would be dangerous to disengage based on an assessment carried out from outside the country. The Bank could be easily caught up in an internal political fight. It would be very difficult for the Bank, in a weak governance context, to reach the poor directly without interfering with internal politics as most civil society groups have their own agendas. ▪ In a weak governance context, the Bank could focus on areas such as deregulation. Excessive regulation acts as disincentive for public officials to take the right decisions and creates opportunities for corruption. It would be much more cost effective to have simpler and more transparent rules that people could follow and focus on the structural issues behind corruption. |
| 4. How to ensure fair and consistent treatment across countries | |
| Government | <p>It is important also to have fair and consistent treatment public sector vs. private sector. Tougher sanctions should be imposed on multinational companies engaged in corruption acts. The WB could publish transparency and corporate governance indicators for multinational companies (MNCs) and set up standards MNCs need to meet to participate in WB bidding processes.</p> |

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| 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 | |
| Representatives from civil society and private sector | <ul style="list-style-type: none"> ▪ Need to improve capacity and effectiveness of media investigations. While there are examples of media/journalists willing to undertake investigations into allegations of corruption, efforts have not yet yielded results nor are efforts as effective as hoped or entirely professional (e.g., under-utilization of Law of Access to Information). ▪ It would be a good idea to promote something similar to the US's Sunshine Week (dedication to disclose and publish full range of government information to all media outlets) as a means to support investigative journalism – perhaps call it Mexico Abierto. |
| Donor Group | Must go beyond working with the Executive - especially to work with Judicial Branch, sub-national governments and private sector. Use existing country network to help build momentum and consensus for change/reform – can use good case examples as incentives to motivate other areas of public sector to undertake changes. |
| Government | <ul style="list-style-type: none"> ▪ The Bank should provide funding directly to sub-national governments and design other mechanisms, such as Trust Funds, to engage private sector and civil society. ▪ The WB could provide incentives for governments to collaborate with civil society, private sector and media with a transparent set of rules. The WB could think about favoring countries where governments promote such collaboration. ▪ The WB needs to democratize its relationship with countries and be able to engage other institutions, even within the Executive. |
| 7. The Bank's role vis-à-vis other donors in supporting governance reform | |
| Donor group | <ul style="list-style-type: none"> ▪ To mainstream GAC agenda in donor interventions and measure progress towards the goals, a similar mechanism to the Millennium Development Objectives could be developed. ▪ Help to establish a guiding MOU – at least among the MDB's. Bilateral donors may have an easier time than the MDB's as bilateral agencies are not seen to be “pushing” loans (and Mexico does not need international donor financing). The focus should be to bring international good practice to Mexico – and to share Mexican examples |

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| | with other countries – this is the added value of the Bank through its inherent global perspective. |
| 8. How to monitor progress in governance and anticorruption at the country level | |
| Donor group | Citizen empowerment and better partnership with civil society organizations. |
| Government | <ul style="list-style-type: none"> ▪ Design an M&E system so citizens can monitor policy-making and evaluate government performance. ▪ Monitoring GAC progress is one of the challenges that we face in this area. The WB would make a great contribution by creating indicators to monitor progress in specific GAC related areas, similar to Doing Business but applied to other areas. |
| 9. Areas for improvement in GAC strategy and country-level support | |
| Representatives from civil society and private sector | <ul style="list-style-type: none"> ▪ The Bank should have established a clear and concrete strategy and not only produced a paper with ideas to create alliances among willing partners. ▪ The Bank should work with multi-national companies in order to involve them in the GAC agenda and to provide incentives/encourage them to adopt an anti-corruption campaign for doing business in Latin America. ▪ The Bank should support greater implementation of transparency laws (e.g., Access to Information) – small percentage of general population is familiar with law or knows how to use it. ▪ In cases (or countries) where supporting access to information or record retention laws is non-existent, the Bank should insist on passage and implementation of <u>sensible</u> legislation. |
| 10. Other key issues | |
| Representatives from civil society and private sector | <ul style="list-style-type: none"> ▪ Improve evaluation and performance measurement tools to measure impact of social programs – working closely in particularly with CSOs. ▪ Current transparency actions are only treating the symptoms – not the root causes of corruption. There is a need to become directly involved with causing a cultural change in the general population. ▪ In programs where resources are transferred to local communities, need to eliminate various levels of “middlemen” (opportunities for corruption) to ensure that public funds reach desired beneficiaries. |

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| Government | <ul style="list-style-type: none"> ▪ Corruption needs to be understood in the broader sense. Corruption is much more than just transparency reforms. For example, harmonization of accounting systems across the country so financial information is comparable. ▪ The Bank should review its internal processes and interest rates to become more competitive. ▪ How can the WB talk about governance when its President broke international legality with the Iraq war? It is also important to pay attention to governance of the international system. Good governance is also that WB and IMF Presidents don't always be from USA or Europe. ▪ The Bank should become more transparent and make more transparent its institutional relationships with governments. For example, governments shouldn't decide whether or not contracts with the WB could be made public, it should be standard Bank policy. |