

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



UNITED KINGDOM – CIVIL SOCIETY CONSULTATION

(DECEMBER 4, 2006)

Participants: See attached list

What were the key issues/themes raised by participants?

- GAC does not sufficiently address the role of the private sector.
- GAC should note importance of tax havens.
- More information is needed on the Bank's whistleblower protection policy and on INT's role.
- Participants were divided on the issue of the Bank's involvement in governance and anti-corruption: some applauded it, others expressed reticence, particularly concerning the Bank's capacity to monitor progress on the country level.
- Importance of civil society involvement and of Bank engagement to support country-level reform coalitions were noted.
- Bank needs to support action against corruption in OECD countries as well as developing countries.
- Bank should intervene in countries on governance issues related to defense and security sectors.
- Bank should support the development of local accountability structures.
- Sector level work is critical, including in the development of independent certification and monitoring, and in work on debarment.
- Is governance reform a proxy for economic liberalization?
- Sector level work is critical, including the development of independent certification and monitoring, and in work on debarment.

Consultation Reply

1. Top governance challenges in country

More efforts should be focused on the OECD countries: the World Bank should support action against corruption in donor countries where corrupt leaders are investing money.

2. Promising areas of governance and anticorruption reform and potential obstacles

- Tackling the defense and security sector: How can the World Bank intervene on the country level to make defense spending more transparent and accountable? In many countries, defense has acted as a sort of concentrator of corruption and this could be an entry point in the case of weak governance, a high-leverage source of action.
- Improving tax collection and fiscal revenues in developing countries: tax havens are not mentioned in the GAC but they are depriving developing countries of revenue, as is transfer pricing by multinational companies. Because of insufficient tax revenues there is a vicious circle in which governments cannot pay the salaries which would enable people in developing countries to choose not to be corrupt.

3. How the Bank should engage where governance is weak, and circumstances under which to disengage

- Independent institutions should be created in countries with weak governance environments to implement projects and/or deliver services, therewith by-passing corrupt government ministries or agencies.
- The Bank should support local governance and accountability structures: in the road sector, for example, centralized management and control of countries' road construction has fostered corruption. A USAID study has shown that the cost of road works in developing countries has been inversely proportional to the distance from the capital city.
- Aid projects have failed to empower citizens on the community (example of a project in Ghana – hardware without capacity building).
- A civil society organization noted that it would be willing to work with the Bank to develop independent certification and monitoring mechanisms for anti-corruption in specific sectors of activity.

4. How to ensure fair and consistent treatment across countries

- Mr. Wolfowitz set a precedent by using his personal fiat to turn off the taps to a whole number of countries... no one had seen this

Consultation Reply

happen before or understood how it happened, there was a suspicion it could be based on geopolitical favorites.

- Is there really need for tremendous sensitivity about Mr. Wolfowitz's actions? Recent actions were not all that different from the way former President Wolfensohn had worked. With its lending, the World Bank has in fact got a very big club in its hand, and should use it. The Bank should not be shy about its role.

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

- How is the World Bank engaging to build reform coalitions networks?
- It is not necessarily right for the Bank to be involved with all stakeholders – for example with independent media.

6. How to mitigate fiduciary risk in Bank operations?

- The tender system relies on large companies: this leads to the “Fujimori scenario”. Countries could follow the example of France where 20% of all public sector contracts must be given to SMEs.
- The Bank is not applying sanctions to multinationals - debarment has mainly affected “Mom and Pop” shops, predominantly in India – not multinationals. Until the Lesotho Highland Water Project came under the spotlight, virtually no multinationals had been disbarred.

8. How to monitor progress in governance and anticorruption at the country level

- The Bank does not have the mandate or capacity to monitor progress in governance – this should be done domestically or by bodies which are qualified, like the United Nations Convention Against Corruption (UNCAC). In Africa, the African Union or the African Peer Review Mechanism could carry out monitoring. Judgements made by external consultants on the external perceptions data which the Bank uses are a highly questionable base for assessment of a country's progress.
- The Bank should unbundle the work of the Voluntary Disclosure Program and work on debarment by sector – creating sectoral groups that companies can interact with. A civil society organization said that it would be willing to work with the Bank on the global level to develop action plans by sector – as it has done in the UK.

9. Areas for improvement in GAC strategy and country-level support

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- **Definition of corruption.** Sometimes dubious practices are legal in poor countries – it was noted that in Equatorial Guinea, for example, public servants are allowed to own companies which bid for government contracts.
- **There is insufficient focus in the GAC on the private sector,** particularly on the prevention of corrupt corporate/business behavior.
- **Internal transparency:** The Bank needs to be more transparent about its own structures for dealing with anti-corruption – particularly about what INT does.
- **Whistleblower protection:** Where do things stand with the Bank’s policy in relation to whistleblowers “inside the house”? In partner countries - an anti-corruption strategy cannot be effective without proper protection for whistleblowers – the GAC should give more attention to this.

10. Other key issues

Conditionality and economic liberalization.

- So-called governance reform may actually be a Trojan horse for economic liberalization. “Cutting red tape” is a proxy for economic reform and procurement reform is really about opening the door to foreign competition.
- The strategy does not consider the possible negative impacts on partners of World Bank conditionality.

Appreciate that the Bank is trying to have exhaustive consultations, and that you are consulting in London, Paris, Brussels but a plea to consult as a priority in the developing countries whose opinion really counts. The Bank should understand that it takes a lot of time to get a document into the appropriate language, to distribute it, to get out into the regions where this is happening, and to get that kind of feedback. Encourage you that throughout this process, particularly as we move toward the implementation guidelines, that the emphasis be not on speed of getting this through according to a Board schedule. Understand that Bank staff has limited power to affect that, but would support staff pushing that.