



european network on debt & development



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CIDSE
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Dear Mr Wolfowitz,

We are writing to you in relation to the World Bank Governance and Anti-corruption Strategy that is currently being developed in the Bank. We understand this will be a Development Committee paper for the Annual Meetings. At the Spring Meetings this year, the Development Committee made a clear request for such a strategy should be drawn up. This was partly in response to the several actions undertaken by the World Bank to freeze or cancel loans or delay debt cancellation because of alleged corruption. We have several concerns about this strategy, both in terms of the way it has been developed and the direction in which you would appear to wish the Bank to move.

We are also attaching the summary results of a survey carried out by CIDSE, the Catholic network of NGOs, of 56 civil society organisations in 24 Southern countries on the subject of: governance, corruption and the role of official donors in working on these issues. This survey has informed our views on the Bank's proposed strategy.

1 Rushed and untransparent process

1.1 Firstly we wish to express our deep concern at the extremely untransparent and non-participatory manner in which this strategy - with its potential for broad changes in the way the Bank does business – is being elaborated. We have decided not to participate in the two-hour conference call organised by the Bank on the 31st July and the three-week online consultation of an outline document of this strategy. These events do not constitute a meaningful consultation where views of civil society groups from the North and South can be taken on board. This is so both because of the short deadline and because the Bank has already moved much further ahead in this process.

1.2 The consultation is taking place based on a very broad outline document that was circulated within the Bank during the first week of June. However a draft strategy document with much clearer proposals has already been circulated within the Bank. This document is not public and is not being discussed at these consultations. Furthermore, it is totally unclear how the Bank proposes to feed the results of these consultations into the actual drafting and development of the strategy,

We would like to know why the Bank did not plan for this strategy to be drawn up in consultation with developing country actors, whom ultimately it will most affect and particularly with civil society organisations in the South, many of whom are working tirelessly to hold their governments to account and improve governance and fight corruption?

The Bank must ensure that any shifts in the way it does business are properly consulted upon with a broad set of actors, particularly in developing countries. The Development Committee should not approve a strategy or framework with broad implications for the way the Bank does business in developing countries without that being the case. Whilst we are aware that consultation on operationalisation of any such strategy is planned by the Bank, we firmly believe that the strategy itself must be the subject of broad consultation.

2 Creeping Mandate of the Bank

2.1 The strategy at present takes a top-down, interventionist approach, which appears to be based on the belief that the Bank is both capable of and mandated with fixing governance systems without recognition of democratic processes. It portrays governance as a problem that can be fixed by changing institutions and championing the private sector whilst paying scant regard to the crucial issues of the fulfilment of human rights and broad-based development.

2.2 The World Bank has neither the mandate, the legitimacy nor the capacity to become a global arbiter on corruption. Whilst corruption is a concern in many developing countries around the world recent events in the UK (cash for peerages) and the US (Enron, Katrina relief) illustrate that it is far from being a 'poor country problem'. The problem needs to be seen in the context of other challenges that countries face in building democratic developmental states and combating poverty.

The World Bank should focus its energies on its own operations and not move into the role of a 'global policeman' on corruption. It cannot be both judge and jury of its own actions and is not a legitimate actor to lead the charge on issues of anti-corruption and much less in the field of governance.

However, it could usefully play a role in supporting efforts to reduce corruption in the North. This includes supporting the UN Convention against Corruption (UNCAC), the OECD Anti-bribery Convention and mandatory adherence to the EITI. The Bank should work to establish an effective monitoring system for UNCAC built around the pillars of transparency and public participation. The Bank could also become one of the key champions of the UNCAC and provide financial support for national and international institutions involved in its implementation

3 Ownership as an afterthought

3.1 In a press conference in Berlin in January 2006 you said that "Success in this great effort of fighting poverty will depend most of all on strong ownership by the developing countries themselves of their development processes". However this principle of ownership seems more like an afterthought in this governance and anti-corruption strategy. "Ownership of the reform process", which surely should involve political negotiation, bargaining and public debate, will apparently be brought about by giving countries "capacity-building" as part of the

monitoring of a Bank-initiated and Bank-developed framework. Lessons from the past have shown us that ownership of change can not realistically be engendered in this manner.

4 Accountability to whom?

4.1 The Bank recognises the importance of transparency and access to information as being a cross-cutting imperative that can facilitate domestic accountability processes. In addition to continuing to support improvements in public financial management the Bank seems to be proposing that it will move into new areas for the institution such as supporting freedom of information and freedom of the media. Yet there is no proposal for how the Bank will improve its own transparency in terms of access to information, access to key decision-making meetings or active dissemination on its operations and disbursements.

The Bank needs to ensure that it is more transparent in its own decision-making processes and that it takes an approach which facilitates domestic accountability rather than taking a top-down approach to 'fixing' governance problems.

- *Support for improvements in transparency in public financial management should be directed towards producing information that is useful for citizens rather than for fulfilling the Bank's own fiduciary requirements.*
- *The Bank should actively disseminate disaggregated data of the disbursements that it makes to developing countries by type of credit, along with associated reform commitments, as well as making clear how much money it commits to developing countries and then actually disburses.*
- *Respect for standards of transparency must be respected by lenders, borrowers and the private sector alike.*

5 No More Conditionality

5.1 The World Bank continues to use conditionality as a tool for bringing about change and pushing the policies that it sees as most apt for developing countries. There are huge problems with conditionality, which have been much debated, and yet the Bank continues to use it as a tool. We are extremely concerned that any new Governance and Anti-corruption Strategy should not increase the burden of conditionality that countries already have to deal with. This kind of interference in complicated political matters, in which the Bank arguably does not have competence, would be totally inappropriate.

5.2 Whilst the Bank is proposing greater flexibility and less conditionality for middle-income countries, low-income countries look set to bear the brunt of more externally imposed conditions, including yet more privatisation of state-owned companies and banks and less flexibility in how the Bank does business.

The Bank should not impose conditions on its loans and rather agree mutual standards with the country government and other national actors for public financial management which are clearly oriented towards making government revenue and expenditure transparent and accountable to the public. This would enable citizens to hold their own governments to account and make a real shift in its approach towards monitoring development outcomes.

The Bank has committed to reducing the burden of conditionality it places on its loans. This new strategy must not mean that the efforts being made in this area are reversed.

6 Local knowledge/ governance assessment

6.1 The Bank is proposing to increase its analysis of governance and corruption issues and carry out risk and vulnerability assessments by drawing on existing tools, more collaboration and joint analytic work with other donors and potentially using new tools also. It is also proposing to increase the number of field-based staff working as governance advisors.

6.2 Whilst it is clear that the Bank's activities would benefit from much better political economy analysis, this should not translate into the Bank developing whole departments of "governance experts" at the country level. The real experts on political economy issues in any given country are the people that live in that country. The high turnover of Bank staff in any given country office makes them severely compromised in their understanding of how a country's systems actually work.

The Bank should make sure that it draws on local and existing knowledge to inform its lending programmes and not rely on external advisors.

Any governance assessment that is made must be made public. Whilst there may be some trade-offs for transparency, the benefits far outweigh the costs and will contribute to greater incentives for improving governance and citizen engagement with the state.

We trust that these concerns will be taken on board and look forward to seeing them reflected in the development of this World Bank strategy. The below-mentioned civil society groups and their extensive networks of contacts will continue to work actively at all levels to monitor progress on these vital issues.

Yours sincerely,

CIDSE, EURODAD, LATINDAD, AFRODAD

Other signatories to this letter:

Aksjon Slett U-landsgeldja (SLUG), Norway
Both ENDS, Netherlands
International Rivers Network, USA
Norwegian Church Aid

Cc:

World Bank Executive Directors

World Bank staff:

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