

16 February 2012

RE: Transparency International – Submission of Comments on ‘Strengthening Governance, Tackling Corruption’ (version 17 January 2012).

Transparency International (TI) welcomes the opportunity to provide inputs into the current consultation on phase two of the Governance and Anti-Corruption Strategy of the World Bank.

The strategy puts forward a clear idea that governance encompasses the capacity, legitimacy and accountability of the state (par. 71). It also goes far to understand that institutions are not structures unto themselves but that they are part of more complex systems that need to be understood and supported (Section III).

It also is positive to see that the WB will focus on key GAC interventions to develop institutions in four areas: public sector, procurement, justice reform and the private sector (par. 80). Many of these actually align with the programmes that TI will be focussing on globally as part of its Strategy 2015.¹ For example, the strategy’s renewed focus on justice particularly recognises the systemic approach to fighting corruption that TI has embraced since its founding through the national integrity system (NIS) assessment methodology. Also, the Bank’s decision to move to direct funding support for CSOs is an important step forward (assuming other measures are promoted that create an enabling environment for civil society).

TI recognises that the consultation document does well to show where the previous strategy (2007) has succeeded and fallen short (section V). As a result of this analysis, it helps to cast a way forward that builds on achievements and bridges past gaps. It also does well at recognising that better knowledge sharing and learning (i.e. GAC literacy, operational core skills and professional/technical training) is needed to achieve the objectives of the GAC (pars. 151 -159). Moreover, it brings into focus that a ‘GAC lens’ must be brought into all areas of the World Bank’s work and that GAC must be ‘embedded’ into the DNA of the institution.

At the same time, there are some challenges in the strategy that still need to be understood and addressed before it is finalised. Part of these concerns is related to the tension of seeing a country as a ‘client’ while dealing with ‘clients’ that may lack governance and be corrupt. This reality needs to be clearer in the strategy as well as what happens when programmes and countries (or internally at the World Bank) are not achieving benchmarks or intended results under GAC.

More specifically, there are areas that TI would like further reflection and action, including the need to:

1. Link internal and external anti-corruption policies

- The new strategy is welcomed and goes further to solidify the World Bank’s focus on governance and anti-corruption (GAC) issues. At the same time to achieve these ends, there needs to be a clear recognition that both internal and external actions are needed on the part of the World Bank.
- While internal changes formed a key focus for the first phase of GAC, the current strategy does not fully reflect the balance between internal and external as would have been hoped. For example, box 11 on pg. 22 which looks at implementation continuities does provide a clear link between programmes that promote internal and external integrity. However, this is the first time in the strategy that an internal focus is mentioned in detail.
- In this sense, building an integrity system must be equally achieved within the World Bank as well as its projects (both in terms of structure and aims). This means moving beyond policy to effective implementation, including the protection of whistleblowers.
 - For example, World Bank staff still are not always incentivised to bring corruption and other problems to light in the early phases of a project. This will require both a change in

¹ For more information on the strategy, see: http://www.transparency.org/publications/publications/other/implementation_plan_2015.

internal policies as well as a significant cultural shift internally (at headquarters and in the country offices).

2. Align GAC with other initiatives

- There is a good explicit recognition of the need for a 'political economy' analysis of GAC issues and for GAC to be embedded in cross-project and sector work (see Section II, par. 65-72 and Annex, par. 98 -112). This is a positive development to ensure that GAC is mainstreamed across the World Bank's projects and programmes (both internally and externally at the country level).
- Better analysis also applies to how risks are managed. This is recognised in the strategy and is very much welcomed.
- However, there seems to be some de-linkages between other policies that are happening at the World Bank and what is proposed through this document for the GAC.
 - For example, par. 51 notes the need to manage risks and the WB's commitment to this. However, this seems to not account for the changes that will occur through PforR and the elimination of safeguards and other controls. This is particularly evident in the box on page 21 when there is a brief allusion to PforR without the provision of how this will interact and benefit GAC work. While further explanation is provided on PforR (pars. 163-164), this is not clearly linked to other relevant sections of the strategy.
 - For example, stronger linkages would be merited between the GAC and StAR and seem to be missing from par. 56 which discusses targeting the proceeds from corruption.
 - For example, it is not clear how the risk management/mitigation approach would apply to PforR and how it would be standardised across all lending instruments (par. 116).
 - For example, it is not clear why climate financing and World Bank managed funds are not included as efforts that would bring GAC into their structures, despite a commitment to work on mutual accountability in natural resources integrity (par. 132).

3. Commit to disclosure and accountability

- It is commendable that the World Bank has improved its disclosure and access to information policies in recent years. Its continued commitment to this area of work is clear in the GAC in most areas and particularly is strong and its focus to make governments more open.
- However, it could be strengthened when talking about managing risks by promising to fully disclose any evidence of misconduct that is found as part of its programmes and policies (internal and external).
 - This concern is particularly evident in regards to the need to release all Political Economy Analyses that are done as part of GAC (par. 161).
- Moreover, there is a need to ensure that increased information disclosure is not the end in itself; rather, it must be used as a way to promote greater accountability. The World Bank has a role to play in this process, both in terms of its internal and external operations, to promote the demand and supply of transparency and accountability (globally and at the country-level).
- At the same time, it must be recognised that promoting accountability of governments and institutions by mobilising CSOs to force this issue (see pars. 79 and 172) is one successful approach but it also can have negative implications. The governments must be willing to have a dialogue and civil society must have the space in their societies to take on this role (e.g. there must be an enabling environment).

4. Convert commitments into actions

- It is welcomed that the GAC strategy will now focus on governance outcomes and impact at the country level, and not just the inputs and outputs (par. 99). It is also welcomed that there is an increased focus on programmes and projects, and the 'external face' of GAC (par. 102 -112).
 - Still, it must be recognised that measuring impacts and outcomes for governance is challenging and may not provide the type of results that the strategy aims to produce and assess.
 - Moreover, it is not clear what would happen to World Bank programming and the CAS if the country was not meeting these indicators (or showed back-sliding). More details are needed in the strategy to understand whether these indicators would be the same set used for PforR and determining country disbursements of agreed loans.
- A similar concern arises when looking at the risk mitigation approach for GAC. While the changes make more operational the aspiration, it is unclear what the planned measures will result in (i.e. actions and sanctions) when risks are found to be too high.
 - For example, the World Bank states (par. 22) that it looks at the "long term" and so will not necessarily react to short term deteriorations in governance. However, this does

not seem to address TI's concerns about how indicators will be used. In the past year, the situation in Cambodia has highlighted the bank's challenge to react adequately to significant governance issues in the country.

- There also are many sections throughout the text that make promises of tools and initiatives that will support the GAC but which are never mentioned in detail. It would be helpful to note what these will encompass and to concretely put forward in detail how these will be carried out.
 - For example, the text for par. 54 would be much improved if it noted with detail what 'new initiatives' will be undertaken by the Chief Risk Officer to mitigate risks.
 - For example, some clearer, concrete areas for how civil society will be involved in the GAC would be useful to better understand how the World Bank views their role.

5. Manage the process

- The provision of the management and oversight arrangements for the GAC is welcomed (par. 143). This includes the repositioning of a high-level advisory body.
- However, what is not clear is how these different bodies will interact and how much influence will the advisory body have to help recalibrate GAC if it becomes felt that it is not meeting the standards set out in this document.
 - First, a clear understanding of the role and function of the EAG is needed. The strategy acknowledges that the EAG did not have the necessary resources to fulfil its mandate, and that when GAC started moving to the country level, the panel became less able to track implementation. But the new strategy does not say what will happen to this body. One potential solution could be to create GAC Advisory Groups in-country to accompany the restructuring of the EAG.
 - Second, there must be a mechanism/body that can provide external independent evaluations of GAC. These should be set up to provide timely progress reports as well as 'real-time' feedback to the World Bank management on GAC implementation. This external input is essential to ensure that GAC is achieving its aims (for example, who is overseeing the GAC Council to ensure that it has met its objectives and work plan?). External insights are also particularly relevant since each Vice Presidency is tasked with showing whether they have 'cascaded' the GAC objectives down to the operational level (par. 146).

6. Learn from doing

- There is a great emphasis put in the GAC strategy on learning and knowledge sharing among staff and partners to make implementation successful. There is also a good reflection on where the first phase of GAC has not done well globally and where its oversight structures have not performed as envisioned.
 - For example, the World Bank's idea to scale up success stories and lessons learned from Phase I is welcomed, as there have been some initiatives that have worked well.
- Learning also means understanding what worked in phase 1 regarding its implementation at the country level.
 - For example, the strategy states that it will gradually from "best practices" to "good fit", as the first approach has not always worked. There is recognition that country-specific conditions are important (par. 30, 35). However, in the past TI has remarked that one of the weaknesses of GAC are precisely at the country level (staff empowerment, coordination, tone from the top, especially at the country office level).
 - To redress this concern, country-level inputs from local civil society groups are essential to provide an outsider understanding of the process. Such a view is important as more weight is given to country offices in evaluating the forms GAC will take locally,
 - At the same time, efforts must be undertaken to strengthen country office capacities (which are mentioned in par. 158 but should be further developed).
- There also should be a further incorporation of lessons learnt in some of the sector areas that will form the key focus of the new strategy.
 - For example, experiences from the now suspended Country Systems pilot should be fed back into GAC phase II. As country systems and institutions (section III) are key components of the second phase, this reflection is needed.