

**TI COMMENTS ON
THE IMPLEMENTATION PLAN FOR STRENGTHENING WORLD BANK ENGAGEMENT
ON GOVERNANCE AND ANTICORRUPTION**

Transparency International (TI) welcomes the opportunity to follow up on its June 4, 2007 recommendations (see attached) on the Implementation Plan for Strengthening World Bank Engagement on Governance and Anticorruption (IP) and on our earlier submissions on the Strategy for Governance and Anticorruption (GAC).

We would like to stress the importance of institutionalized external consultation for implementation of the GAC IP. Meaningful feedback will be obtained from all Country Offices holding consultations with all segments of civil society – as broadly defined in TI’s June 4 submission. All borrowers should have CGACs¹ drawn up within an accelerated timeframe and irrespective of whether they are slated for Country Assistance Strategy preparation. A broad-based Steering Committee, including civil society and parliament and other non-executive branch stakeholders, should participate in the preparation of CGACs and in monitoring their implementation.

We place utmost importance on fully implementing and integrating into the GAC strategy the findings and recommendations of the Independent Panel Review chaired by Paul Volcker (Volcker Report).² We welcome its call for a “fully coordinated approach across the entire World Bank Group and an end to past ambivalence about the importance of combating corruption.” We note its emphasis on the need for “mutually reinforcing” efforts, over time, to build member states’ capacity to address corruption and to undertake steps, immediately, to “protect the integrity of the Bank’s own operations.” As the Volcker Report indicates, the Bank “can hardly be credible if [it] does not effectively deal with corruption in programs that it supports with its own funds.”

In this regard, we wish to highlight several points from our June 4th submission for greater attention in a revised implementation plan as they remain central to a sustainable and effective program. They should be given the utmost priority in the first year of the strategy’s implementation with targets, timetables, resources and oversight to ensure progress.

- **Leadership:** The President, Board and senior management must set the ‘tone at the top,’ effectively transmitting throughout the organization that combating corruption is central to the Bank’s anti-poverty mandate and that they are committed to driving this agenda forward. As the Volcker Report notes, leadership is essential to provide a ‘clear sense of direction’ and to change the ‘mindset’ of senior management to reflect the central importance of anti-corruption to development effectiveness and to the integrity of Bank programs.
- **Incentives:** A critical step in creating the necessary change in the internal culture is to realign staff incentives to reward attention to governance. The Volcker Report confirms that the current pay and performance evaluation system, rewarding lending, do not contribute to staff taking the necessary steps to prevent, detect, investigate, supervise and report corruption.
- **Resources:** The IP allocates only relatively small incremental resources and staffing towards implementing the GAC plan. Even without accelerating the speed of implementation, these additional resources are likely to be too small to convey to staff and management the urgency of

¹ Country-level GAC plan.

² Independent Panel Review of The World Bank Group Department of Institutional Integrity, September 13, 2007.

incorporating GAC in the Bank's business. Starting up CGAC-related AAA³ work alone will require significant increases in country budget allocations and the appointment of experienced GAC staff. If the currently proposed implementation plan is to be accelerated – as recommended – more resources will need to be earmarked for GAC-related activities to make a real difference.

- **Consistency:** The Managing Director appointed to ensure high-level management implements the GAC strategy and integrates the efforts of disparate Bank units into a comprehensive approach, should also be responsible for implementing the Volcker Report recommendations.
- **External Views:** An external Advisory Committee on Governance and Anti-Corruption should be created to help assure that implementation of the GAC strategy and Volcker Report is robust and moves forward expeditiously. Such a committee can contribute to and help identify experts in specific issue areas.
- **Lessons Learned:** TI has long recommended greater attention to integrating lessons learned from internal and external sources into Bank policies, controls, project designs and practices as well as staff training. The Volcker Report notes, in particular, that “it is clear that INT’s experience and expertise has not been adequately developed and regularly incorporated...”

TI urges that lessons learned from INT, Detailed Implementation Reviews, World Bank Institute data, observations of its procurement and financial management specialists and Task Team leaders, and other sources (such as PRSPs⁴) be used to identify red flags and mitigate risk. Findings about fraud, corruption and collusion should be taken into account, systematically, in project identification, implementation, audit and supervision as well as in decisions regarding country systems and direct budgetary support.

An INT consulting unit will make a valuable contribution, providing advice and training. In particular, all operational Bank staff, particularly procurement specialists where the risk is greatest, must be trained to recognize red flags indicating fraud and corruption

- **Civic Engagement:** Of singular importance is Bank action on the issue of civic engagement. We welcome the provisions in the IP for capacity-building and funding for civil society training and look forward to further specifics and to cooperating in this program as it moves forward.

Beyond these aspects, however, the IP should provide explicit attention to how the Bank will promote the role of civil society in creating and sustaining the demand for good governance and accountability within countries. Civil society should be consulted, have access to information about and participate in the development of GCACs, country strategies, and projects, and perform monitoring and oversight in an institutionalized manner to ensure implementation. Participation in a broad-based local Steering Committee is essential to ensure effective engagement. The Bank needs specific action plans for engaging civil society, particularly in highly corrupt environments and those where civil society is constrained.

The Bank should leverage opportunities for external stakeholders to report concerns about possible corruption in Bank projects and create mechanisms to address such reports in a timely and effective manner.

- **Fiscal & Project Transparency:** TI national chapters understand well that each country has its own governance context and political economy and that strategies must reflect and respond to the specific context. In all cases, however, fiscal and project transparency are essential to mitigate risk to the Bank and to ensure accountability to citizens. Budget and procurement transparency should be a minimum requirement in every country with lending and budget support predicated on performance.

³ Analytical and advisory activities.

⁴ Poverty Reduction Strategy Papers.

- **Private Sector Integrity:** While the IP recognizes the importance of engaging with the private sector, it should include specific steps to ensure contractor integrity. TI has long recommended that the Bank predicate private sector participation in Bank-funded projects on their implementation of anti-bribery policies and programs. The IP should indicate how the Bank will ensure contractors implement these programs. The contractual obligations in the Bank's Anticorruption Guidelines are relevant, particularly adopting the "appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the loans are used only for the purposes for which the loan was granted." The Bank should ensure the implementation and enforcement of these obligations in its projects.

In conclusion, TI urges the Bank to exercise strong leadership and give the greatest urgency to moving forward on implementation of the IP and the Volcker Report to meet the considerable challenges ahead.