



## **Joint World Bank-Civil Society Report<sup>1</sup> of Meeting between Mr. Paul Wolfowitz and European Civil Society Organizations - November 15, 2006**

**When:** Wednesday, November 15, 2006, 10:00-11:00 AM

**Where:** World Bank Brussels Office, Rue Montoyer 10, Brussels

### **Civil Society Representatives:**

#### CIDSE Group

- Mr. Paul Chitnis - SCIAF Scotland, President of CIDSE
- Ms. Zoe Wilding - Cafod UK
- Ms. Hildegard Wipfel - KOO Austria
- Ms. Caroline Contencin - CIDSE Secretariat
- Mr. Philipp Rohrer – CIDSE Secretariat

#### Oxfam International

- Mr. Luis Morago, Head of EU Office

#### Eurodad

- Mr. Alex Wilks, Director of Eurodad Secretariat

### **World Bank Group:**

- Mr. Paul Wolfowitz, President
- Ms. Robin Cleveland, Counselor to the President, EXC
- Mr. Kevin Kellems, Acting Vice President, External Relations
- Ms. Haleh Bridi, Special Representative to the EU
- Mr. Guggi Laryea, Global Civil Society Team
- Ms. Rachael Taylor, Team Assistant

### **Main Issues Discussed**

- **World Bank Approach to Governance and Anticorruption Work:** Mr. Wolfowitz made a brief presentation in which he stressed the following issues: i) He is not on a crusade against corruption, but rather on a crusade against poverty – particularly in Africa - and as bad governance contributes significantly to poverty, it needs to be addressed; ii) The World Bank is not stopping lending on concessional terms because of its work on corruption and governance. However it has stopped lending to corrupt ministries. But even in those cases it has found ways of working with other ministries; iii) The Bank is open to critique and comments on its governance and corruption approach, but civil society critics should be careful that their comments do not play into the hands of those who are only interested in maintaining the status quo of bad governance and corruption; iv) Some of the critics

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<sup>1</sup> The report was drafted by the World Bank in collaboration with CIDSE, Eurodad and Oxfam International.

who have questioned the Bank's work on governance and corruption have been opposed to the Bank's approach because they do not want it to work with civil society on governance.

In response CIDSE made the following points: i) CIDSE worked with 56 partner organizations in 24 countries in producing its report on the Bank's work on Governance and Anticorruption. This was a highly participatory process. Thus its findings cannot be easily dismissed; ii) CIDSE argues that citizen-based mechanisms are the only way to effect long-term strengthening of governance. While the Bank should not have a leadership role in strengthening civil society capacity, there are ways in which the Bank can support or facilitate civil society's activities. Specifically, the Bank along with other organizations like the UN, can play a role in institutionalizing the creation of formal spaces for civil society to engage, and further decentralize staff to country level; iii) CIDSE would like to draw the Bank's attention to the dangers that face civil society in campaigning for good governance, for example, Christian Mouenzo - Civil Society Representative on the Extractive Industries Transparency Initiative was recently arrested in the Republic of Congo for his work on governance; iv) If the Bank wants to better engage with civil society on governance, it needs to strengthen its accountability to people affected by its policies and enable their meaningful participation in their elaboration, e.g. by being more transparent in its operations, transmit its documents to civil society in a timely manner and use formats that are accessible to Southern civil society. v) If the Bank wants to be credible in its work on governance, it will need to improve its own internal governance by giving more voice to developing countries.

Mr. Wolfowitz replied as following: i) The Bank supports civil society engagement on governance and recognizes the risks civil society faces in its work on governance. The Bank issued a statement condemning the arrest of Christian Mouenzo. However, the Bank has to be careful on such issues of a political nature; ii) He acknowledge that Bank consultation with civil society was not perfect, and urges the civil society representatives present to feed into the governance and corruption strategy consultation, and to inform him when necessary of specific problems at country level. iii) He recognizes the need to further decentralize Bank staff to the country level, and will follow up on the specific example during the meeting of Bank staff working on the Kenya program whilst being based in the UK; iv) The Bank could do better on improving transparency; v) Civil society actors are welcome to criticize the Bank's internal governance, which may need some improvement, but should not link this to their judgment on the Bank's work on fighting grand larceny and corruption in developing countries.

- **Harmonization:** Eurodad expressed the concern that the Bank through its new types of fiduciary assessments and tools is contributing to an increasing number of donor assessments and missions to developing countries, which their governments have difficulty dealing with. It stated that the Bank needs to find its place in the

broader architecture of UN agencies, bilateral, other multilaterals, such as the Asian Development Bank or the European Commission.

Mr. Wolfowitz agreed that there was a need to standardize surveillance mechanisms amongst donors to reduce the number of donor missions. He welcomed any examples from civil society clearly showing the burden of the numerous donor missions on developing countries that could be used to encourage further work on harmonization in the Bank.

- **Illegitimate Debt:** Eurodad and CIDSE argued that the Bank in its attempt to address corruption and governance should look at lessons learnt from bad governance and corruption. To this end, the Bank should open its books and allow independent analysis to assess responsibility for bad loans made by the Bank. If this analysis shows that the Bank is partly responsible for debts from such loans, the Bank should recognize this publicly and take both moral and financial responsibility for those actions. The Norwegian government has recently accepted shared responsibility for some of its credits. In the case of Liberia, half of Bank loans to Liberia were issued during the corrupt Samuel Doe regime. Liberia now faces a huge debt burden and has to pay about US\$ 1 million to the Bank and the Fund this year in debt service. Beyond Liberia, the Bank should adopt a systematic approach to all illegitimate debt, and indicate when the report on illegitimate debt commissioned by the Norwegian government will be ready.

Mr. Wolfowitz responded by stating that: i) He would like to work with Eurodad and other civil society groups on their analysis of bad loans, and to go back and examine what went wrong, and what lessons and actions can be taken; ii) Liberia is a special case. The Bank has an agreement with Liberia, a moratorium on the payment of debt service to the Bank. It has tried to get the IMF to follow suit. It is now trying to work out an agreement with the Liberian government on debt stock; iii) The Bank cannot take a systematic approach to all illegitimate debt because each case is different and can only be dealt with on its own merits. iv) Another means of addressing illegitimate debt is through asset recovery. Nigeria has been successful in getting US\$ 500 million back from Switzerland. The Bank is looking at how it can help other developing countries recover assets that have been salted away. v) It is not yet clear when the report on illegitimate debt funded by Norway will be ready.

- **Conditionality:** Oxfam and Eurodad stated that contrary to the Bank's claim that the number of conditionalities applied to Bank lending is falling, recent studies show that they are rising. As a result developing countries still have to implement an unacceptably high number of often inappropriate policy conditions. In support of this argument they made the following points: i) Conditionalities rather than disappearing are simply being relabeled (e.g. policy benchmarks, associated reforms); ii) Civil society actors would like to have access to the Bank's database of conditions to enable an independent view on how the Bank compiles its figures on conditionalities ; iii) The numerous conditionalities are undermining the ability of

developing countries to scale up investment in essential services like water, sanitation, health and education; iv) The Bank should follow the UK and Norwegian examples and end the tying of development aid to economic policy conditions because of their harmful effects.

Mr. Wolfowitz in his response said he strongly believed in the principle of country ownership. He made the following supporting points. i) The Bank's latest report on conditionality shows that there has been a dramatic decrease in the number of conditionalities; ii) Assessing whether the number of conditionalities have fallen or increased depends on when you started monitoring - the Bank's policy on reducing conditionality is relatively new (one and a half years). Civil society representatives should provide evidence on increases in conditionality after the policy was introduced; iv) Eurodad and Oxfam should get in touch with Bank staff at the forthcoming Conference on Conditionality in Oslo (28-29 November 2006) to exchange information and data on conditionalities.

### **Conclusion**

Mr. Wolfowitz and Mr. Paul Chitnis, speaking on behalf of the civil society participants, expressed their mutual appreciation of the discussion and thanked each other for the time given to the event.