The World Bank's Evolving Relationship with Civil Society

A tribute to James Wolfensohn, former World Bank president

By John Clark

November 2020

The author led the World Bank's engagement with civil society from 1992-98 and prior to that he led Oxfam UK's campaigning and advocacy work which included lobbying the World Bank to prioritise social, environmental and poverty-reduction in all its operations and for reducing the debts of low-income countries. This has given him both an internal and external perspective on these issues. After a period at the London School of Economics and the UN, he returned to work for the Bank's East Asia region as Lead Social Scientist from 2004 to 2009, in which role he was able, inter alia, to put into practice new opportunities for working with civil society. In 2009 he returned to roles within civil society, particularly in combatting corruption, promoting a more enabling environment for civil society around the world and guiding CSOs on raising their own standards of accountability and good governance. Comments in the text in purple italics are reflections of a more personal nature.

This paper was finished on the day that Jim Wolfensohn (1933-2020) sadly died. I therefore dedicate this paper to his memory, in light of his opening of avenues for real dialogue and meaningful cooperation between the Bank and civil society.

The World Bank's relations with civil society[1] can be divided into four periods:

- ***From 1944 until 1980***; there was extremely limited engagement.

- ***From 1980 to 1995;*** during this period engagement grew significantly, both with operational NGOs and community-based organisations (CBOs) on the one hand and campaigning and policy-focused CSOs on the other. The Bank gave more weight to tackling poverty, but at the same time sought to press governments (through so-called Structural Adjustment Loans) to undertake reforms that were private-sector friendly, pro-globalisation and that prioritised meeting debt-service obligations. This, and a number of controversial projects in poorer countries, became fiercely criticised because of their negative social and environmental impacts.

- ***1995 – 2005 – the Wolfensohn era:*** with the appointment of Jim Wolfensohn as Bank president there was a sea-change in civil society engagement. He devoted considerable time personally to engaging with critics and advancing the participatory development agenda. Coming from an enlightened private sector background with its emphasis on corporate social responsibility, he insisted the Bank took a *Stakeholder* not simply a Shareholder approach. All staff, he insisted, should spend time listening to the concerns and ideas of civil society, the business sector,

[1] The main types of Civil Society Organisations (CSOs) relevant to the Bank are: (1) NGOs –non-governmental non-profit organisations formally registered in the global north or south who serve a public-benefit purpose, such as providing services to the poor, advocating pro-environment policies, or supporting specific population groups (such as women, disabled people; (2) community-based organisations – CBOs comprise and represent residents in communities affected by Bank operations; (3) foundations, endowed grant-makers usually linked to a specific firm or family; particularly those who finance activities in developing countries, sometimes in partnership with the Bank; (4) think tanks and academic institutions, who may *encourage* the Bank to draw on the evidence of their research or *be commissioned* by the Bank to undertake specific research; and (5) others – including faith-based orgs, professional associations, cooperatives and trade unions.

leaders of faiths, academics and poor people themselves, not just their usual government counterparts. He also found it incredible that the notion of participatory development had been regarded as experimental; he insisted that all projects henceforth should include opportunities for citizen engagement – at least by providing people full information on the project's intentions and design and inviting feedback through meaningful consultation. He also wanted a reset in the Bank's relations with its critics and became personally deeply involved in this.

- ***Post 2005 – operationalising the good intentions:*** The Wolfensohn era saw the rapid growth of initiatives of engagement both in its operations and its formulation of policy and country strategy. Since then the emphasis has been on "mainstreaming" – building innovations and path-breaking approaches into normal practice.

The following sections expand on the above, in particular focusing on notable issues or events in the respective periods.

The period up to 1980

There is little to say about this period since there was very little Bank-civil society engagement. Founded with the unique purpose of helping countries devastated by the 2nd World War to recover (hence its formal name – the *International Bank for Reconstruction and Development*), the Bank concentrated on financing governments' infrastructure and other development priorities. A high proportion of senior staff were engineers and it was seen by most in civil society as highly technical and of little relevance to their agenda. It gave loans at close-to-market-rates for the large and complex projects that few governments at the time could address by themselves, it eschewed decentralised programmes (such as health, education, small-scale roads and other schemes generally prioritised by local communities), and in its first few decades most of its operations were in European and other relatively wealthy countries. In this period, bilateral aid and UN agencies were the primary conduits for official financing of programmes directly relevant to the world's poor.

From 1980 to 1995

As public concern about the problems of global poverty mounted (not least due to the severe African famines in 1983-6) the Bank gave increasing attention to poverty reduction, which often entailed local-level service-delivery with which it was unfamiliar. Although it essentially financed government bodies for these activities it became seen as increasingly important to have links with NGOs and CBOs. This would help guide its thinking and provide "reality checks", but also a number of more progressive Bank staff started exploring opportunities to engage communities themselves in the design and execution of projects intended to benefit them ("participatory development").

At the same time, many NGOs in both North and South became increasingly critical of World Bank programmes they saw as compounding, not easing, the problems of poor people. These included the financing of big dams and other projects that had serious and unaddressed social and/or environmental consequences and structural adjustment programmes (loans made not for specific projects but to promote and support policy reform; critics regarded these as supporting reforms that benefited the elite and promoted globalisation at any cost which often damaged the poor).

Hence in this period the Bank found itself under increasingly hostile attack from critics while at the same time it sought to forge partnership with CSOs that worked closely with communities.

The Poverty Agenda

The Bank's rhetoric shifted sharply towards a fundamental focus on fighting poverty. While most in civil society were sceptical of this, considerable intellectual fire-power was invested in mapping out a credible strategy for how poverty could and should be tackled. This led to the Bank's publication in 1990, in its flagship *World Development Report* series, of a report simply titled "*Poverty",* and also of a more practical report that set out the Bank group's own commitments to this agenda. The thesis of *"Poverty"* was that a two-and-a-half prong strategy is needed: first, economic growth must be promoted, in particular labour-intensive growth (to better use the poor's most abundant asset); second, basic social services should be available to the poor (especially primary health care, family planning, nutrition, and primary education); and the "half-prong" was the need for more effective safety-nets for poor people who don't immediately benefit from the opportunities provided.

One of my first meetings after joining the Bank staff in 1992 was on this poverty strategy and how to incorporate it into the Bank's business. I pointed out that if we wanted to set out a strategy to <u>maximise the wealth of the wealthy</u> (rather than to fight poverty) would it not have the very same 3 elements? The comparative advantage of entrepreneurs in poorer countries is to capitalise on cheap and abundant labour supplies; it would benefit them if the workforce was relatively well-educated and healthy, so they would welcome state-provided social services; and having well-functioning safety nets would reduce the danger of mass unrest that would destabilise their businesses. This was greeted by nods from some but stony stares from the authors of the Bank's strategy. I wondered if this would mark the end of a very short career for me.

To a large extent the new poverty rhetoric gave an intellectual underpinning to a strategy already underway. Since the early 80s the Bank had increased its funding of health, education and other social services and it was seeking opportunities to work more in rural areas (although not generally those where the poorest live, since projects in these areas would be unlikely to make the rates of return expected for World Bank loans). This shift of focus led many of the large Northern operational NGOs to become excited at the prospect of securing World Bank funding for their work. Generally, this hope was frustrated; the Bank's funds go overwhelmingly through governments (this was what it was set up to do) and governments generally wanted the funds to go through their ministries, not rich Northern NGOs. However, a dialogue with the more "establishment" NGOs was started and in 1981 the World Bank – NGO Committee was formed for this purpose.

Most of the NGOs expressed their frustration that the opportunities opened for them in practice did not amount to much. The Bank started countering this pessimism by discerning how many projects it financed had *some* provision for NGO involvement, publicising that this rose from near zero in 1980 to 30% of all projects in 1990-93 and almost 50% in 1995. This involvement, however, was often minimal and many saw this analysis as a meaningless bean-counting exercise.

Participatory Development

The staff of the World Bank are far from homogeneous, however, and many started capturing the new language of "prioritising poverty" by designing new people-focused projects and experimenting with new approaches. In particular, many started working with more grassroots NGOs and communities to shape projects (or more likely project components) to which those groups contributed in either design or execution. A *Participatory Development Learning Group* was established for exchanging ideas of what worked/didn't work, and as a peer-support group; it was also able to provide some limited funds for innovations and pilots. This work genuinely contributed to a stronger engagement with CSOs who really understood poverty reduction.

Debt and adjustment

During the 1970s oil crises, the mainly Arabic OPEC countries successfully hiked the price of oil and built up mountains of dollar reserves which they largely chose to invest in western banks. This created an unusual problem for those bankers: they came to have more deposits than demand for capital, which also meant that interest rates became very low. They, and organisations like the World Bank and IMF, urged low and middle-income countries to seize the opportunity to borrow this cheap capital for their national needs (developmental or otherwise). Unfortunately, inflation soared in OECD countries in the 1980s; hence central banks (and so commercial banks) hiked interest rates. For countries who had borrowed a lot (especially in Latin America) the debt crisis was born: they couldn't afford to service their debts. However, a tenet of international finance is that sovereign debt is sacrosanct; these countries couldn't afford NOT to service their debts, or they would be seen as pariahs and cut adrift from the international economic system.

At the same time there was a mounting *gestalt* of globalisation and free-markets (in this Thatcher-Reagan era). Consequently, the IMF and World Bank both urged debtor countries to continue with the pretence that the debts were manageable (themselves injecting further funds on an emergency basis when developing-country treasuries were running dry), and this required cutting back on normal government spending so that the debts could be serviced. The IMF and Bank urged painful austerity measures to achieve this through their "adjustment" programmes, emphasising economic reforms that would foster economic growth as well as meeting debtors' debt service payments.

The usual consequence was cuts in health, education and other social programs, cuts in subsidies that poor people might have depended on, and disproportionate cuts in investment in the less productive (i.e. poorer) regions of these countries. Many NGOs, such as Oxfam, started campaigning in the mid-80s <u>for</u> writing off impossible debt burdens and <u>against</u> adjustment programmes that put the burden of debt service onto the poor – especially as these poor people were probably the last to see any benefits from the loans their governments had taken out. The Bank and Fund were seen as heartless institutions that served the interests of big banks, wealthy business-people in developing countries and rich countries, severely letting down poor people in the process.

Oxfam produced a series of "*Debt and Adjustment*" monographs (for countries such as Philippines, Zambia and Jamaica) and lobbied the UK and European governments to spearhead international efforts to ease debt burdens and anti-poor austerity measures. Other NGOs also documented the social costs of the debts. UNICEF published a seminal report in 1987, *Adjustment with a Human Face* that provided voluminous evidence of the social harms associated with "conventional" adjustment programmes; the authors credited Oxfam for having helped alert them to this problem.

In the mid-80s, following 2 years of severe famines across much of Africa, it also became very clear that the social consequences of debt burdens in that region – though smaller in volume than in Latin America - was more socially damaging. Oxfam's campaign – under the banner: "*Bury the Debt, not the Dead. Don't Stop the Giving, Stop the Taking!*" resonated with the British public, who had given generously for famine relief. Tens of thousands wrote to their MPs and took part in publicity events decrying the perverse financial flows *from* low-income countries; the government of the day felt obliged to respond. The first effort (launched by Chancellor Nigel Lawson in 1987 at the Commonwealth Heads of Government meeting in Toronto – hence called *Toronto Terms*) was half-hearted and offered little real respite, but 3 years later the new Chancellor (John Major, who later became Prime Minister) launched the *Trinidad Terms* at the Commonwealth heads meeting of that year; this aimed for an appropriately generous two-thirds reduction in the net value of low-income country debt burdens. Unfortunately, other rich governments didn't quite agree; the reduction was capped at 50% and recipient countries would be obliged to first follow strict WB-IMF supervised adjustment programmes for 3 years. It wasn't celebrated by the NGOs, but at least it was a start to build on. The NGOs, energised by the process, formed the international Jubilee 2000 network, calling for the debt burdens to be lifted by the end of the Millennium.[2]

The Bank also heeded the criticisms and launched a research programme and pilot operation called *Tackling the Social Dimensions of Adjustment* (SDA). Again, this was seen as a start by NGO critics of adjustment – but too little, too late. Many NGOs also learnt from the dialogue and came to accept the Bank's argument that *failing* to adjust at all can be even harsher for the poor (see below).

Perhaps paradoxically, the success of NGO campaigns (increasingly coordinated in the Jubilee 2000 network) drew the attention of many other NGOs, journalists and economists to the dual problems of debt and adjustment, and although the Bank (and more cautiously the IMF) started softening their conditions, the criticism of the institutions grew, rather than subsided.

"Problem Projects"

During this period, NGOs also became very exercised about the negative social and environmental consequences of a number of large projects financed by the World Bank. This included the major trans-Amazon highway coupled with a resettlement project (Polonoroeste) in Brazil, a hydroelectric project (Itaparica) also in Brazil, the transmigration project in Indonesia that encouraged resettlement from over-crowded Java to the country's less populous islands, the Ruzizi dam in Rwanda and the Congo, and the Western Ghats forestry project in southern India. The highest profile *cause celebre* was the Sardar Sarovar dam on the Narmada river in Western India (a separate contribution to UNCRP details this issue).

The World Bank's official response to such criticism was initially: a) to claim that the negatives had been exaggerated, and b) to argue that the Bank merely finances these projects – its duty is to assess their economic feasibility while the governments in question are responsible for any mitigation needed. The analogy, it argued, is that if you borrow money for a business or a house you don't expect your bank to tell you what you should do for its upkeep or how you should remunerate your employees. However, critics pointed out in turn that the money financing these schemes comes from taxpayers[3] who are increasingly adamant that they don't want their governments to allow their money to be used to finance destructive projects.

The Bank recognized the seriousness of this challenge and started hiring independent social scientists and environmentalists to investigate claims coming from civil society. The outcome was, generally, a recognition that the criticisms were valid. It should be underlined that there was important internal pressure for reform as well, particularly regarding responsibility for projects entailing "involuntary resettlement" – a concern championed by Michael Cernea, the Bank's first social scientist. He and others (notably the consultants Cernea hired to investigate social concerns

---

[2] NGOs outside UK also took up the call for low income country debt relief, particularly a European NGO network, EuroDAD, and some US NGOs (where Latin American debt remained a greater campaign cause). For an official (IMF) history of the debt reduction initiatives see: https://www.imf.org/en/Publications/WP/Issues/2016/12/30/From-Toronto-Terms-to-the-HIPC-Initiative-A-Brief-History-of-Debt-Relief-for-Low-Income-3298

[3] Especially in low-income countries where the soft-loan arm of the Bank gives very long-term loans at close to zero interest rates; these funds come from the aid budgets of contributing countries.

associated with projects, many of whom subsequently joined the Bank's staff) provided internal pressure which, synchronised with the external pressure, proved to be a powerful force for change.

Over a period of some years, the Bank gradually started to internalize the lessons while hiring more social scientists and environmental staff and issuing instructions to staff demarking the Bank's, as well as governments', responsibility for addressing social and environmental concerns. In some of the projects (such as Polonoroeste) loans were even suspended until these issues were resolved.

NGO-World Bank Committee

While initiated by the World Bank and at first limited to a hand-picked group of mostly American operational NGOs, this forum started to become a stronger body in the mid-80s when the NGOs started to assert independence, demanded a say in the agenda and pressed for the inclusion of NGOs from the Global South and advocacy groups. The change in the order of "*NGOs*" and "*World Bank*" in the title was perhaps cosmetic, but the decision of the NGOs in the late 80s to form themselves into the *NGO Working Group on the World Bank*, to start electing their membership, to ensure a regional balance, and to produce NGO Position Papers on key topics such as adjustment and public access to information presented a challenge to the Bank. Though some senior managers were furious and started questioning whether it should continue taking part in (and indeed paying for) this forum, more reform-minded Bank staff defended it as a reflection of the very real concerns held by NGOs and the public and a useful body for dialogue on the thorniest issues.

World Bank shifts

With increasingly evident opportunities for operational collaboration and increasingly high profile (and often acrimonious) debates with CSOs on policy issues, the Bank started giving stronger guidance to staff (but not *requirements)* on the issue, in particular its *Operational Manual Statement: Collaboration with NGOs* of August, 1988. From the mid to late-80s it also spelt out clearer policies and operational requirements for its staff regarding the environment (1989 and 1993), involuntary resettlement (1990), indigenous people (1991) and other "safeguard" issues.

The *Participatory Development Learning Group* became a much larger and more influential group, successfully catalysing a growing range of initiatives in which communities and CSOs were strongly involved in all stages of the project cycle, and the awareness increasingly spread that participatory approaches are likely to enhance the poverty focus of projects, even if they may cost more time and money at the design stage and cause headaches for the Bank's task managers for the projects.

The *Social Dimensions of Adjustment* programme also built momentum, as did the Bank's internal teams of specialists and procedures for addressing the CSOs' social and environmental concerns about particular projects. While external pressure was the main driver, some senior people inside the Bank were invaluable for what became a very real reform dynamic, including Ismail Serageldin and Pierre Landell-Mills (in the Bank's Africa region, who went on to become the Bank's first Vice President and deputy respectively for environmental and social issues in 1993); Michael Cernea (the Bank's first sociologist), and Alex Shakow (head of External Affairs).

While the reforms in this period were real, the rate of change in what the Bank *did* as opposed to its language seemed far from convincing to its critics. In part this was because many staff regarded the new pressures to be unwelcome and requiring just a "box-ticking" response on their part (saying that a stakeholder consultation process was used when just one or two "tame" NGO leaders were spoken with), in part because governments – its traditional source of information about the progress of projects and programmes – gave reassuring messages while NGOs rang alarm bells, and in part because there was no clear driving force and reality check within the Bank.

Because civil society was becoming both more important and problematic for the Bank, some in its management thought it timely to appoint someone from a civil society background to manage these relationships. Hence the Bank invited me to move from Oxfam to head up this function – which I did in 1992. Paradoxically, as NGOs became more familiar with the architecture and processes of the Bank, they became more effective in their lobbying, especially as the Bank started becoming more transparent, more open to dialogue and with more staff finding agreement with CSO positions.

From 1992 to 1995 there was significant progress, particularly in six areas of CSO engagement:

- The numbers of projects with some involvement of civil society (in particular NGOs) grew, reaching 47% in 1998; while much of this involvement was somewhat tokenistic (maybe little more than an informal meeting with some handpicked NGOs), it sometimes included serious consultation during design stages or involvement of CSOs in the delivery of services.
- There was a parallel expansion in the use of a diverse toolkit of participatory approaches in which communities that were intended to benefit from projects were involved in the design and execution of components. While by no means the norm, this was a period in which staff committed to poverty reduction and "listening to the people" had expanded ways of engaging with communities directly. A milestone in this was the publication in 1994 of a major and influential report: *The World Bank and Participation.*
- It became the norm to consult with civil society when significant policies were being developed or revised; these included Bank critics and advocacy groups, and increasingly involved groups from developing countries. The criticism often remained very harsh, however, and US groups (but rarely European ones) were prepared to press their government to stop allocations to the soft-loan arm of the Bank (for highly concessional loans to poor countries). This, paradoxically, led to the Bank giving more attention to those who were prepared to draw on the anti-aid tendencies of the Republican government of the day than to those pressing for *more* official aid.
- Following storms of protests about the social and environmental damage associated with a number of projects, in which it was eventually found that there were convincing grounds for those complaints [see John Clark's separate contribution to the UN Career Records Project on *Narmada Dam and Problem Projects*], the Bank established in 1993 the Inspection Panel - an independent complaints mechanism for people and communities who believe that they have been, or are likely to be, adversely affected by a World Bank-funded project.
- In 1994, following strenuous civil society campaigning by civil society as well as considerable internal resistance, the Bank agreed the *World Bank Policy on Disclosure of Information* which made public a vast array of documents that had hitherto remained confidential and instituted a "presumption of disclosure" approach to other documents, meaning that documents requested by citizens should be so shared unless there is a good reason not to. Again, there were strongly differing staff views on the topic and the World Bank's task group mandated to draft a disclosure policy was unable to reach consensus. The majority view was that only modest steps were called for but the dissenters insisted on their recommendations being included as an annex. Following effective lobbying by some Executive Directors (EDs – the representatives of governments on the board of the World Bank) and NGOs, it was that minority group's recommendations that were eventually agreed.
- The Bank's central NGO and civil society Unit started a programme on the enabling environment for civil society. This included some country case-studies (such as looking at

CSOs in Bangladesh, their relations with government, elements of national law that hampered their work, and the government's machinery for engaging with and regulating CSOs). It also included a partnership with the newly formed *International Center for Not-for-Profit Law (ICNL – www.icnl.org)* in providing advice to governments and CSO sectors on laws relating to civil society and appropriate reforms to adopt or campaign for. NGOs in many countries started viewing the Bank as an ally.

1995 to 2005: the Wolfensohn era

In 1995, following the nomination by President Clinton, Jim Wolfensohn was appointed President of the Bank. Even before he formally assumed office, he had meetings with NGOs and with groups of staff at which he made clear that changing how the Bank relates to civil society and other external parties was a top priority.

Coming from an enlightened private sector background with its emphasis on corporate social responsibility, he insisted the Bank took a Stakeholder not simply a Shareholder approach. All staff, he insisted, should spend time listening to the concerns and ideas of civil society, business leaders, faith communities, academics and poor people themselves, not just governments. He also found it incredible that the notion of participatory development was regarded as experimental (and to many "old hands" as rather "flaky"); he insisted that all projects henceforth should be designed to have opportunities for citizen engagement, if nothing else providing people full information about the project's intentions and design and inviting feedback through meaningful consultation. He also wanted a reset in the Bank's relations with its critics and became personally involved in the process.

For this reason, he asked me to inform him regularly about CSOs' major concerns and to do so directly, not via the usual hierarchical line structures; something that my Director and Vice President didn't at all like! In this period, the Bank felt to me like a different organisation. Before, only a small fraction of Bank staff regarded civil society as anything more than a problem to be contained, or put much effort into participatory approaches – and there were few incentives for doing so; after Wolfensohn's arrival it was almost universal for those old hands to maintain that they had always regarded citizen voice and engagement as crucial.

Besides accelerating operational collaboration, being more proactive in participatory development, and generally being more open to engaging diverse stakeholders, there were five initiatives that Mr. Wolfensohn supported right from the start of his term:

- Establishing intensive dialogue with civil society and other stakeholders (particularly the faiths, foundations and the private sector) on sensitive policy issues of concern to external stakeholders AND on issues where important expertise lies outside of the Bank;
- Similarly, establishing meaningful dialogue at the country level, including on the Bank's *Country Assistance Strategies* (CASs – the hitherto highly confidential strategies for the Bank's medium-term lending, typically containing multiple possible lending scenarios with triggers in the form of government measures the Bank considers warrants shifting to a higher volume of lending);
- Encouraging government clients to respect and engage more with their CSO sectors and to provide a more enabling environment for civil society; to demonstrate his commitment to this, in every country he visited Mr. Wolfensohn would have multiple meetings with civil society. Often the Bank would agree a meeting with CSOs, and with their say-so invite government participants, sometimes leading to the first meaningful discussions between civil society and governments on the issue in question (we called this the making a "policy trialogue");

- Resources were allocated for the hiring of *Civil Society Specialists* in the local Bank offices to help with the above agenda, typically from a CSO background. These helped ensure that Bank project staff, policy specialists and managers met with appropriate stakeholders, that the meetings were planned so as to be sensitive to the concerns of civil society, that there was appropriate follow-up (although this was often the weak link in the chain), and that CSOs had access to the Bank documents they wanted (if permissible). Within 3 or 4 years there were civil society specialists in almost all Country Offices, all Regional offices and in many sector departments; and
- Continuing to increase the Bank's transparency, both by widening the array of World Bank documents that were previously confidential but that could now be disclosed and also by *active dissemination* – facilitating public access to the documents by establishing *Public Information Centres* within Country Offices or convenient capital city locations around the world.

With such a diverse and flourishing dialogue, the NGO-World Bank Committee became redundant, although its civil society members became important advisors to the rapidly unfolding relationships. It quickly became the norm not only to disclose an array of policy and operational documents that had previously been confidential, but also to share *draft* documents during a consultative process so that stakeholders could see for themselves the Bank's thinking.

I led a consultative process to feed into the Uganda Country Assistance Strategy and argued that, as feedback, we should share the final CAS. The Bank's rules at the time did not allow the CAS's to be disclosed, and we asked the Bank's lawyers what was the minimum we had to do to comply. The answer we got was that we could share content of the document as long as it was not recognizably the CAS. The Country Director agreed to make public a document that was, verbatim, the CAS, but with a different design cover and titled the World Bank's Uganda Strategy, rather than CAS.

Highly Indebted Poor Country initiative (HIPC)

A concern that Wolfensohn heard repeatedly in his first months was the vital need for debt relief for low-income countries whose governments had large and unsustainable debt burdens – much of it owing to the World Bank and IMF. These governments were often paring back their social and development expenditures in order to meet the interest payments on their debts, and even then, the volume of these debts was growing. However, a convention held that debts to the Bank and Fund were inviolate and could not be cancelled.

Wolfensohn realised that it was time to break from old conventions and instructed his international finance team to develop an approach to match the problem. Perhaps seeing this as a poisoned chalice (not least because sovereign debt is conventionally regarded as the IMF's terrain, not for the Bank – and that the IMF would be furious about any hint of World Bank seizing leadership, especially if it called for debt reductions), the task was delegated to a young, bright Egyptian economist (Nawal Kamel), who quickly realised the core of the problem – namely that there was no way that further loans (the conventional approach) would ease the problem, because the countries in question faced an <u>insolvency</u> crisis, not a <u>liquidity</u> problem; getting back on a development track therefore required reducing these debts to a sustainable level.

While most of the hierarchy failed to support the proposed approach, Wolfensohn regarded it as a good case and shared it with the IMF who, predictably, hated it – and a spat ensued between Wolfensohn and the IMF. When the US Treasury Secretary (Larry Summers) learnt of this he met with the heads of the two institutions and insisted that no plan should go forward unless both institutions were behind it. The Fund held firm and it rapidly appeared that the plan was dead in the water. However, after supporters of debt reduction within the Bank, who were in close contact with the key advocates in civil society, carefully briefed those advocates on the situation and the main elements of the Bank-proposed scheme, there was immense campaigning support *for* the proposal and much media interest. The IMF now had to respond publicly and defend its stance – which it did.

However, some governments (including the British) thought it was time for the IMF to be more flexible. In February 1996 the UK government together with the head of the UK Catholic Church (Cardinal Hume) organised a meeting in London with the head of the IMF, Michel Camdessus. This shook him – recognising, as a Catholic himself, the extent of "the hostility of world Catholic leaders toward the institution he led and its economic policies". At the following week's IMF Board meeting pressure grew for agreeing the need for debt reduction (led by the UK Executive Director) and soon thereafter the argument was accepted, however the IMF did insist on a more gradual and cautious approach than was set out in the World Bank paper. The compromise was that debt relief would only start after a 3-year period in which governments demonstrated their seriousness regarding fiduciary responsibility and that the relief would be staggered over a further 3-year period during which the debtor carefully followed an agreed economic reform programme. The Bank gave way on this but argued that this should call for a standard structural adjustment programme, but one geared towards poverty reduction. This came to take the form of a Poverty Reduction Strategy Paper (PRSP) – agreed between the Bank, Fund and debtor – as the basis for the HIPC debt reduction[4].

While NGOs strongly disagreed with the watering down of the Bank proposal, they respected that the Bank – and Mr. Wolfensohn in particular – had done all they could to make debt reduction possible, so that there was light at the end of the very long tunnel for poor countries. They then turned their attention to ensuring the PRSPs were not too onerous.

The Structural Adjustment Participatory Review Initiative - SAPRI

A closely related civil society concern was the social costs of structural adjustment. This debate has centred on two radically contradictory assessments. The World Bank maintained that adjustment was simply intended to stem the haemorrhaging of government funds by ensuring that its spending is roughly in line with its income. Failing to do so leads to the printing of money, runaway inflation, a loss of business and investor confidence in the country and hence growing unemployment – an economic meltdown for which the hardest hit are the nation's poor (not least because in inflation the price of food and other basics rises fastest, and they are most likely to be the ones loosing jobs). The civil society experience was that the adjustment programmes favour the country's big-business community, the elite of the country, the capitals and other richest areas and it is the poor who bear the burden as governments cut health, education, other basic services and subsidies on which they depend, while maintaining spending in the cities and on activities that favour the business world, in particular the export sector.

SAPRI sprang from a very early discussion Jim Wolfensohn had with NGOs, and he strongly encouraged it thereafter. The agreement was to conduct joint reviews of the impact of adjustment programmes in a selection of countries, using participatory research, engaging poor people themselves, household surveys and analysis by CSOs and independent researchers. A joint World Bank-NGO Technical Committee hammered out a mutually agreeable methodology and identified some possible countries, since it would require the active participation of the governments and World Bank teams in question as well as civil society and the private sector.

[4] For more detail see Bessma Momani, "Internal and External Norm Champions" in Susan Park and Antje Vetterlein (eds), *Owning Development: Creating Policy Norms in the IMF and the World Bank*, 2010, Cambridge

SAPRI was launched by the Bank and CSOs in 1997, initially with 8 participating countries. In two of these the governments dropped out. In the remaining 6 (Bangladesh, Ecuador, Ghana, Hungary, Mali, and Uganda) strong CSO teams were convened as well as tripartite steering groups comprising CSOs, the government and the Bank). National multi-stakeholder forums initiated the research and generated widespread public interest. Over the following 2 years the research and consultations continued, leading to the preparation of reports that were presented to second national forums.

At the early stages, however, there was a significant split between a number of Southern CSOs and some of the most prominent US CSOs. This was due partly to ideology and partly to process. The former tended to be more pragmatic and approached adjustment with at least as much criticism of the corruption and elite-focus of their own governments as of the Bank and Fund; they regarded the US groups as simply wanting to generate confirmation of their familiar narrative of the Bank and Fund being behind all the problems. They also felt that they were rather marginalised, with the US groups over-controlling it (in particular the NGO coordinating office in Washington). As a result, many Southern groups left SAPRI. Hundreds of Southern think tanks, policy-focused CSOs and academics, however, joined SAPRI, particularly in the focus countries. Surprisingly, implementation of SAPRI was relatively smooth and one clear lesson was that, with a mutually agreed structure and process, it is possible to have constructive dialogue about highly sensitive issues

Though not as broad a venture as it could have been, SAPRI was a net positive in many ways: it contributed to a broader understanding of adjustment policies and their impact; it strengthened CSO research capacities in the six countries; helped to demystify economic policy; and initiated new collaboration between research organizations, CSOs, the Bank and government policy-makers.

The Ghana and Uganda SAPRI processes were perhaps the most useful for at least three reasons. They maintained strong involvement of civil society, government and the Bank throughout; the careful research, analysis and conclusion-drawing significantly influenced the subsequent Poverty Reduction Strategies that formed the basis for the debt reduction those countries received; and they strongly demonstrated the positives of multi-stakeholder approaches to national priority-setting. For example, the Uganda findings were that, contrary to the usual CSO narrative, adjustment had had some positive impact on employment, industrial development and exports, and social spending but, contrary to the government's narrative, it worsened food security, contributed to widening inequality in social services, and contributed to asset-stripping of SOEs.

The country processes fed into a Global Forum that took place in July 2002 in Washington, with Mr. Wolfensohn and top Bank management, marking the conclusion of SAPRI. The CSOs and the Bank both presented reports setting out the lessons they drew from SAPRI. In particular, for the Bank, it reinforced the notion that adjustment policies must not only take into account social and political impacts, but also be more country owned and flexibly designed. The SAPRI experience also helped shape the Poverty Reduction Strategy Paper (PRSP) instruments.[5]

Corruption

Until Wolfensohn's arrival the issue of corruption in developing countries was regarded as a taboo topic in the Bank, although generally recognised as being a widespread and often debilitating problem. But the prevailing attitude is that the World Bank is a bank of governments and for governments; in assessing loan-making it should consider impediments to development and to the specific projects funded by the loans but otherwise shouldn't meddle in the internal workings of

[5] For further information see http://www.saprin.org/SAPRI_Findings.pdf and http://documents1.worldbank.org/curated/en/386221468332448978/pdf/359150rev0WB1SAPRI1Report.pdf

governments. In other words, in countries where corruption is so rife that development simply isn't possible or where the intended benefits from projects won't be realised because they are captured by bureaucrats and their cronies – the Bank simply does not lend. But if the economic analysis shows that the economic returns from loans will meet their targets then the loans can go ahead, even if it is clear that a significant volume of funds will leak. It wasn't seen as the Bank's job to become an international monitor of government probity; that should come about as a result of pressure from within (as in Singapore) or from their closest bilateral donors.

It was a shock to me to discover the Bank's tolerance of corruption on my first World Bank mission, which was to look at civil society involvement in a resettlement programme in Indonesia. When I asked the mission team leader about this, he agreed that it wasn't palatable, but that it was an inevitable cost of doing business in the country. He assured me that projects worked well and generated <u>greater</u> benefits than required, in contrast to other countries where inefficiencies and blunders destroyed the projects – and that this was because the better civil servants worked on Bank-financed projects, because it was so lucrative. Conversely in other units of governments – where salaries are very low, staff would only come to work occasionally, would conduct private business from their offices, and would charge citizens for services intended to be free. He also pointed out how ubiquitous was the issue; it wasn't just the ministers and project heads that gain personally from corruption, but <u>everyone</u> working on the project has a stake. He said that sometimes senior officials ask for packages of "speed-money" in small-denomination notes to make it easier to distribute. He did recognise, however, that corruption was becoming deeper. He said "we used to call it raking-off, but now we call it gouging".

Wolfensohn was alarmed to hear about the prevalence and acceptance of corruption, for which he felt there should be zero tolerance. A number of Bank staff had for some years focused on the problems of poor *governance,* particularly in Africa, (sometimes touching on issues of corruption but knowing that the Bank's lawyers would require "editing" of references to specific allegations of corruption). Privately they spoke with him about corruption as being a major impediment to development and a barrier to poverty reduction; in particular Peter Eigen, Pierre Landell-Mills and Frank Vogel[6] tried to get the Bank to be more forceful on the issue, and many CSO leaders would press Mr Wolfensohn to break the taboo – and openly condemn corruption.

This he duly did. After about 16 months as President, he used his annual keynote address to governments to lambast the conspiracy of silence that has surrounded the subject, saying: "*let's not mince words: we need to deal with the cancer of corruption. In country after country, it is the people who are demanding action on this issue. They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that it erodes the constituency for aid programs and humanitarian relief. And we all know that it is a major barrier to sound and equitable development*." (Wolfensohn's speech to the World Bank-IMF Annual Meetings, Washington DC, 1996).

After that the genie was out of the bottle. A number of subsequent reports assessed the problem of corruption and suggested an array of remedies, starting, the following year, with the *World Development Report* (the Bank's annual flagship report) called "*The State in a Changing World*". In operations, the Bank started encouraging governments to establish anti-corruption commissions, audit bodies, independent oversight and accountability mechanisms, ombudsmen, whistle-blower statutes etc). Governance became a major new sector for World Bank analysis and operations.

[6] These people went on to be the founders of Transparency International and Partnership for Transparency respectively after they left the Bank. These are two NGOs at the cutting edge of combatting corruption.

While some of these initiatives were effective, it soon became apparent that where governments were not serious about the problem, the Bank's funding did little good. What was needed was a new way of working, one that involved civil society, as well as the private sector and independent journalism, in forging a new sense of accountability to the citizen. A joint report in 1999 with the European Bank for Reconstruction and Development *(The Business Environment and Enterprise Performance Survey)* found that in countries with greater political competition and stronger civil societies there was less state capture, while where civil society was weak, both state capture and administrative corruption were high. From this perspective, the Bank put increasing emphasis on "social accountability", in which citizens were enabled to hold their governments and public functionaries to account directly. This involved NGOs, community groups, independent think tanks or journalists, specially created watchdog bodies and other mechanisms.

In many countries, the Bank started financing such programmes directly or through capacity building exercises designed to boost social accountability tools and specialists. A wide range of social accountability approaches have been tested, scaled up and supported by the Bank in a wide range of countries. The common thread is using citizen and/or CSO participation to strengthen the accountability of public office-holders by complementing (not replacing) conventional mechanisms of accountability. While initially sceptical, the Bank's governance specialists now have no doubt about the importance of this "demand-side" of accountability. Some examples are described below and much more is discussed in a Bank overview report of 2004.[7]

The backlash

The Bank-civil society dynamic had changed very substantially after two years of Mr. Wolfensohn's presidency. While much criticism remained, there was wide support of this reform agenda amongst CSOs, particularly in developing countries – where the Bank was often seen as an ally in pressing their governments to take grassroots evidence more seriously and to engage more constructively.

However, it became apparent that some developing country governments thought that the Bank (*their* Bank!) had gone too far and was listening too much to CSOs (including government critics), was lecturing them too much about civil society, was seeking to direct too much funding through non-governmental channels, and was supporting or funding activities they frankly didn't like – such as engaging with civil society in identifying and attempting to rectify problems of bad governance and corruption. The Executive Directors (EDs) who represented only developing countries[8] came together to form a grouping they called the "Group of 9" (G9) to argue that the Bank should ratchet back greatly on this agenda. Interestingly, on *no other issue* had these governments spoken before with a collective voice in this way (not the case for debt relief, and not calling for more concessional lending, for example). Management was very alarmed, not just for the precedent that had been set, but also because harmony between the governments on the Bank's board was always expected.

While the instinct of some was to scale back on this progressive agenda, others recognised that perhaps the problem was in part because we simply hadn't explained our strategy properly to this important constituency (who typically were very senior officials from Ministries of Finance or Central Banks). Jim Wolfensohn himself and the VP for External Affairs of the Bank (Mark Malloch Brown at

[7] *Social Accountability: An Introduction to the Concept and Emerging Practice*, Carmen Malena et al. http://documents1.worldbank.org/curated/en/327691468779445304/pdf/310420PAPER0So1ity0SDP0Civic0no1076.pdf

[8] There were 26 EDs at the time. Some represented just one "important" government who either contributed most funds (such as USA and UK) or had the biggest loan portfolios and geopolitical importance (such as China and India). Other EDs represented a group of countries, either just developing countries or a mixture of these plus contributing countries.

the time) were in this group. Hence it was decided to take the bull by the horns and spell out the civil society strategy, discuss it and defend it with the Board of EDs, and then determine if a policy was demanded to scale back these activities. The starting point was a series of bilateral meetings with EDs to hear and understand their concerns (and gauge the degree of support for the strategy).

For me personally this was both a tense time and the start of a "charm offensive", talking with the EDs and seeking to build rapport and trust. I had multiple meetings with the most vocal ED critics. It was a mark of pride – when concluding the eventual board meeting – that the African ED who had initiated and coordinated the cabal congratulated me for having taught them to "like" NGOs and civil society a bit more.

Over the next few months there was an iterative process of engaging with EDs and discussing elements of the strategy with management. This culminated in the paper *The Bank's Relations with NGOs: Issues and Directions*[9] which was discussed and broadly endorsed at the Board. The paper set out how and why the relationship had evolved and was seen to be crucially important for helping the Bank do a better job, while recognising that while a multi-stakeholder approach made for good development, *primus inter pares* was the Bank's relationship with governments and there was no suggestion that this was about to change. Indeed, the Bank would always inform governments of its civil society involvement and would not pursue them if governments disapproved. The paper also recognised that CSO engagement entailed costs and also could be associated with controversies and problems, but that the response should be careful learning from experience, not avoidance.

A very different backlash greeted the World Bank's civil society team work preparing a draft *Handbook of Good Practice on Laws Relating to NGOs*[10] (see above). After having advised both governments and NGO networks in a number of countries in drafting enabling legislation for the sector, the Bank and its partner, ICNL, started pulling this experience plus ideas from its dialogue with NGOs elsewhere into the draft handbook. This work programme was widely welcomed by NGOs in developing countries. However, a small number of Northern human rights groups objected to it (in particular the Lawyer's Committee for Human Rights). Their basic point was a good one: the right of association is a fundamental one, not to be constrained by governments in any way. They felt the draft handbook could be read as suggesting that governments should have legislation defining *requirements* and *duties* of associations and governments oversight roles in this regard.

While this seemed far-fetched, the Bank and ICNL – who widely circulated the draft handbook and invited comments – reflected this and other comments in the redrafting and agreed that the revised draft itself would be circulated for further comment before finalisation. However, the LCHR preferred to continue its attack on the process, writing articles condemning the Handbook (omitting to say it was just a draft), and encouraging others to see it as a threat to civil society. While the work was important (and by this stage the revised draft was ready) it didn't necessarily need the Bank's

---

[9] http://documents1.worldbank.org/curated/en/901041468765889042/pdf/multi-page.pdf

[10] NGOs here are defined as the formal, organised civil society organisations (CSOs) who seek registration in countries where the governments have or have approved NGOs' own registration schemes (which usually bestow tax, importation or other advantages, such as pre-approval for participation in public programmes). They can be membership organisations (that are designed typically to benefit or protect their members) or public benefit organisations (that may be traditional charities or advocacy groups whose mission is to be of public service). There are a wide variety of other CSOs who were not intended to be addressed by this handbook, such as trade unions, business and professional associations, community groups of various forms, religious organisations, groups who come together to protest about specific issues etc.

imprimatur. It therefore offered it to the Open Society Institute (OSI) who finalised the draft under the title *Guidelines for Laws affecting Civic Organizations*[11] with no further controversy.

Post 2005

More recent developments regarding the World Bank Group's engagement with civil society

In 2005, as Jim Wolfensohn term as president was ending, the Bank revisited its civil society strategy, leading to a report*: Issues and Options for Improving Engagement Between the World Bank and Civil Society Organizations.* This mapped out a set of measures designed to continue the trajectory, rather than take major new departures. Its focus was on increasing capacities and management attention to the engagement, while seeking opportunities for Bank funds to flow more via CSOs. The priorities set out can be summarised as follows:

- Establish new global mechanisms for Bank-CSO engagement to help promote mutual understanding and cooperation.
- Establish a Bank-wide advisory service/focal point for consultations and an institutional framework for consultation management and feedback.
- Pilot a new Bank-wide monitoring and evaluation system for civic engagement.
- Conduct a review of Bank funds available for civil society engagement in operations and policy dialogue, and explore possible realignment or restructuring.
- Review the Bank's procurement framework with a view toward facilitating collaboration with CSOs.
- Institute an integrated learning program for Bank staff and member governments on how to engage CSOs more effectively, as well as capacity-building for CSOs on how to work effectively with the Bank and its member governments.
- Hold regular meetings of senior management, and periodically with the Board, to review Bank-civil society relations.
- Develop and issue new guidelines for Bank staff on the institution's approach, best practices, and a framework for engagement with CSOs.
- Emphasize the importance of civil society engagement in the guidance to Bank staff on the preparation of the CAS as well as in CAS monitoring and evaluation.
- Develop tools for analytical mapping of civil society to assist Bank country and task teams in determining the relevant CSOs to engage on a given issue, project or strategy.

Social Accountability

Since 2005 the Bank has continued to expand its engagement with civil society in various ways. One that has become increasingly significant is partnering with civil society to combat corruption and monitor the performance and integrity of governments and project authorities. This would not have been possible before Jim Wolfensohn's *Cancer of Corruption* speech (see above). After this there followed a rapidly evolving strategy for addressing corruption both in Bank-financed projects and as an impediment to development.

While the initial focus was on strengthening government and parliamentary oversight bodies and supporting research that revealed the magnitude of the problem, it rapidly became clear that this was insufficient, particularly in countries where corruption in its various forms are deeply engrained and where government leadership is not committed to reform.

[11] www.opensocietyfoundations.org/publications/guidelines-laws-affecting-civic-organizations

In such situations the Bank increasingly experimented with engaging citizens, academics, CSOs, independent parliamentarians, business leaders and others in monitoring issues of corruption, lack of transparency and weak accountability. This strand of work is known as "social accountability".

In some pilot operations, WB financed innovations in social accountability. For example, in Cambodia it designed and financed the *Program to Enhance the Capacity of Civil Society in Social Accountability (PESCA*) and financed a project with government that built a number of mechanisms for citizen engagement in strengthening governance (the *Demand for Good Governance* project - DFGG). In the CARTA program (*Citizens Action for Results, Transparency an Accountability)* the Bank financed mechanisms for citizen oversight within 11 Bank-financed projects in Bangladesh and Nepal. In this, CSOs and community groups monitored the procurement, disbursement and other aspects of the governance of a series of projects for poverty reduction, service delivery and providing roads and other infrastructure in areas of high poverty[12]. The Bank also established the *Global Partnership for Social Accountability - GPSA;* this is both a learning and sharing platform (involving governments, civil society and other development partners in exchanging good practice) and an innovation supporter by providing grants, training and other support to CSOs for tackling governance challenges.

I was involved in all these social accountability initiatives, either by designing and leading them (PECSA), leading components (DFGG), or appraising and advising on them (CARTA, GPSA).

Broader Citizen Engagement

Social Accountability and other effective initiatives in participatory and community-driven development – as well as pressure from civil society and liberal governments – persuaded Bank management to elevate its work in these areas. The result was the agreement, in 2014, of a new "strategic framework" for citizen engagement (see below) and the launch of the *Expert Advisory Council on Citizen Engagement* (EAC). This comprised leaders and thinkers from civil society, academia, foundations, development partners, and the private sector to advise the Bank in its efforts to mainstream citizen engagement activities.[13]

The 2014 *Strategic Framework for Mainstreaming Citizen Engagement in WBG Operations*[14] represents the most recent iteration of the Bank's guidelines and policies regarding civil society engagement. The principles it set out were that the engagement should be: results-focused; continued throughout the operational cycle; designed to strengthen country systems; context-specific; and gradual.

The strategy largely focused on Bank-financed projects and reiterated past commitments. However. it built on them to the extent that it stipulated *minimum effort required* and *required reporting on citizen engagement*, rather than encouraging "good practice". The strategy means that all projects financed by the Bank must meet three requirements:

1. Project design must be citizen-oriented, i.e., having at least one mechanism to engage with beneficiaries in the specific context of the project.

[12] See: https://www.ptfund.org/publication_page/lessons-from-the-carta-program-in-bangladesh-and-nepal/
[13] See: https://collaboration.worldbank.org/content/sites/collaboration-for-development/en/groups/world-bank-group-expert-advisory-council-on-citizen-engagement.html
[14] https://consultations.worldbank.org/sites/default/files/materials/consultation-template/engaging-citizens-improved-resultsopenconsultationtemplate/materials/finalstrategicframeworkforce_4.pdf

2. Projects' results frameworks must include at least one beneficiary feedback indicator to monitor citizen engagement throughout project implementation.
3. Projects must report on the beneficiary feedback indicator(s) by the third year of implementation. This could assess:
    a. How grievance redress mechanisms are contributing to the project, either through the percentage of grievances received and have been addressed within a specified timeframe, or through the periodic publication of reports on grievance redress mechanisms and how issues were resolved.
    b. If consultation outcomes and beneficiary feedback are being integrated during project implementation, through the percentage of beneficiaries who feel that project investments reflect their needs, or beneficiaries' satisfaction with specified project dimensions.
    c. Beneficiary collaboration in project decision making, implementation or monitoring, through the number of citizens and/or communities involved in planning, implementation and/or evaluation of project activities; community contributions to the total project cost; beneficiaries' satisfaction with the collaboration process; the establishment of arrangements for community engagement in post-projects sustainability and/or operations; or the publication of findings of citizen-led monitoring.

The World Bank's Independent Evaluation Group investigated the implementation of this strategy in 2018[15]. It found that there has been a continuing increase in project-level engagement but that the use of "quality standards" for this engagement had been limited; in most projects the engagement was rather "thin" and it was relatively rare for citizens to be given feedback after consultation on how their input had been used. Moreover, less than a third of the projects studied had intensive citizen or CSO engagement throughout the project cycle. It reported that the main internal constraints to fuller engagement were lack of time and budget for engagement and the external ones were governments' reluctance.

Policy Dialogue

As well as the above efforts to strengthen CSO and citizen engagement in Bank operations there have been parallel initiatives to strengthen consultation, policy dialogue and sometimes negotiation with civil society in the formulation of Bank policy and strategy – both sectoral and, through its Country Assistance Strategies, at specific country level.

A significant initiative of this has been to formalise the increasingly prevalent practice of CSOs attending as observers at the World Bank-IMF Annual Meetings and smaller Spring Meetings for lobbying purposes. Now, at these occasions, there is a *Civil Society Policy Forum* (CSPF) that provides an open space for CSOs to dialogue and exchange views with Bank and IMF staff, their peers, government delegations, and other stakeholders on a wide range of topics, including CSO-organized dialogue sessions that run concurrently throughout the Forum. This is coordinated by a *CSPF Working Group* of CSO-elected representatives, working with the Bank's Civil Society Team.

[15] https://ieg.worldbankgroup.org/evaluations/engaging-citizens-better-development-results