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President Wolfensohn - Briefings Books for Presidents Meetings - Meeting Materials
Dr Peter Eigen - Transparency International - April 1, 1997

Meeting: Dr. Peter Eigen,
Transparency International

Tuesday, April 1, 1997
5:30 - 5:50 p.m.
Room E1227

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A. CLASSIFICATION

☒ Meeting Material
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☐ Annual Meetings
☐ Corporate Management
☐ Communications with Staff

☐ Phone Logs
☐ Calendar
☐ Press Clippings/Photos

☐ JDW Transcripts
☐ Social Events
☐ Other

B. SUBJECT: MEETING: DR. PETER EIGEN, TRANSPARENCY INTERNATIONAL (B) (N)
VENUE: E1227 (OFFICE)
CONTACT: PETER EIGEN (BY EMAIL)
IN ATTENDANCE: JDW, EIGEN
NOTE: (3/28) PER SANDSTROM'S REQUEST // (3/31) CONFIRMED BY MARVA (B) MIKE STEVENS // AS REQUESTED BY SVEN SANDSTROM ON 3/30
EXC: HANY // ALI (3/30)
Brief Includes:
- Letter from Michael Stevens of April 2, 1997
- Anti-Corruption Briefing Note

DATE: 04/01/97

C. VPU

Corporate

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Regional

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☐ IFC
☐ Inspection Panel
☐ Kennedy Center
☐ MIGA

D. EXTERNAL PARTNER

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☐ UN
☐ MDB/Other IO
☐ NGO
☐ Private Sector

☐ Part I
☐ Part II
☐ Other

E. COMMENTS:

The World Bank
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

April 2, 1997

Mr. Michael Stevens
Room No. S 10-043
The World Bank

Dear Mike,

Thank you for the note as background to Peter Eigen's visit. He asked me three things:

1) whether I would I call Jürgen Schrempp of Daimler Benz to get him a date between April 7th and 16th so that Schrempp can take a position on behalf of Daimler Benz against corruption. He would then be a leader of German business in this regard. Apparently, Germany is holding up the agreement with the OECD Council of Ministers in that they do not wish to go along with the program for a consensus and would prefer to have a convention which, as you point out, will delay things. Peter is very much against this and would like some help. He thinks that Bob Rubin is very keen also and somehow they are hoping to get this on the agenda for the G-7 through a backdoor channel of African pressure.

2) Eigen also asked whether I alone or with Camdessus and Ruggiero could say something to the effect that the North must act if the South is to be helped in its efforts against corruption, and I wonder what you think of this suggestion.

3) Finally, he again is pressing for me to go to Lima on September 7th. I suppose I could do it if absolutely important, given that is on a Sunday, but I would welcome your advice on whether or not you think it is worth it.

*Please let me have your views on
all these questions*

hi

James D. Wolfensohn

ANTI-CORRUPTION BRIEFING NOTE

**(For meeting with Peter Eigen, Chairman of Transparency International (TI)
at 5:30 p.m. on Tuesday, April 1, 1997)**

This Note covers: (i) Status of advisory contract with TI; (ii) Status of the Corruption Action Plan Working Group Report; (iii) , issues that Peter Eigen may bring up.

TI's contract with the Bank

\$75,000 of additional budgetary funding in FY97 was allocated to the PSM Unit to cover the costs of the CAPWG and follow-up. The principal use of the money was for TI advisory inputs into the work. TI provided 4 weeks in Sept/October, and another 2 weeks in January /February this year. We plan a third visit in June. In practice, we have used TI's inputs for four purposes:

- contributions to the CAPWG (comments on drafts);
- training (both Peter Eigen and Jeremy Pope spoke at our pilot training workshop in February);
- advice to Bank staff working on possible "pilot" countries;
- exchange of views on international anti-corruption developments.

TI's contributions have been very helpful and constructive. As an NGO, they have respected the "Chinese Wall" we required of them when we have shared drafts.

Status of the CAPWG Report

The Report has been completed and was reviewed by VPs on March 19. They endorsed the main recommendations and tone of the report, but suggested some changes we are now incorporating to strengthen the message, and to reduce the emphasis given to the "internal pillar of the Strategy (control of fraud and corruption within the Bank). We plan to go to the Board with the Report towards the end of the month, once the changes have been made. The package the Board members will review will be the CAPWG Report itself, together with a short cover memo from yourself. We plan for the Board to take two bites at the Strategy, the first in informal session, to help EDs feel comfortable with the components before they are asked to approve it formally.

Issues Peter Eigen may raise

Peter Eigen has indicated he wishes to raise with you the follow-up of the OECD Working Group on Bribery in International Business Transactions. The Bank now has observer

status, and we have been attending recent meetings (I will be attending the next meeting on April 7-8) which are drawing to a close, with substantial consensus on a "soft law" approach to the two issues the WG was set in 1994 to explore and report within 3 years:

- ending tax deductibility, and,
- criminalization of foreign bribery.

The expectation is that the WG will send to Ministers' meeting in May the text of a "recommendation" on these two issues. On adoption, countries could be expected to pass legislation to that effect within the framework of their own laws. The main incentive to comply is "peer group pressure" – the requirement that member countries would submit periodic progress reports, and there would be review missions staffed by other member states. Hence the term "soft law". Peer review is a customary OECD way of seeing that recommendations are implemented.

The alternative is an international convention, which France and Germany hold out for (we think because of pressure from national commercial and industrial interests, who don't want a change in the rules). This would have the force of international law, thus guaranteeing a level playing field. But a convention would take longer to prepare, could result in "lowest common denominator" drafting, and might never be ratified.

Peter Eigen may suggest that you personally lend the institution's weight to the "recommendation" route, and, in particular, argue for the creation of a strong monitoring mechanism. One way would be to promote the issue for the agenda of the G7 meeting in Denver in June, using the example of the Financial Action Task Force (FATF) on money-laundering as a successful model.

We share Peter's emphasis on the importance of the OECD Working Group efforts, and hope that a "recommendation" to Ministers may be agreed. Through our borrowers, we have a strong stake in the outcome.

We are less sanguine on the Bank's ability to affect the outcome – or whether we should try – either in terms of seeking unanimity on the "soft law" approach, or on establishing a monitoring mechanism (which will follow). There is a sharp dividing line between the US and the continental Europeans, and, as you have noted previously, we need to be careful about getting caught in the middle of transatlantic politics.

Peter's ultimate model is a monitoring secretariat under the wing of the WTO, with IMF and Bank support. Perhaps this might develop in due course. Right now it is an OECD/G7 game in which we can welcome and support, but probably have limited direct influence on.

Bank procurement

Finally, Peter Eigen may raise the question of the Bank's procurement rules, as he has done in the past, arguing for greater flexibility towards a "No Bribery Pledge" approach to Bank procurement in selected countries, as part of a broader "Island of Integrity" strategy.

You could say that we have gone a lot of the way towards meeting this with the proposed revision now before the Board on a no-objections basis (which provides in Bank bidding documents for governments to require bidders to warrant they will not bribe in securing and executing the contract provided this has been made part of national procurement laws). Peter may feel this does not go far enough, insofar as this will preclude the NBP being tested on a Bank project experimentally. Here we remain apart: we are prepared to accommodate a country request if it is part of existing government procurement policy, we are ambivalent about offering up a Bank project to experimentation. (Note, however, that the McNamara Initiative in Africa may end up in placing us in that situation).

Mike Stevens
PSM Unit
March 31, 1997



ssandstrom@worldbank.org on 03/26/97 08:22:20 AM

To: HASSAAD@notes.worldbank.org
cc: Orsalia Kalantzopoulos/Person/World Bank, Excmde/Service/World Bank (bcc: Hany A. Assaad/Person/World Bank)
Subject: Peter Eigen

Hany,

I'm sure Jim would like to have a meeting. Less than 1/2 hour should do. Please discuss with him and share the attached EM (re Rubin dinner etc..).

Sven

Message-headers:

Date: Tue, 25 Mar 1997 20:59:48 GMT
From: Peter Eigen <pe_ti@transparency.de>
Subject: visit to Washington
To: "Sandstrom, Sven" <ssandstrom@worldbank.org>
Cc: "Heimann, Fritz" <fritz.heimann@corporate.ge.com>
Reply-to: pe_ti <pe_ti@transparency.de>
Message-id: <33383CC4.3925@transparency.de>
Delivery-date: Tue, 25 Mar 1997 19:49:00 GMT
Posting-date: Tue, 25 Mar 1997 19:50:23 GMT
Importance: normal
Al-type: MAIL

Sven-

Over Easter I will be in Washington. Bob Picciotto has invited me for his 1-2-April seminar. Do you think there would be a chance to see Jim Wolfensohn? There are important issues at a critical stage (OECD Council of Ministers meeting mid May, G-7 meeting in Denver in June). I have some ideas that should be discussed prior to this -- if possible prior to my testimony in a Bundestags-Hearing on international corruption on 16-April.

My main proposal would be that the Bank strongly supports a follow up/ monitoring mechanism for the OECD recommendations (similar to the Financial Action Task Force against money laundering set up at the OECD after the G-7 meeting in 1989. This could be the decisive piece to create consensus among the OECD countries on the "soft law approach" presently moving at the OECD -- including the Germans and Japanese.

Of course, I would also like to argue for Jim's participation at the Lima conference, that could be the key global forum this year for announcing the quantum jump in the world's efforts to deal with corruption.

Unfortunately I could not advance my arrival to tomorrow, 26-March, to

join a small dinner to which Secretary Rubin has invited me. Fritz Heimann and Dani Kaufmann will be there.

It would be nice to see you, to brief you on progress.

Cheers, Peter

--

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Cc: "Heimann, Fritz" <fritz.heimann@corporate.ge.com>
Reply-to: pe_ti@transparency.de
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