

had been in place. A variety of policy changes have been supported in Africa where concern for transparency led to financial accountability assessments being done in the region as economic and sector work by the Bank. In Eastern Europe and Central Asia, which had no tradition of openness in administration, progress in budgeting, financial reporting and procurement has been much slower.

Whatever aspects of governance are covered by the operations of the World Bank and other donors, **policy dialogue** with borrowing countries is important for discussing issues that are sensitive in nature, some of which are economic. The nature of the dialogue has changed over the years responding to changes in the political and economic framework. It is conducted at different levels. The first is through the donor coordinating mechanism of Consultative Groups which provides a forum for open discussion of issues that are of concern to the donor community. The second is through discussions between the Bank's senior management and the political leadership of borrowing countries. The third is through regular exchanges between the Bank's country teams and their counterparts in governments and the fourth is through exchanges on a day-to-day basis between the Bank staff in resident missions and government officials.

The World Bank has reported that in the first half of the 1990s issues relating to military expenditure, transparency, human rights and democracy, accountability, the legal framework for development and public sector management were frequently discussed. Governments were urged to,

- strengthen their accounting and audit capacity and decentralise some decision making to local governments to promote their development,
- ensure participation of nongovernmental organisations and concerned citizens in the development process,
- make reliable and relevant economic information available to the public on a regular basis,
- establish a legal framework to promote the development of the private sector and improve the management of the public sector, and
- ensure the independence of the judicial process, transparency of laws and freedom of the media.

High levels of **military expenditure** are a concern when they are not related to a direct military threat to the sovereignty of a country. Military budgets lack transparency and are often no more than a single line item in budgets. Further, expenditures are not adequately accounted for or audited. In some instances, state enterprises producing defence related materials are a heavy fiscal burden but are not subject to the same accounting and auditing standards of other state enterprises. Bank experience in this area has led to several conclusions. First, although military expenditures crowd out