

Governance and Anti-corruption: Improving Development Outcomes

The World Bank Group helps countries improve their governance systems and set in place tools to fight corruption and improve transparency and accountability as a means of improving the delivery of public services, creating growth, and alleviating poverty. Governance and anticorruption elements are also integral to its own projects in response to fiduciary concerns and the obligation to shareholders to ensure that funds are used for their intended developmental purposes. Since 2007, with the adoption of the new World Bank Group strategy, *Strengthening World Bank Group Engagement on Governance and Anticorruption (GAC)*, approved by the Board of Executive Directors on March 20, 2007, this support has intensified and governance and anticorruption dimensions are being increasingly incorporated across the Bank's programs and projects.

Challenge

The fundamental driving principle of the GAC strategy was that a governance system that is capable, transparent, and accountable, and can effectively control corruption, is critical to enhancing development effectiveness, and ensuring effective use of public resources for development results. Better and more accountable governance enables:

- Better management of public finances, Budget planning, allocations, expenditures, and monitoring;
- More effective delivery of services to the poor—in health, education, roads, water, and electricity—by enabling stakeholder groups to monitor allocations and expenditure of public budgets, monitor and provide feedback on the quality of public services, and more broadly hold public service officials accountable;

- Better management of natural resources, and especially ensuring that resource revenues are channeled to developmental purposes, and by making revenues and management of these sectors more transparent;
- Efficiency and effectiveness in large infrastructure projects by guarding against risks of corruption, procurement fraud, and mismanagement of funds; and
- Rapid and more effective growth and poverty alleviation.

In order to improve governance to realize these objectives, the GAC strategy is helping integrate (or mainstream) governance, transparency, accountability, and anti-corruption elements across country strategies and World Bank operations in the various sectors the World Bank works in—such as health, education, roads, energy, water supply, and agriculture.

Approach

WBG assistance to help countries improve their governance systems to gain these development dividends includes: strengthening country systems, such as through support to better and more efficient public financial management systems; improving transparency, accountability, efficiency, and institutional strengthening of the government agencies in various sectors; and supporting institutions and stakeholder groups to enforce greater accountability on governments, through better and access to government information, and engaging stakeholders in the design and implementation of development operations. GAC has also focused on an intensive process of internal learning within the World Bank, as well as generating a range of partnerships—both globally, and within countries.

In many countries, assessments of political economy considerations, broader governance constraints, and corruption vulnerabilities have been undertaken to better structure the design of country assistance strategies and country programs that are more relevant and cognizant of country challenges and realities. These analyses typically involve drilling down deep to identify the governance and political economy constraints to development objectives across sectors identified in the Country Assistance Strategy, the implications of these constraints for the operational approach within the relevant sector, and an integrated assessment, which includes discussion of options for governance reform.

The WBG also has a fiduciary responsibility to its shareholders to ensure that funds intended for development purposes are used for development results. The GAC process is enabling incorporation of new and innovative approaches in the Bank's own operations: in many projects, GAC plans are being integrated to mitigate risks of fraud and corruption, enhanced transparency and disclosure measures, third party monitoring systems, strengthened financial management, stronger sanctions and better complaints-handling mechanisms, and civil society oversight of project processes and expenditures. The Department of Integrity (INT) has bolstered its activities in prevention, investigation, and sanctions against corruption to support this intensified focus on fiduciary governance.

Results

In many countries, the implementation of the GAC strategy is enabling innovative approaches to achieving sector development objectives, improving institutions, creating incentives for improved service delivery, put-

ting in place accountability mechanisms for better results, and overall making the WBG's development work more effective.

Strengthening Country Systems of Core Governance

Many projects and initiatives are providing support to bolster core country systems of good governance and public sector management—mechanisms that make budgetary, administrative, and service delivery processes more efficient, cost effective, transparent, and accountable, and boost performance of public officials. These include, *inter alia*, public financial management systems, procurement systems, e-government systems, and civil service reform.

In **Albania**, the Bank is helping strengthen the integrity of the public procurement system by expanding the use of electronic procurement and implementing better complaints resolution mechanisms.

In **Colombia**, the *Consolidation of National Public Management Information Systems Project* is helping improve the coverage, operation and interconnectivity of national management information systems, enabling linking performance measures with planning and budgeting and enhancing the transparency of policy making.

In **Guatemala**, the *Third Integrated Financial Management Technical Assistance Project* is extending and deepening reforms to increase the effectiveness, efficiency, and transparency of public sector financial management and control, and strengthening financial management at the municipal level.

In **Kosovo**, the Bank is helping introduce transparent systems of human resource

management and civil service remuneration to limit the scope for financial abuses and reduce civil servants' vulnerability to political pressures through the *Public Sector Modernization Project*, and the *Sustainable Employment Development Policy Program*.

In **Russia**, the Bank is working with NGOs and local governments in two regions to make the justice system more accessible and accountable to the poorest and most vulnerable social groups through the *Strengthening Access to Justice for the Poor Program*. The Bank is also providing advice on reducing officials' scope for corrupt behavior in public services delivery by strengthening accountability institutions and supporting innovations in the business processes of public service delivery.

In **Tajikistan**, the *Public Sector Reform Project* is supporting the introduction of more transparent public sector management practices, resulting in the adoption of open, merit-based recruitment in the civil service, with all vacant posts being publicly advertised and filled by competition. The project has also improved transparency by supporting the completion of a database of all laws and regulations and simplifying the regulatory framework for businesses.

Improving Outcomes in Health, Education and Social Protection

GAC is being integrated into health, education, and social protection sectors to address service delivery challenges such as absenteeism of workers, improve performance incentives and accountability of service providers to clients, and set in place a stronger focus on results, monitoring and evaluation, thereby raising the quality of services at the country level. In both low and middle income countries operational work, policy advice

and analytical activities are helping address these issues and reform service delivery. The GAC strategy has catalyzed a fundamental transformation in the way that sector teams address and respond to these challenges. WBG assistance is increasingly focusing on sector-level country institutions and accountability for results, with results-based financial support emerging as a useful approach.

The World Bank's Human Development Network has developed many innovative mechanisms such as: improving effectiveness of cash transfer programs through use of debit cards; database cross-checking and working with the media, audit agencies and civil society; pay for performance through, for example, paying health care providers for results instead of inputs; and enlisting the participation of stakeholders in the design and implementation of projects in various sectors.

In **Albania**, the *Education Excellence and Equity Project* has helped increase transparency in the education sector by supporting the introduction of blind testing for higher education admissions, reducing corruption in this area.

In **Moldova**, the Bank is supporting the *Health Services and Social Assistance Project* to increase access to good quality and efficient health and social assistance services—a strategic anti-corruption action plan, focused on better standards, a code of conduct, performance monitoring, improved financial management, transparency of the system, and public oversight.

In **Peru**, in response to diagnostic work that determined that low-quality educational outcomes were rooted in poor school management and not only on resource constraints,

the Bank funded a *Results and Accountability Project* (REACT) that addresses management issues through a transparency and communication strategy, school management committees, participatory budgeting and the monitoring of results.

In the **Philippines**, GAC diagnostics, funded by the multi-donor Governance Partnership Facility, contributed to the design and roll-out of a major new conditional cash transfer program, and the introduction of a National Household Targeting System to address significant problems with leakage of social protection programs to ineligible beneficiaries.

Promoting Good Governance in Infrastructure Development

The Governance and Anti-Corruption in Infrastructure Advisory Program—located in the SDN Network—is supporting operations through hands-on learning-by-doing and knowledge dissemination. Operational support includes: field testing the Transport governance filter; development and implementation of performance monitoring systems for road projects by government regulators and civil society groups; improving operational efficiency, transparency and accountability of water utilities through improved performance monitoring; increasing accountability of water utilities to their customers by enhancing outreach and complaints redressal mechanisms; and increasing transparency of electricity utilities through the implementation of advanced metering systems. Lending projects in the infrastructure sector are also increasingly integrating GAC dimensions.

In **Kenya**, in response to the recommendations of an urban Citizen Report Card, the *Water and Sanitation Program*, a citizen

feedback mechanism was developed through which the Water Services Regulatory Board is able to take into consideration the voices of the poor, and influence service providers to respond or channel concerns upwards to induce responses.

In **Nepal**, when weaknesses were identified in the public procurement process for construction contracts, new technologies such as the electronic submission of bids were introduced in two Bank-funded road projects—the *Road Sector Development Project* (RSDP) and the *Rural Access Improvement and Decentralization Project* (RAIDP)—to combat collusion risks, increasing competition, transparency, and equality of access, and motivating other government agencies to introduce similar systems.

In **Indonesia**, under the *Bali Urban Infrastructure Project*, savings resulting from measures such as the establishment of a baseline unit cost in the region, post qualification procedures for all, effective complaints handling system, strict measures on disqualification of lowest bidders and civil society engagement enabled constructing an additional 22 km of a new national highway and 15 km of urban drainage.

The **Philippines** program for the *National Roads Improvement and Management* introduced safeguards to deal with collusion and bid-rigging, through computerization of procurement and contract management systems, upgrading of the civil works registry for processing of qualification information, independent procurement evaluation and enhanced procurement controls, bid analysis, supervision control over contract variations, and dissemination of complaints mechanisms in bid documents.

In **Vietnam**, the *Da Nang Priority Infrastructure Investment Project* introduced a number of innovative GAC interventions through a Governance and Transparency Action Plan (GTAP), focusing on political economy analysis, addressing fraud and corruption risks in procurement and financial management, and demand-side governance interventions.

In **Uganda**, the *Road Sector Institutional Support Technical Assistance Project* helped create an autonomous performance-based Road Agency for independent oversight of the Road sector.

In **Ethiopia**, the Bank’s support to the Government’s *Roads Sector Development Program* includes Joint Governance Assessment and Measurement (J-GAM) initiative, to improve the understanding, dialogue, targeting and harmonization of governance, web-based information-sharing, including on overall project and specific contract implementation progress and contractor performance, and community consultations.

Improving the ‘Demand’ Side of Effective Accountability

Many Bank programs are also supporting increasing participation of civil society groups and citizens directly in the governance process—both in the design and implementation of programs and policies, and in overseeing and monitoring the implementation of programs.

In **Indonesia**, the *National Program for Community Empowerment*, the Government’s flagship community-based poverty alleviation program, has embedded within its design several anti-corruption efforts and fiduciary control mechanisms. This includes local

control of funds, competitive allocation of funds, social controls, a complaint-handling mechanism, monitoring by regional NGOs, systematic annual audits, sanctions, and the use of the formal judicial system.

In **Malawi**, The Malawi Social Action Fund (MASAF) has integrated several mitigation measures to cope with corruption-related risks. The MASAF approach is holistic and includes institutional arrangements, financial and procurement procedures, supervision, ethical code, communication and enforcement procedures. This has limited the opportunities for rent-seeking.

In **Nigeria**, the Bank is supporting Citizens' Mediation Centers through the *Lagos Metropolitan Development and Governance Project*, overseen by the Lagos State Ministry of Justice and providing free mediation services for the poor in disputes related to employment issues, tenancy and rent issues, family matters, and debt collection. The centers have an excellent track record in the number of cases mediated daily, and timeline for mediations, with thousands of Lagos residents using the centers annually.

In **India**, the *Chhattisgarh District Rural Poverty Reduction Project* helped build and monitor local government capacity to improve opportunities for poor communities and implemented a community scorecard system to rate local government performance in health, education, drinking water, public ration distribution system, infrastructure, sanitation, and taxation.

Actionable Governance Indicators

In order to better measure the impact of governance initiatives on institutional arrangements, procedures, and practices, new 'actionable

governance indicators' have been developed in many areas such as human resources management. Existing 'actionable' indicators such as public expenditure and financial accountability (PEFA) and OECD-DAC procurement indicators are also being used increasingly in country strategies and operations.

Partners

Partnerships and collaboration at the global level are critical to address both global governance issues, as well as create a global structure to further governance objectives in countries. The Bank is a collaborator and leader in many such initiatives:

A joint World Bank-United Nations Office on Drugs and Crime **Stolen Assets Recovery Initiative (StAR)**, which supports international efforts to deter illicit flows of the proceeds of corruption and facilitate asset recovery, helps build capacity of asset recovery teams in countries, helps countries prepare mutual legal assistance requests, and develops knowledge and analytical resources to share international experience and promote innovation.

The **Governance Partnership Facility**, funded jointly by the UK DFID, the Netherlands, and Norway to support the implementation of the GAC Strategy, which has funded projects worth \$60 million across the Bank.

The **Extractive Industries Transparency Initiative (EITI)**, which strengthens accountability and governance by requiring transparency and disclosure of revenue and payments by companies, independently reconciled—and managed in participatory processes with multi-stakeholder ownership. The World Bank Group has supported EITI since its debut in 2003 as an integral part of its oil gas and

mining strategy as well as its Governance and Anti-Corruption Strategy.

The **Forest Law Enforcement and Governance (FLEG)**, which works to improve governance, increase transparency and reduce corruption in the forestry sector, and address illegal logging and associated trade, along with evasion of taxes and charges.

The **Construction Sector Transparency Initiative (CoST)**, which works to increase transparency and accountability in construction procurement, by requiring public disclosure of contracting, payment, and oversight information regarding government-financed construction projects.

Moving Forward

A key challenge for further scaling up the Bank's work on governance and anticorruption going forward is measuring impact

at the country level on key development results dimensions such as service delivery, increased revenues, and reduced corruption. Results frameworks and indicators are being developed to evaluate the impact of the new approaches.

A second key challenge is keeping governments and other stakeholders engaged on these issues. Governance issues are inherently difficult to address in dialogue with countries, and especially in countries where governance concerns are likely to be particularly significant. Many programs have initiated dialogue with a range of stakeholders in developing countries. Emphasizing the significant development dividends that can result from attention to governance and anticorruption will be a key element of this dialogue going forward.

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At a Glance

- In March 2007, the Board of Executive Directors of the World Bank approved a new Governance and Anticorruption (GAC) strategy, and launched implementation in December 2007.
- The new strategy aims to make governance and anticorruption part of all of the World Bank's work across sectors in countries, including IDA countries, and also ensure that these elements are addressed in the World Bank's own operations to ensure that funds are allocated to their intended development purposes.
- As part of the implementation of the strategy, governance and anti-corruption elements are mainstreamed in such countries as Burkina Faso, Democratic Republic of Congo, Kenya, Mongolia, Sierra Leone, Uganda, and Zambia.
- Strengthening institutions of accountability, transparency, and civil society oversight; improving governance in natural resource rich countries; and supporting the development of indicators to measure progress on governance in sectors such as health.
- Country and sector programs are increasingly being designed with attention to political economy and governance challenges in countries, based on detailed assessments.
- Programs in many sectors such as health, education, and infrastructure are focusing on developing longer-term assistance approaches for institutional development and sustainable reform in their sectors for better development outcomes.
- WBG's own projects are increasingly being designed with governance and anticorruption elements that aim to address the risk of fraud and corruption in the management of the projects through mechanisms such as governance and anticorruption plans, risk assessments, civil society oversight, third party monitoring, enhanced disclosure and transparency, and better complaints handling mechanisms.