

Strengthening World Bank Group Engagement on Governance & Anticorruption

The World Bank
December 2006



Consultation Process

- ***Objective:*** indepth consultations with a broad set of stakeholders, to help chart the Bank's next steps in governance and anticorruption
- ***Outputs:*** a report to Executive Board, guidance notes for staff, and related products
- ***Target participants:*** governments, parliamentarians, civil society, private sector, donors; multi-stakeholder events like IACC
- ***Other instruments:*** web-based survey [www.worldbank.org/governancefeedback]
- ***Timeframe:*** Report to Executive Board in February and to WB/IMF Spring Meetings in April



Ongoing, iterative process for learning, listening, and feedback

Strengthening World Bank Group Engagement on Governance & Anticorruption

Topics

- 1. Governance, Corruption and Development**
- 2. Strategy**
- 3. Questions for Consultation**

The World Bank's Mission & Governance

- **Poor governance and corruption undermine the Bank's core mission of poverty reduction**
 - **The poor are unable to access critical services because public delivery systems fail, or they will not or cannot pay bribes**
 - **Research – in the long term, there is a major development dividend from good governance and controlling corruption**
- **Stakeholders in recipient and donor countries are demanding better governance and corruption control**
- **Prospect of significant scaling up of aid – requires strengthening governance systems**



Strengthening World Bank Group Engagement on Governance & Anticorruption

Topics

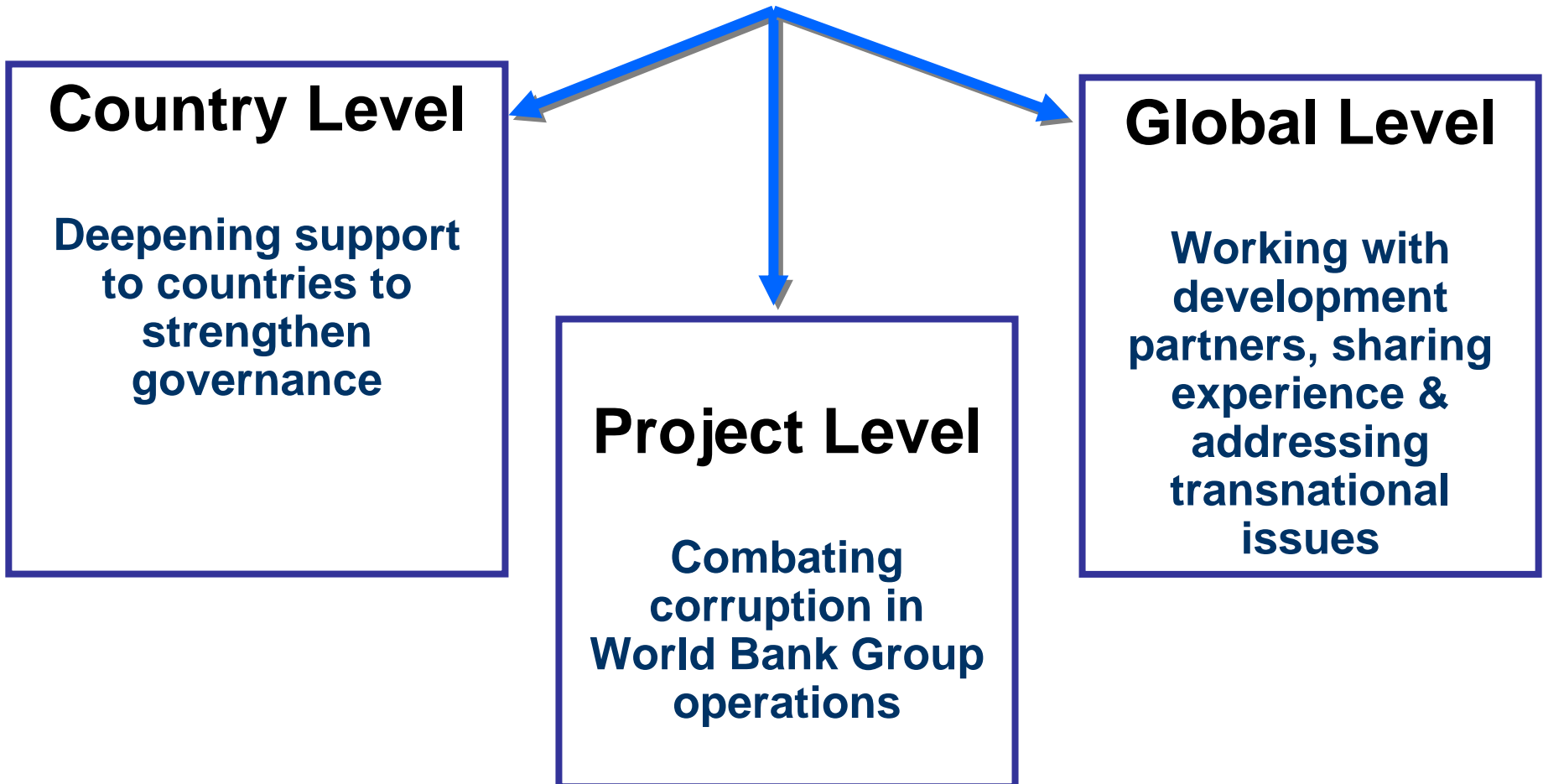
- 1. Governance, Corruption and Development**

- 2. Strategy**

- 3. Questions for Consultation**

Governance & Anticorruption

Key Elements of World Bank Strategy



Strengthening World Bank Group Engagement on Governance & Anticorruption

Topics

- 1. Governance, Corruption and Development**

- 2. Strategy: Country Level**

- 3. Questions for Consultation**

A Customized Approach

A systematic and disciplined approach to governance and corruption in all Country Assistance Strategies, tailored to country context



For example, in countries where weak governance and widespread corruption block development:

Where government leadership has demonstrated clear willingness to tackle these problems ...

... the Bank will scale up technical and financial assistance on the ground and provide public recognition of progress

Where some government leaders have demonstrated willingness to tackle some of these problems ...

... the Bank will seek entry points for governance reform appropriate to country context

Where government leadership has not demonstrated willingness to tackle these problems ...

... the Bank will seek to ensure basic services reach the poor, *but* ...
...if no agreement can be reached, then lending to central government may be restricted or stopped

WBG helping countries to improve governance through various 'entry-points'

Civil Society, Media & Oversight Institutions

*State oversight institutions
(parliament, judiciary, SAI)*

*Transparency &
participation (FOI, asset
declaration, user
participation & oversight)*

Civil society & media

Public Management

*Public financial
management &
procurement,
monitored by PEFA*

*Administrative & civil
service reform*

Private Sector Development

*Competitive investment
climate*

*Responsible private
sector*

Local Governance

Community-driven development

Local government transparency

Downward accountability

Governance in Sectors

Transparency & participation

Competition in service provision

*Sector-level corruption issues (EITI,
forestry)*

Coalition building across stakeholders

Monitoring Progress

- Use *aggregate* governance indicators to indicate of extent and mix of governance problems
- Use *actionable & outcome indicators* to monitor progress in implementing priority governance and anticorruption reforms
- *Frontier challenge*: improve menu of actionable and outcome indicators

Strengthening World Bank Group Engagement on Governance & Anticorruption

Topics

- 1. Governance, Corruption and Development**

- 2. Strategy: Project Level**

- 3. Questions for Consultation**

Strengthened Measures for Combating Corruption in Bank Operations

■ Prevention

- ✓ Identify high-risk operations, mitigate risk upstream
- ✓ Create anticorruption teams composed of field staff to review project design & rate risk
- ✓ Prepare project anticorruption action plans
 - Increased *disclosure & transparency*
 - Oversight by *civil society organizations*
- ✓ Focus on corruption in portfolio review
- ✓ Continue to underpin budget support (DPOs) with broad fiduciary risk assessments
- ✓ IFC-MIGA to strengthen ethical corporate practices across their operations

■ Enforcement

- ✓ Strengthen Department of Institutional Integrity (INT) investigation of corruption in projects
- ✓ Continue to publicly sanction corrupt firms
- ✓ Implement the Voluntary Disclosure Program (VDP)

Strengthening World Bank Group Engagement on Governance & Anticorruption

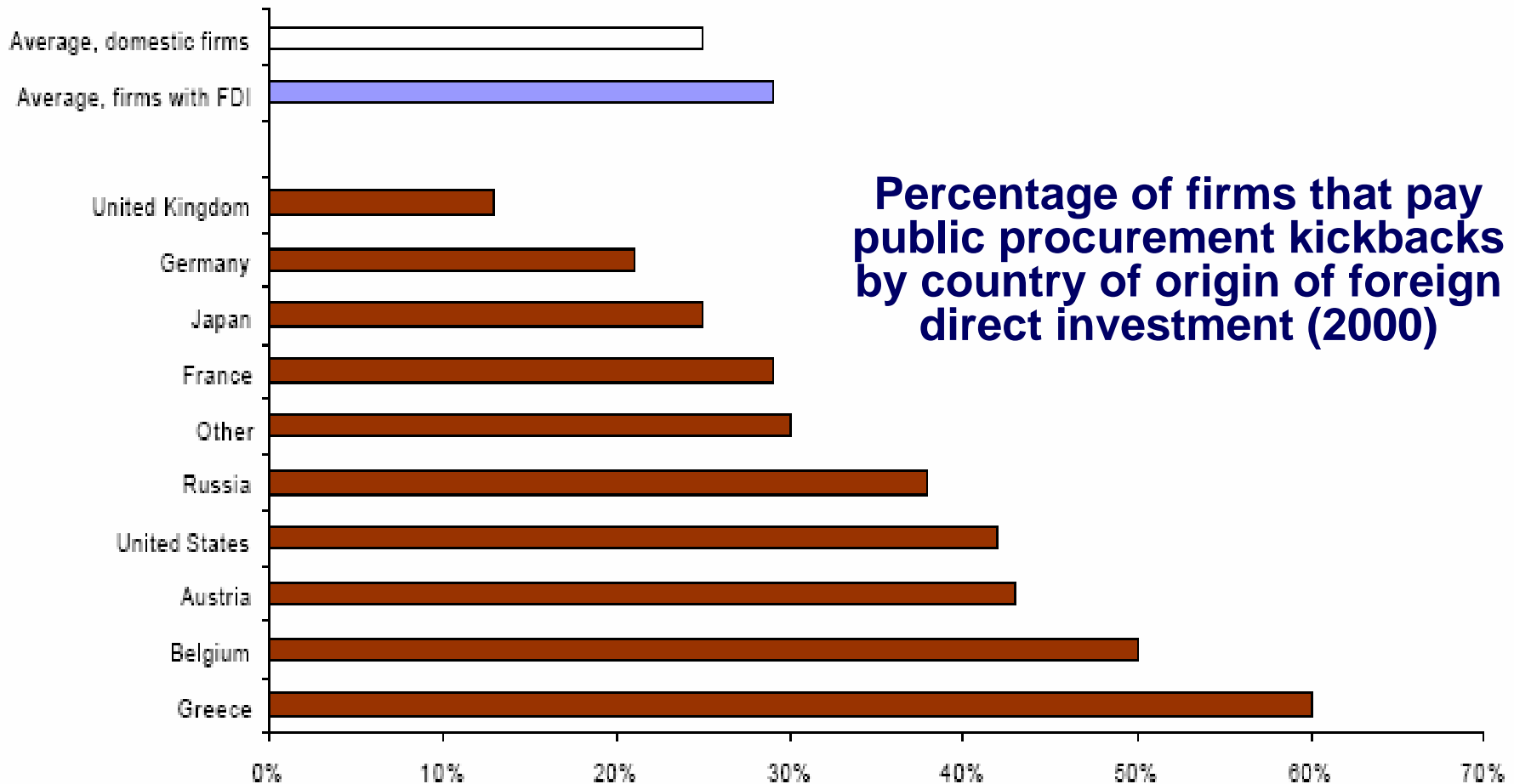
Topics

- 1. Governance, Corruption and Development**

- 2. Strategy: Global Level**

- 3. Questions for Consultation**

Corruption is not just a developing country problem



Source: "Are Foreign Investors and Multinationals Engaging in Corrupt Practices in Transition Economies?" by Kaufmann, Hellman, Jones, in *Transition*, May-June 2000.
Note: Survey Question was "How often nowadays do firms like yours need to make extra, unofficial payments to public officials to gain government contracts?" Firms responding "sometimes" or "more frequently" were classified as paying kickbacks. These figures are subject to significant margins of error and thus should be regarded as approximate.

Global Collective Action Against Corruption

Donor Collaboration

MDB harmonization
in high-risk settings
to avoid 'mixed-
signals';
coordinated donor
action to support
demand-side
initiatives

Global & Regional Conventions (UNCAC, OECD, AU, OAS, Asia-Pacific Action Plan)

need to be enforced to
curb transnational
corruption & facilitate
asset recovery

Coalitions

with civil society,
private sector,
parliamentarians,
and others to combat
entrenched
corruption networks

Strengthening World Bank Group Engagement on Governance & Anticorruption

Topics

- 1. Governance, Corruption and Development**
 - 2. Strategy: Global Level**
 - 3. Questions for Consultation**
-

Country-Specific Questions

- 1. What are the most pressing governance challenges in your country?**
- 2. What are the main entry points and obstacles to governance reforms in your country?**
- 3. How can the Bank better assist your country on governance reforms? What further actions would you like to see from the Bank and in the GAC strategy?**

Global Questions

- 1. *Engagement Strategy:*** What should the Bank do in countries with weak governance and severe corruption, where government leadership is not consistent in tackling these problems? In such circumstances, how should the Bank remain engaged to help reduce poverty? Are there circumstances under which the Bank should restrict or stop lending? How can the Bank ensure consistent treatment across countries?
- 2. *A Multistakeholder Approach:*** While government is the key counterpart of the Bank, how can the World Bank Group better engage non-governmental stakeholders, including civil society, media, and the private sector?
- 3. *Mitigating Fiduciary Risk:*** How can the Bank ensure that its grant and loan proceeds are used for their intended purposes, while helping countries build their own systems and capacity?
- 4. *Global Collective Action:*** Should donors have a more common approach? How can mixed signals by donors be avoided? How can the role of multinationals from industrialized countries in corruption be addressed?
- 5. *Tracking Change:*** How should progress be monitored?

Discussion & Feedback

The World Bank
1818 H Street, NW
Washington, D.C.
20433 USA

“Working for a World Free of Poverty”

For additional information, see:
<http://www.worldbank.org>