



# GOVERNANCE, INTEGRITY, AND TRANSPARENCY: AN IMPORTANT DEVELOPMENT AGENDA FOR MENA

*Shamshad Akhtar*<sup>1</sup>

**Introduction:** The cause of good governance, integrity, transparency and anticorruption is vital for facilitating private sector led growth and development throughout the MENA region.

There are many different ways in which weak governance can impede development. It compromises the delivery of public goods and services to the citizens, particularly to the poor and the vulnerable. It complicates the task of regulating markets and creating an enabling environment for private-sector led growth. It undermines meritocracy in the public sector, as well as a government's ability to allocate resources efficiently to achieve its desired ends.

**Governance and Growth:** Over the past fifteen years, analyses at both the macro and micro levels have demonstrated that countries where governance is weak see slower growth, worse delivery of services, and lower quality of life.

At the macro level, Paulo Mauro<sup>2</sup> estimated that if Bangladesh could raise its governance to the quality of Uruguay, investment rates would rise five percent and growth by over half a percent per year. At the micro level, Ritva Reinikka, Director of the Social and

Economic Department in the Middle east region of the World Bank, our Public Management unit, found that as much as 80 percent of non-wage funding for education in Uganda was being diverted before it reached schools -with a significant negative impact on the quality of education. Similar findings have emerged in numerous studies across sectors and countries around the world.

The World Bank's MENA Flagship report for 2003 focused on governance and highlighted some of the issues that the region faces in terms of improving accountability and inclusiveness for development outcomes. Using measures of overall governance quality created for the report, the MENA region came considerably behind comparator regions. The report estimated that this 'governance gap' cost the region as much as one percent per year in per capita GDP growth.

This year's MENA flagship on the institutional environment for private sector-led growth illustrated the particular governance challenges facing entrepreneurs. Not least, the report discussed how old business elites benefited from favorable treatment from regulators government officials, stifling new entrants and competition. The median number of competitors for a firm in MENA is less than one fifth of the number in Europe and Central Asia, for example.

Yet there are reasons for optimism. Throughout the MENA region, there has been considerable movement on the governance

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<sup>1</sup> Vice President, Middle East and North Africa Region, World Bank.

<sup>2</sup> Paulo Mauro, IMF

and fiscal probity agenda over the past 4-5 years, with more changes currently underway.

The challenge of weak governance is first and foremost an issue of development, and that means improving governance is part of the core business of the World Bank as a whole. As such, it is one of key responsibilities of operational units, which are in charge of the preparation and supervision of Bank-financed projects and programs.

**World Bank and Good Governance in MNA:** The World Bank has been rapidly expanding efforts to assist our clients along the three dimensions of prevention, prosecution and public awareness.

*Prevention* is at the core of what we do, including much of our traditional public sector work on topics such as civil service reform and public financial management. The reform of core government systems and procedures can be slow and tedious work, but it is essential to tackle systemic bottlenecks that can burden the entire public sector. Much of this work is targeted towards attaining greater efficiency and productivity in public expenditure, but it can also pay dividends in terms of enhanced fiscal probity. We also work extensively on institutional development with sectoral ministries, which can both improve the quality of service delivery and reduce opportunities for corrupt or illicit behavior. Examples include:

- Working with the Egyptian Government to develop one stop shops that streamline investment procedures, therefore reducing opportunities for corruption;
- Improving the internal and external audit function in Yemen; and
- Conducting a public expenditure tracking survey to monitor resource flows in the health sector in Egypt, and Morocco.

*Prosecution* is a relatively new area for us. Over the past five years, we have started working with countries in the region to review their obligations in light of the United Nations Convention Against Corruption (UNCAC) Treaty, which 15 MENA countries have signed and 12 have ratified. We have provided

technical assistance on the legal framework for strengthening integrity and combating corruption, including income and asset disclosure and conflict of interest legislation; civil service codes of conduct; and whistleblower protection.

Assistance has also been provided to MENA countries in examining key institutional questions, such as whether they should establish an ombudsman office or independent anticorruption agency. We have worked with new agencies, such as Yemen's Supreme National Authority to Combat Corruption (SNACC), to help establish their operations. In support of this the Bank has also conducted comparative analytic work across the region on these issues.

Work is continuing apace on supporting public awareness, including strengthening demand side governance and the role of civil society. The Bank has been active in supporting public opinion surveys and polling data in a variety of countries, including Egypt, Kuwait, West Bank & Gaza and Yemen, to better understand both public perceptions and actual experience with governance. To enhance transparency, we are working on government disclosure issues and freedom of information legislation in several countries, i.e. Egypt, Kuwait and Yemen. There is also increasing work with civil society, including a number of local Transparency International chapters as well as groups such as Global Parliamentarians Against Corruption.

Beyond our strong commitment to issues of good governance and improved public sector management as a key developmental objective in MENA, we also have been expanding our efforts to ensure that our projects adhere to the highest standards of financial probity. For this purpose, the Bank has put in place one of the most stringent fiduciary safeguards system, and our procurement and financial management colleagues have long labored to ensure the integrity and effectiveness of our internal and external controls and procurement regulations.

World Bank Governance scale-up resources have been used to conduct a number of additional independent procurement reviews and to ramp up assessments of the accounting

sector in selected countries. An enhanced risk-based approach to project design and supervision is also being introduced. In performing all of these tasks, the focus is on balancing the importance of achieving greater reliance upon country systems with the goal of ensuring that project lending goes for the purposes intended.

Although the governance agenda has moved rapidly over the past decade, and quite a bit has been accomplished, there is still a long way to go in addressing this agenda. However, the World Bank will play its part to ensure that progress on this critical front continues.

**Contact MNA K&L:**

*Emmanuel Mbi*, Director, MNA Operational Core Services Unit:

*David Steel*, Manager, MNA Development Effectiveness Unit:

Regional Quick Notes Team:

Omer Karasapan, Roby Fields, Najat Yamouri, and Aliya Jalloh

Tel #: (202) 473 8177

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