

Governance Issues Taken Up by Donors in Brussels Meeting

New Bank research provides empirical data on corruption

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August 1, 2001—In the second of a series of meetings held as part of the European International Policy Forum (EIPF), a high-level Brussels-centred policy dialogue, representatives from the EU institutions, the international donor community, and industrialized and developing countries came together last week to look at ways to ensure good governance and fight corruption, especially in countries receiving donor money from the international community.

The joint World Bank-European Policy Centre seminar "Good Governance and Anti-Corruption" addressed "the empirical evidence of the impact of different dimensions of good governance on development; different approaches to development and the donor country/recipient country relationship; and the extent to which one should rely on external (top-down) controls or build capacities from the ground up in countries," said Andrew Rogerson, World Bank Special Representative to the European Union.

Speakers included Eddy Boutmans, Belgian State Secretary for Development Cooperation, President-in-office of the Council of EU Development Ministers, Daniel Kaufmann, one of the World Bank's most senior experts on the subject, and Dieter Frisch, former European Commission Director General of Development, and currently Vice-Chairman of Transparency



Daniel Kaufmann,
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Jules Muis, European
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International (Belgium). The European Commission was represented by Jules Muis, Director-General, DG Audit and former Vice-president and Controller of the World Bank and Bernard Petit, Director, DG Development.

According to, Daniel Kaufmann, Manager for Governance, Finance and Regulatory Reform, World Bank Institute, who presented his paper *New Empirical Frontiers in Fighting Corruption and Improving Governance*, there is growing empirical evidence of a significant and causal relationship between improved rule of law and a nation's income, literacy rate, and reduced infant mortality.

A joint Bank-EBRD survey of 3,600 firms in 22 transition countries, measured different forms of corruption and bad governance. Corruption has big gains in the short term and high social cost in the long run, according to the survey. In high state capture economies, said Kaufmann, FDI magnifies the problem of corruption, while in low state capture economies FDI helps good governance.

Kaufmann's research has uncovered that the most important role for donors in helping countries fight corruption is, surprisingly, conditionality, followed by raising awareness and educating, controlling corruption in donor projects, collaborating with non-governmental organizations and external donors. Oversight committees and enforcement agencies were found least effective.

Among the main messages emerging from the meeting were that donor countries must lead in the anti-corruption effort. "Donor countries, and particularly a major donor such as the European Union, should set the example," said Belgian State Secretary Eddy Boutmans. "Few citizens would consider transparency to be the most important quality of our development cooperation policies and institutions. A lot has to be done to improve the situation, and the Union's recent decision to present an annual



Andrew Rogerson, World Bank Special Representative to the European Union

report and to hold a political debate on this report will certainly contribute to this."

"What we need is a broad coalition in order to tackle corruption," said Paul Mason, anti-corruption coordinator for the U.K.'s Department for International Development. Bernard Petit, Director of DG Development at the European Commission argued that "corruption undermines not only the evolution of current thinking on development assistance (for instance the move towards budgetary support), but also the very foundations and legitimacy of development policies."

"All international cooperation agreements should include a reference to good governance, which should be allocated the same importance as human resources, democratic principles and the rule of law," Said Dieter Frisch, former Director General of DG development and currently Vice-Chairman of Transparency International (Belgium).

The aim of the EIPF is to allow participants to develop, share and integrate knowledge on global issues such as international trade, good governance, the fight against communicable diseases and conflict prevention. Actively participating in these events are policy experts from the European Institutions, The World Bank, developing countries, the EU Member States, NGOs, think tanks and universities.

Useful links: For more information, go to www.eipf.org.

Bank's World Today thanks Andreas Galanakis of the Brussels office for contributing this article.

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