

Strengthening Governance in Eastern Europe and Central Asia

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Two questions

- How to improve governance?
- What has been achieved to date?

Bottom line: ECA has seen significant progress (more than most regions), but more is still needed.

Good governance has many dimensions.

Structure of government:

- Legislative oversight
- Independent and effective judiciary
- Independent prosecution, enforcement
- Sub-national government
- Multilateral rules for trade, investment, aid

Political accountability:

- Political competition, credible political parties
- Transparency in party financing
- Disclosure of parliamentary votes
- Asset declaration, conflict of interest rules

Civil society voice and participation:

- Freedom of information
- Public hearings on draft laws
- Free and competent media/NGOs

Competitive private sector:

- Economic policy reform
- Competitive restructuring of monopolies
- Privatization
- Transparency in corporate governance

Public sector management:

- Meritocratic civil service with monetized, adequate pay
- Budget management (coverage, treasury, procurement, audit)
- Tax and customs
- Sectoral service delivery (health, education, energy)
- Decentralization with accountability

Governance

Changing the role of the state and reforming economic policies are key early steps.

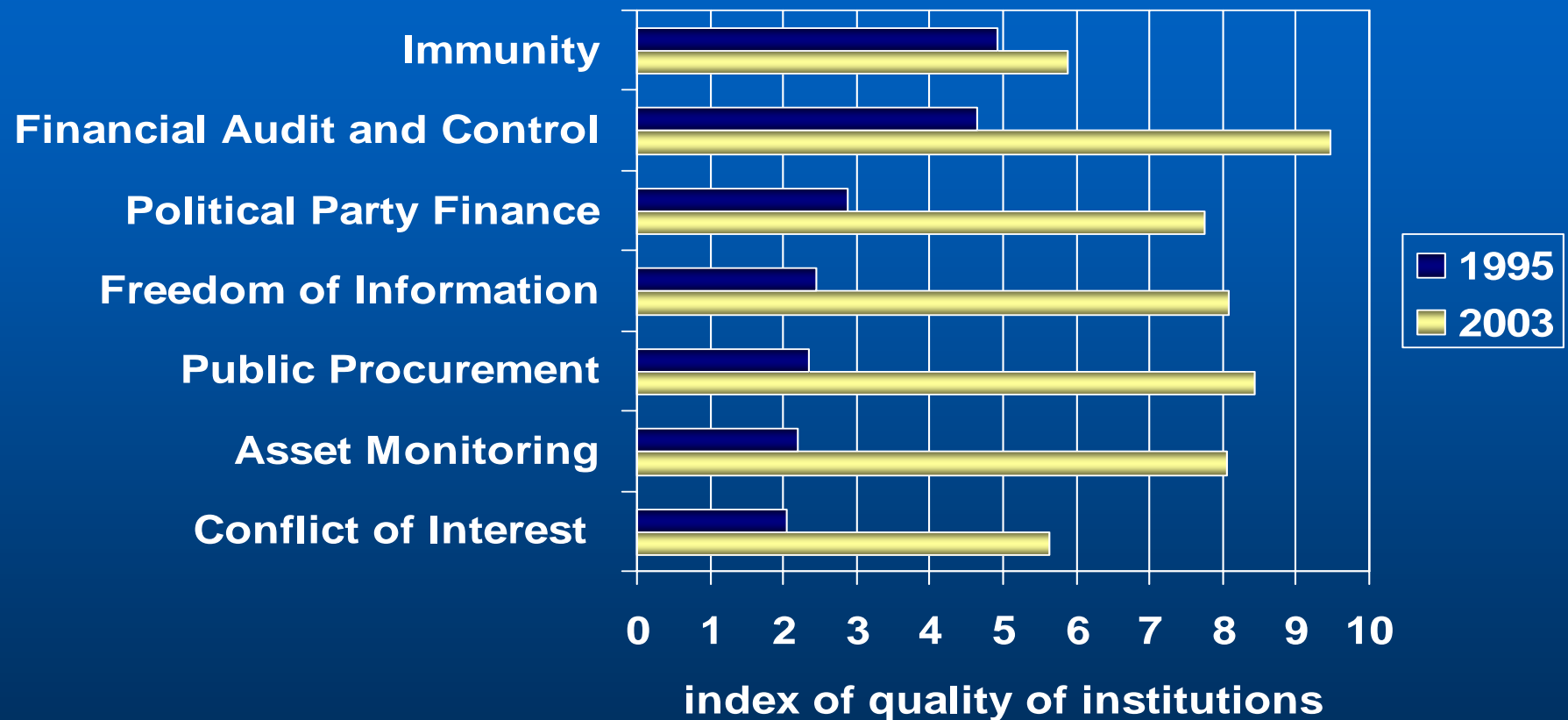
- Macroeconomic stabilization
- Price and trade liberalization
- Privatization
- Property rights and law reform (eg commercial, civil)
- Adoption of modern fiscal and administrative structures (ntl and local)
- Promotion of business entry and FDI
- Banking reform

World Bank programs in the 1990s supported this transition to private market economies.

Strengthening public institutions is a medium-term reform challenge...

- Tax
 - Low rate, broad based taxes and improvements in tax administration (Bulgaria, Russia, Ukraine)
- Customs
 - IT, risk-weighted inspections (SE Europe, Kazakhstan, Russia)
- Regulatory environment
 - deregulation; less frequent inspections (Albania, Georgia)
- Courts
 - independence, efficiency, transparency (Armenia, Romania)
- Public Financial Management
 - Performance measurement, treasury systems, procurement
- Sector Ministries

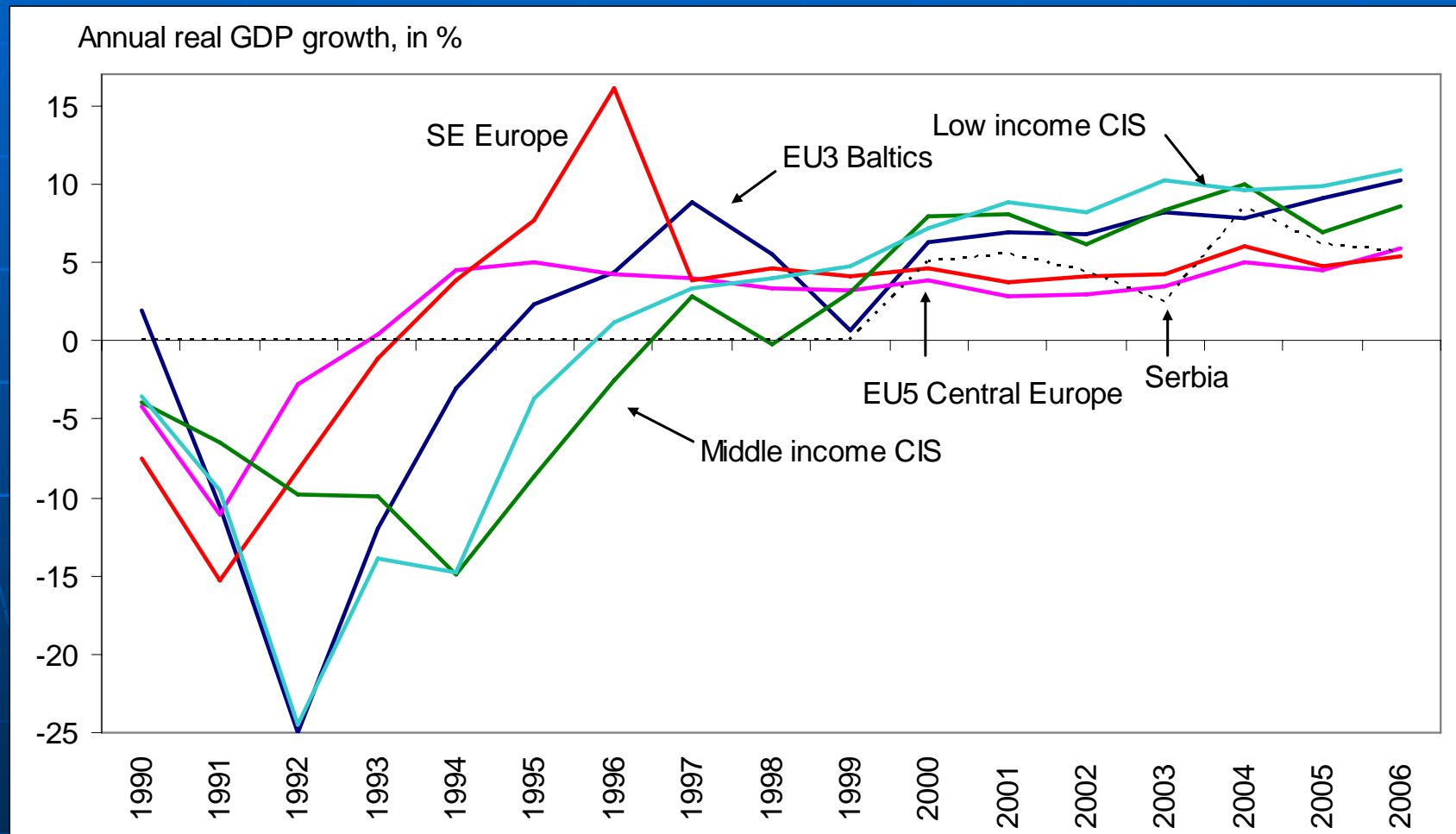
...and many ECA countries are gradually improving transparency and accountability.



The World Bank has actively supported many of these institutional reforms.

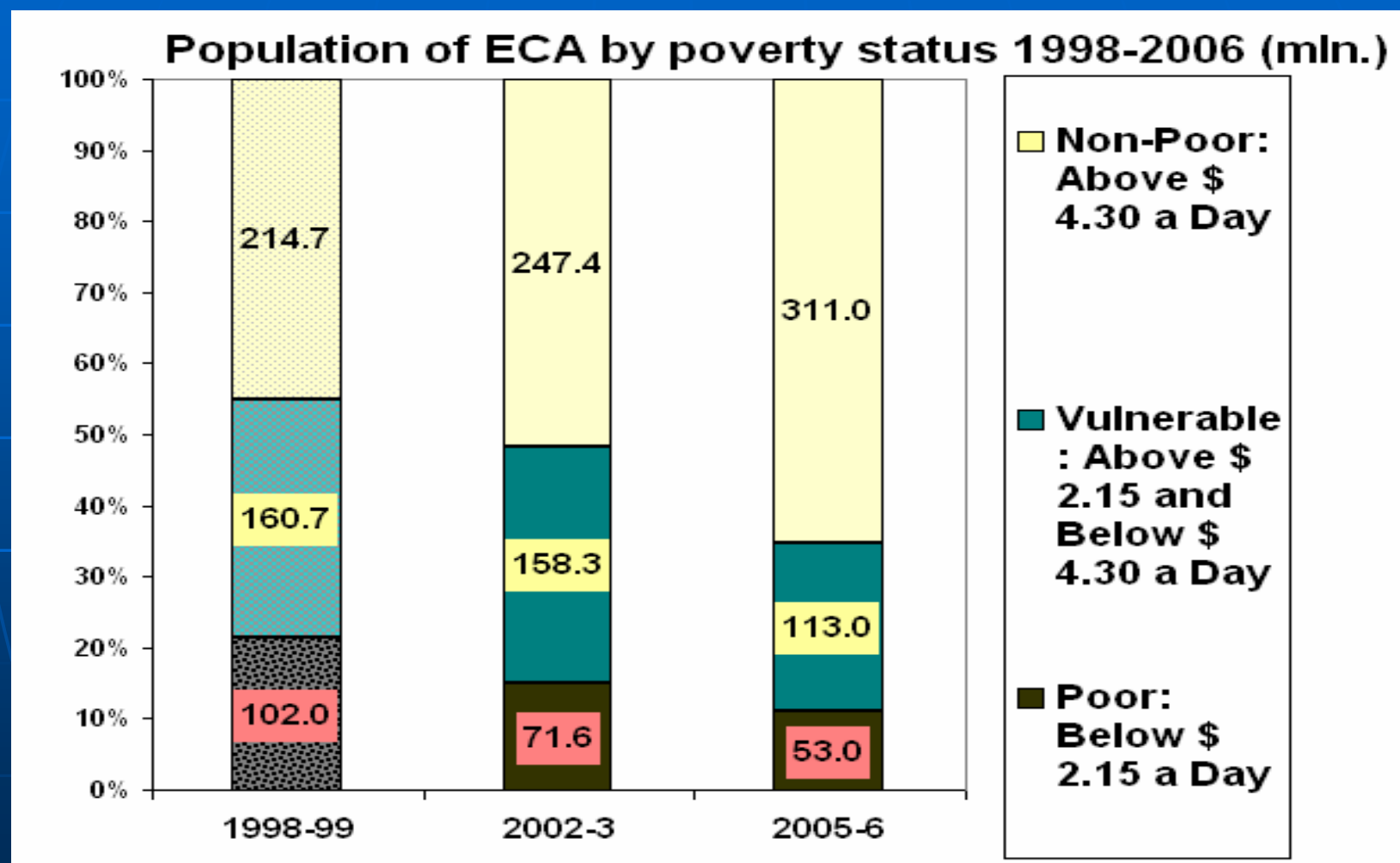
Results to date

Growth in ECA has been rapid in recent years after the initial collapse.



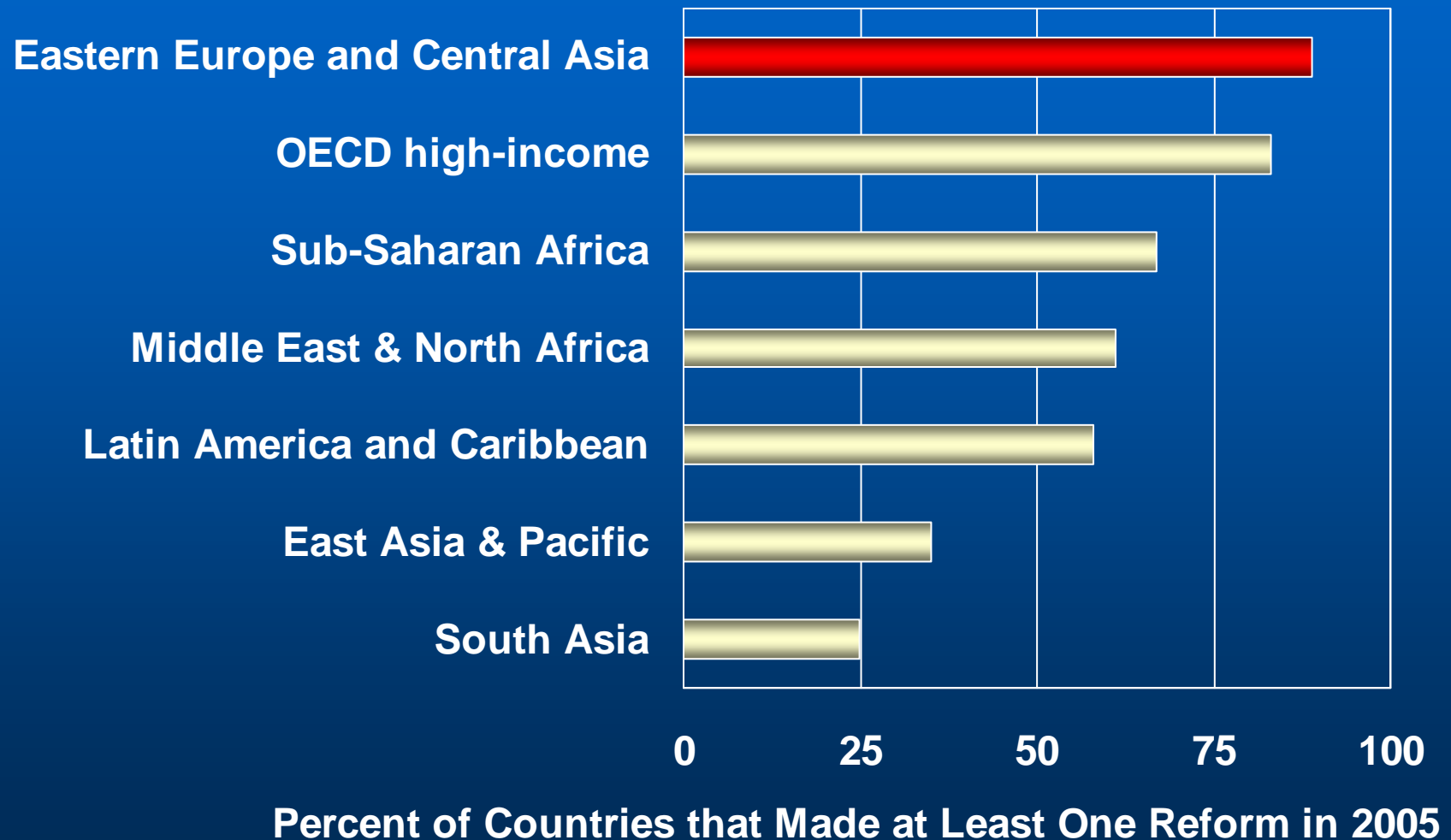
Note: 2000-02 data for Serbia and Montenegro, from 2003 onwards – Serbia.

Poverty and vulnerability have fallen.



Source: **Bank staff estimates based upon ECA Household Data
Revised numbers for 2002-3 period based on a new countries coverage

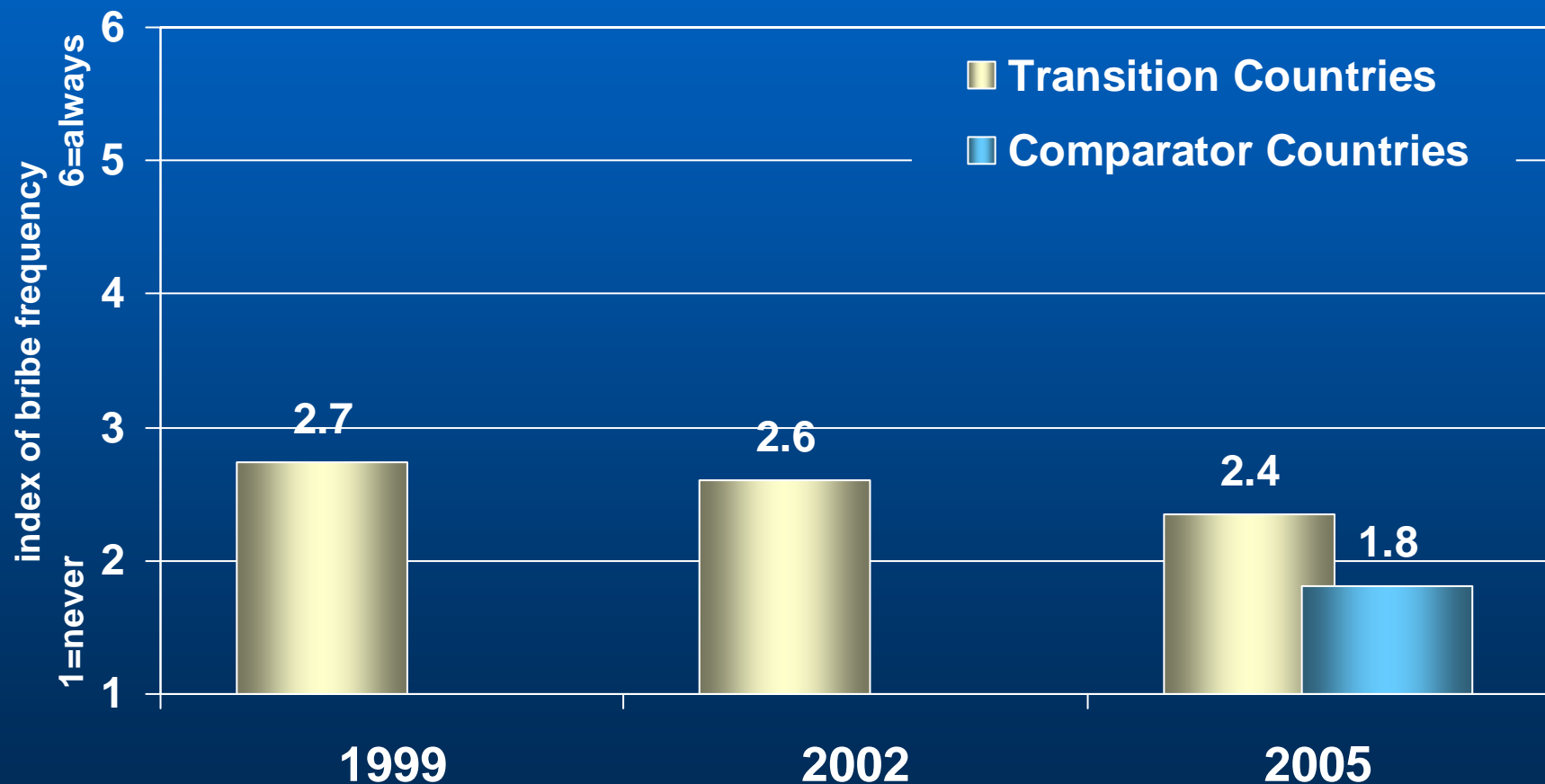
The business climate has improved.



Source: Doing Business in 2007

Corruption is falling for the region as a whole

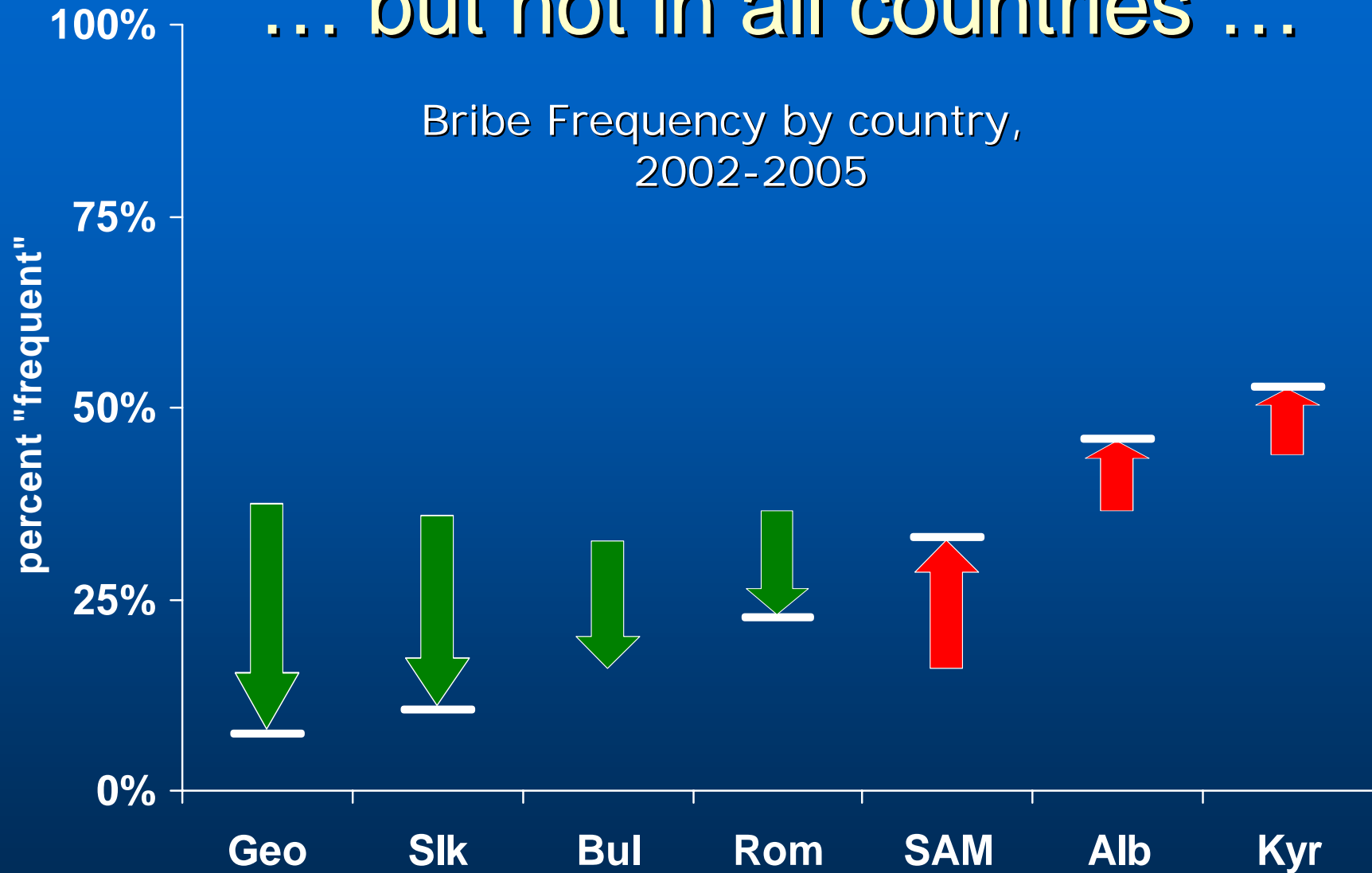
(though not yet to W. Europe levels)...



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?

... but not in all countries ...

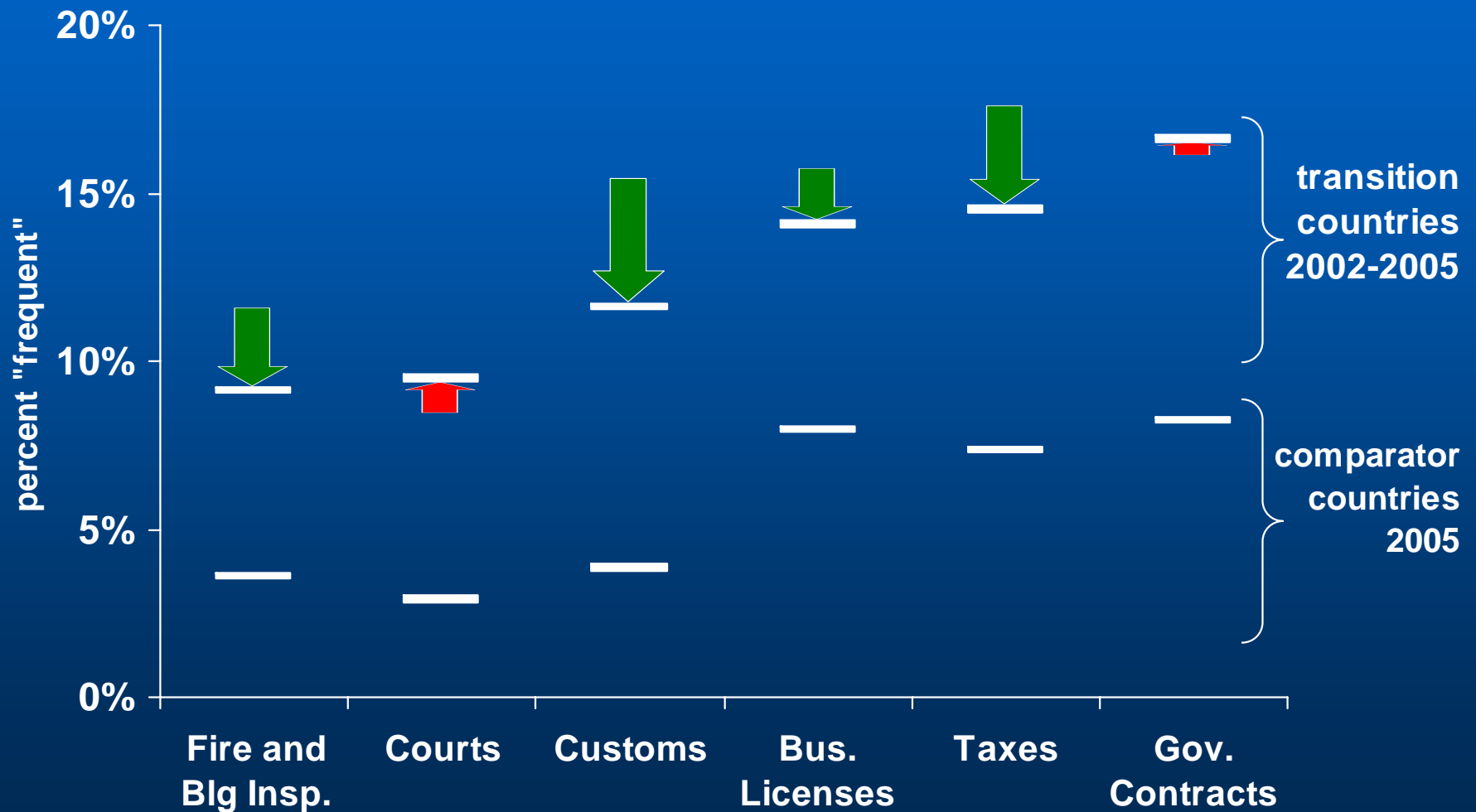
Bribe Frequency by country,
2002-2005



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?

... and not in all sectors.

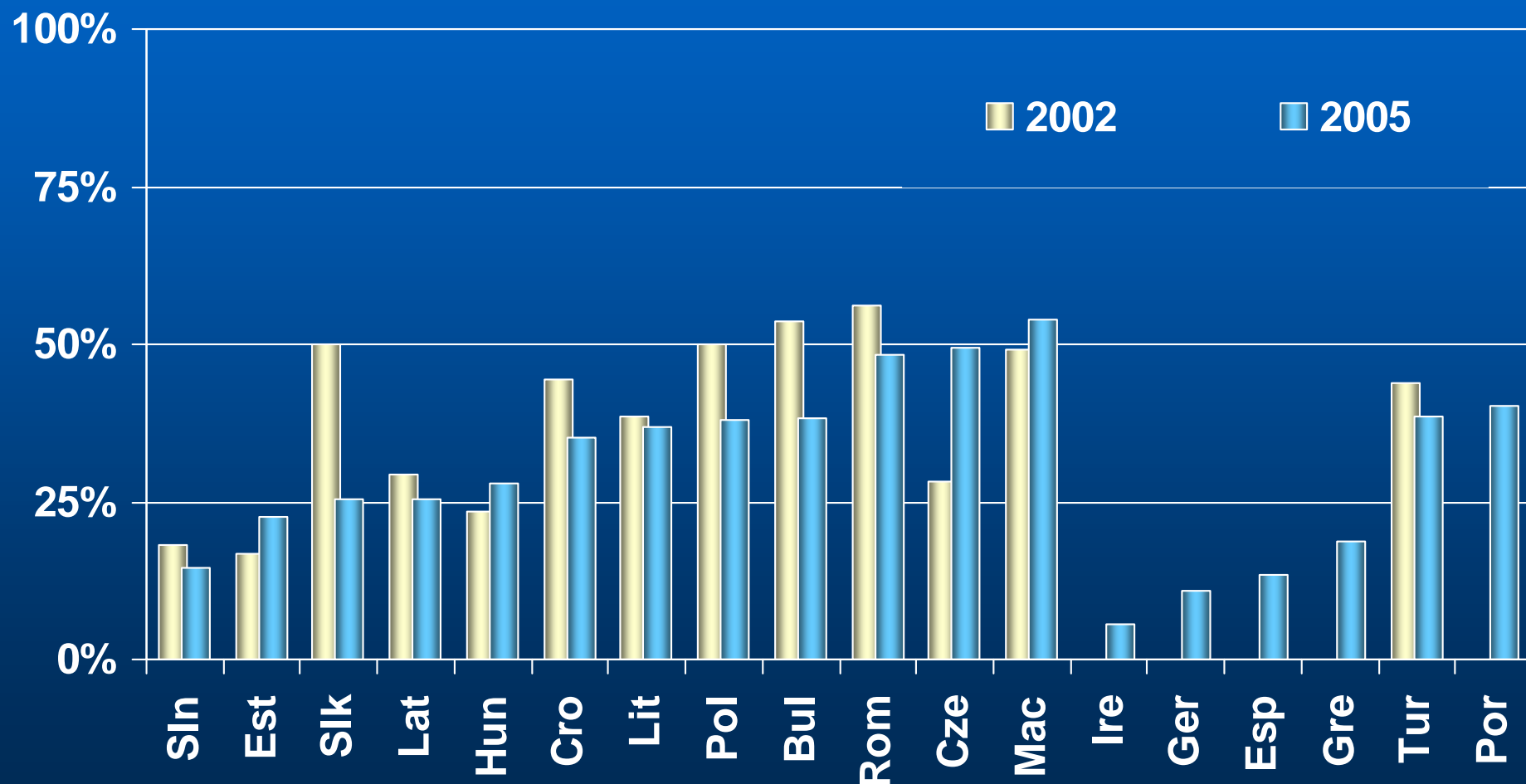
Bribe Frequency by sector, 2002-2005



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?

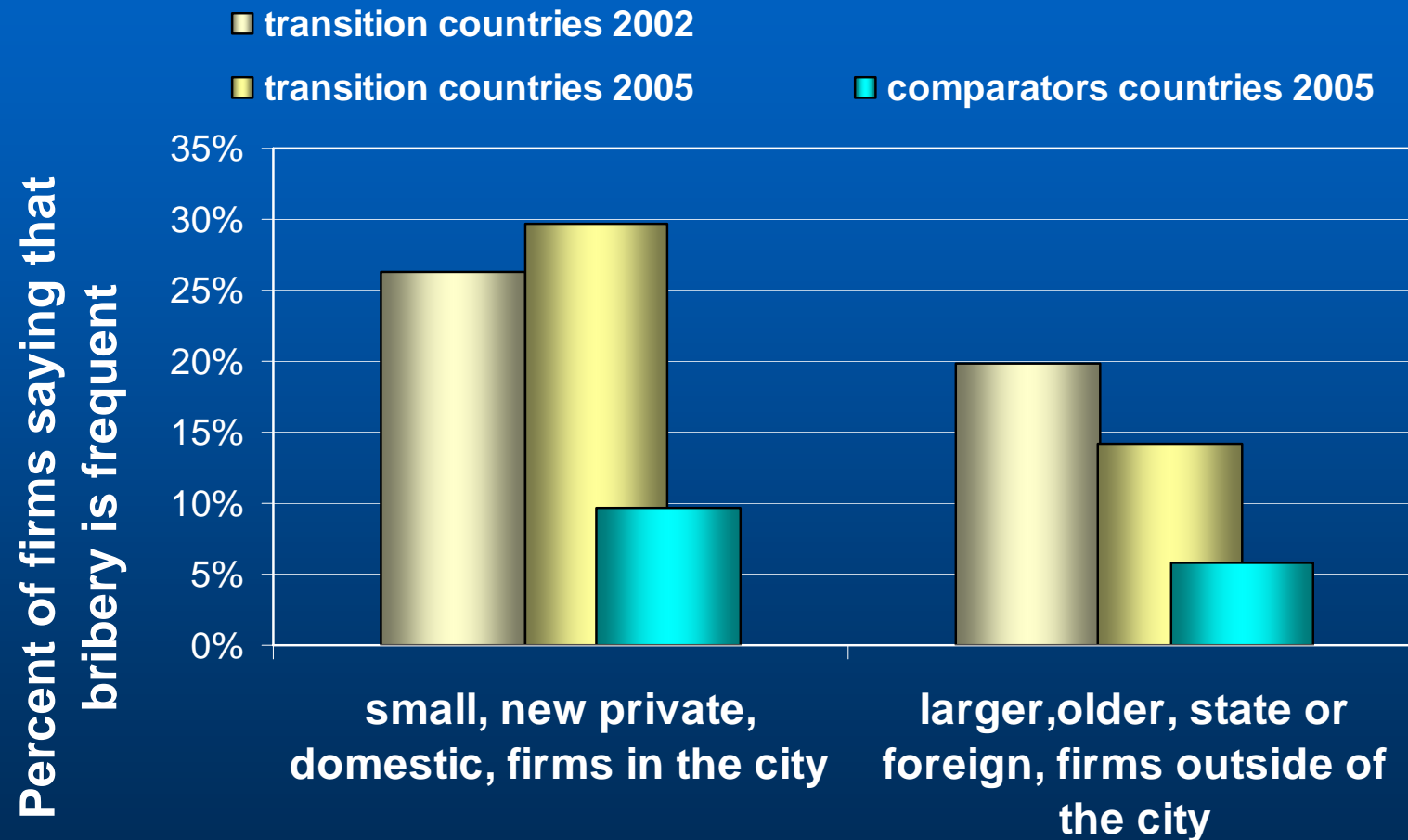
European countries vary significantly.

(% firms viewing corruption as a problem for business)



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?

New private firms continue to pay the most bribes.



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?

In sum:

- Progress has been impressive though uneven.
- Donors have been strong supporters, and EU accession has been a major driver.
- Continued reforms are needed. Complacency is not an option in this increasingly competitive world.

For details on corruption trends see
**Anticorruption in Transition 3 – Who is
Succeeding ... And Why?**

www.worldbank.org/eca/act3

For a broader look at governance and economic reform

www.worldbank.org/eca/econ