



# Governance and Anticorruption Work in East Asia & Pacific: A World Bank View



**The World Bank**

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# Overview

- East Asian Context
- Bank Engagement in EAP Governance
- Some Country and Thematic Approaches
- The “GAC” – An Emerging EAP Strategy



# East Asian Context



# Good Governance Emerges from Crisis

- 1997 financial crisis = governance watershed
  - Collapse of economies
  - Political transformations – Thailand, Indonesia, Philippines
  - Previous assumptions about economic miracle debunked: governance failings, crony capitalists exposed
  - Corruption threatened global financial system
  - Governance becomes global public good

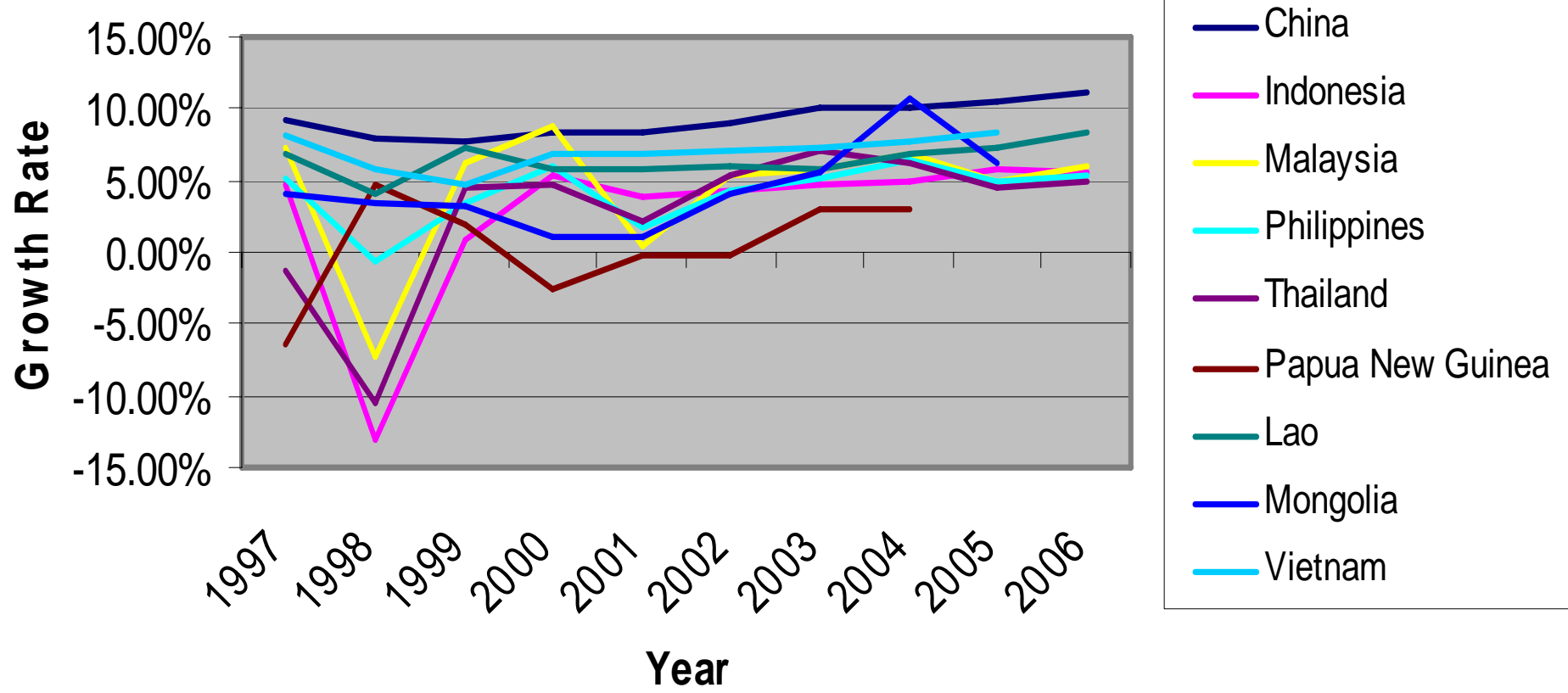



# The Post-Crisis Decade

- Bank revved up governance program
- Decade of recovery and resumption of growth – return of miracle?
- Emergence of “East Asia paradox:” high growth countries but dubious governance record
- Do you really need good governance to develop? What is “good enough governance” in EAP?

# Growth Resumes Post-Crisis

## Annual GDP Growth Rate

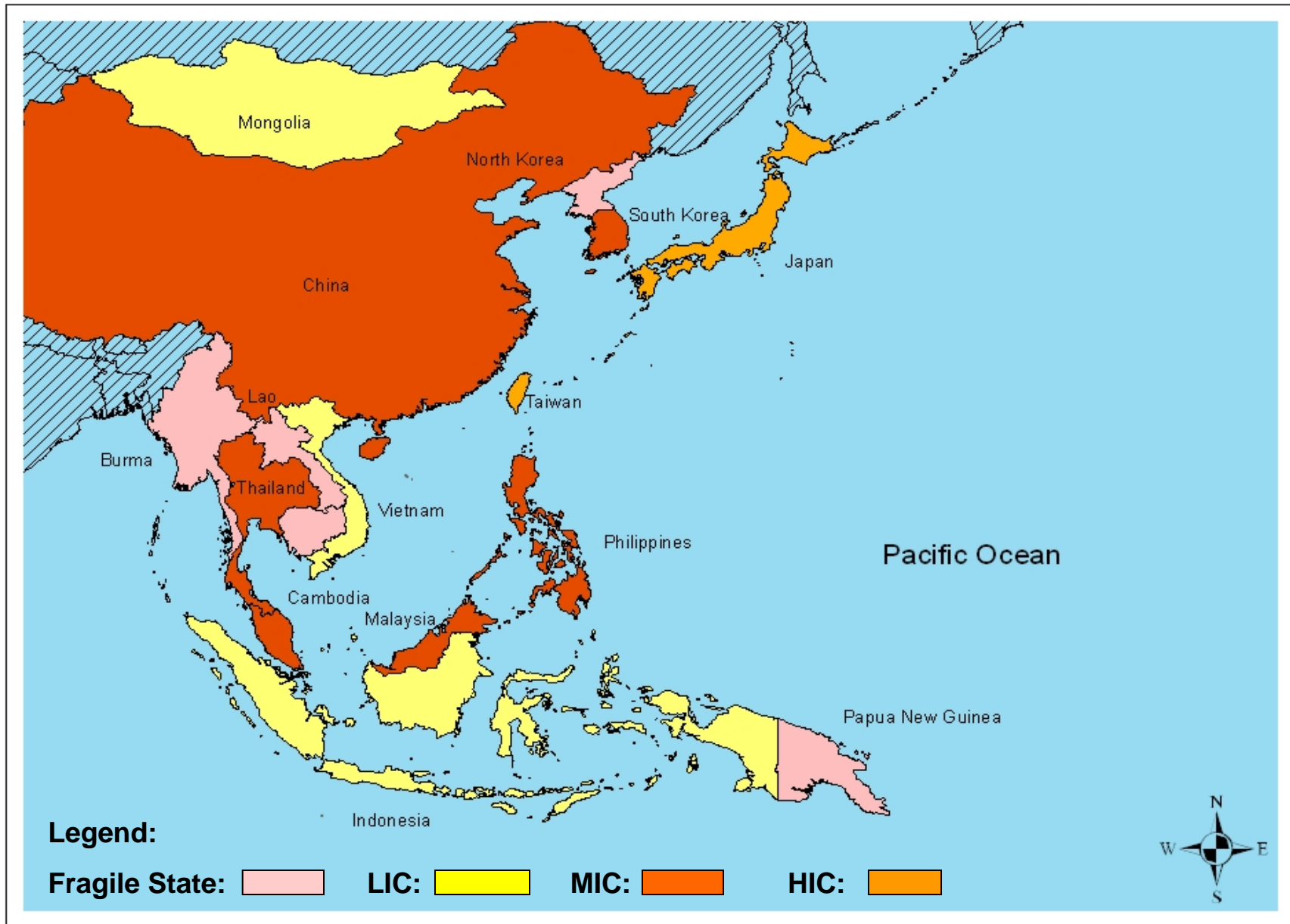




# East Asian Diversity Challenges Bank to Customize, Differentiate

- EAP most diverse region
  - MICs (Thailand, Malaysia, Philippines)
  - Fragile & small states (Cambodia, PNG, TL, Pacific Islands)
  - Socialist Countries (VN, China, Lao PDR)
  - Advanced Industrialized Countries (Japan, Singapore)
  - Pariah states (NK and Myanmar)

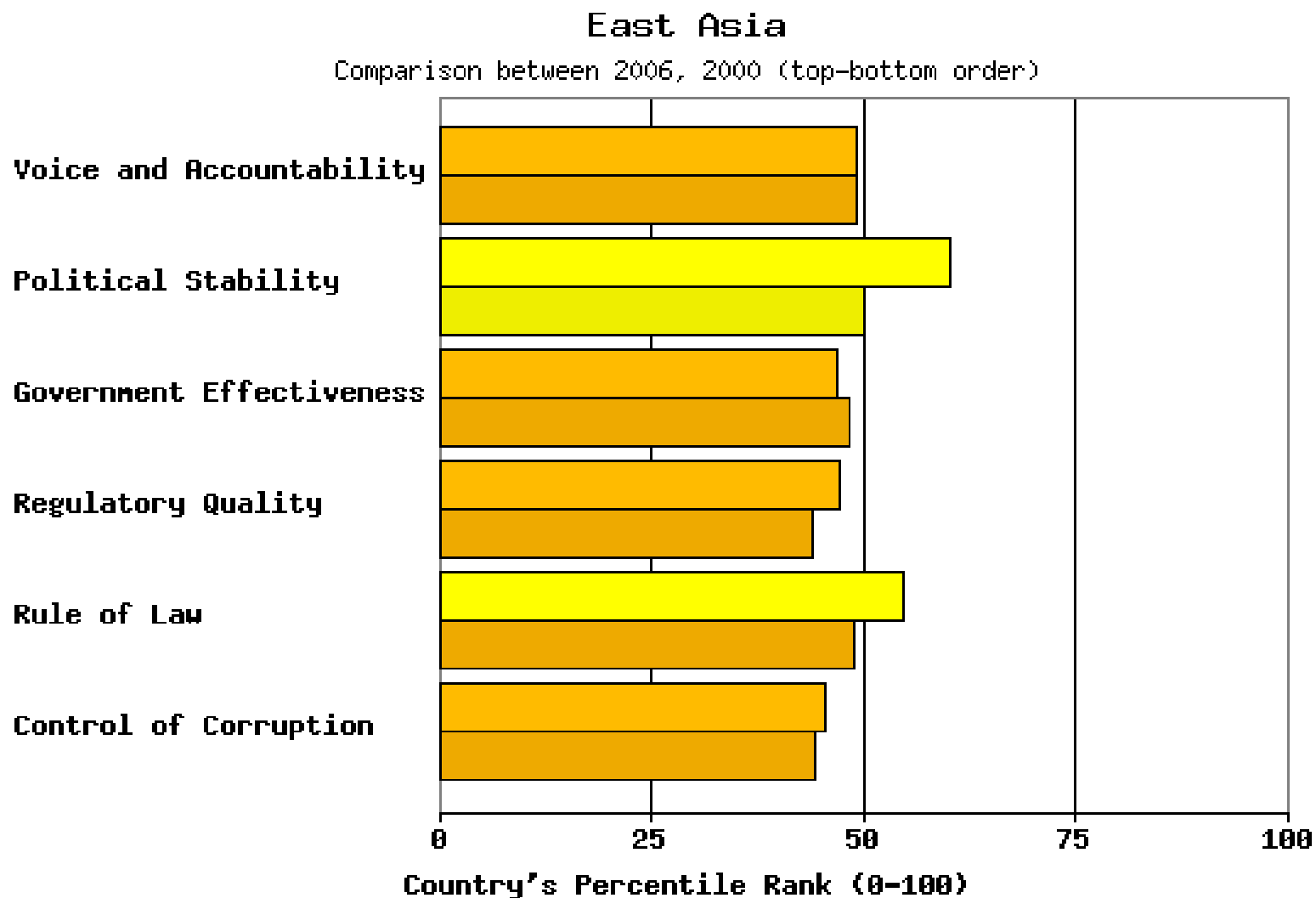
# EAP Governance Diversity





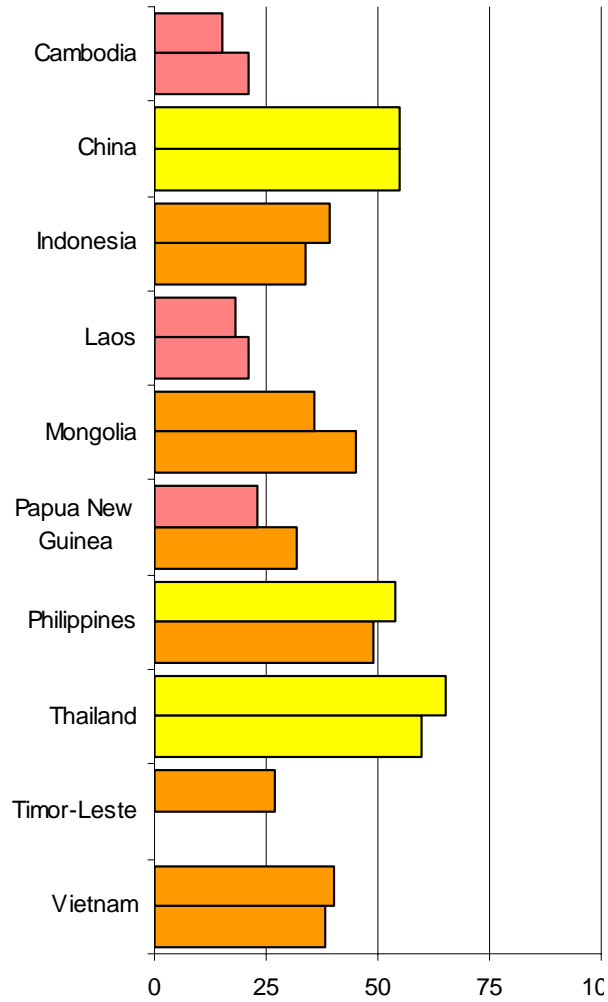
# EAP Governance Changes Slowly

(EAP Average 2000-2006)



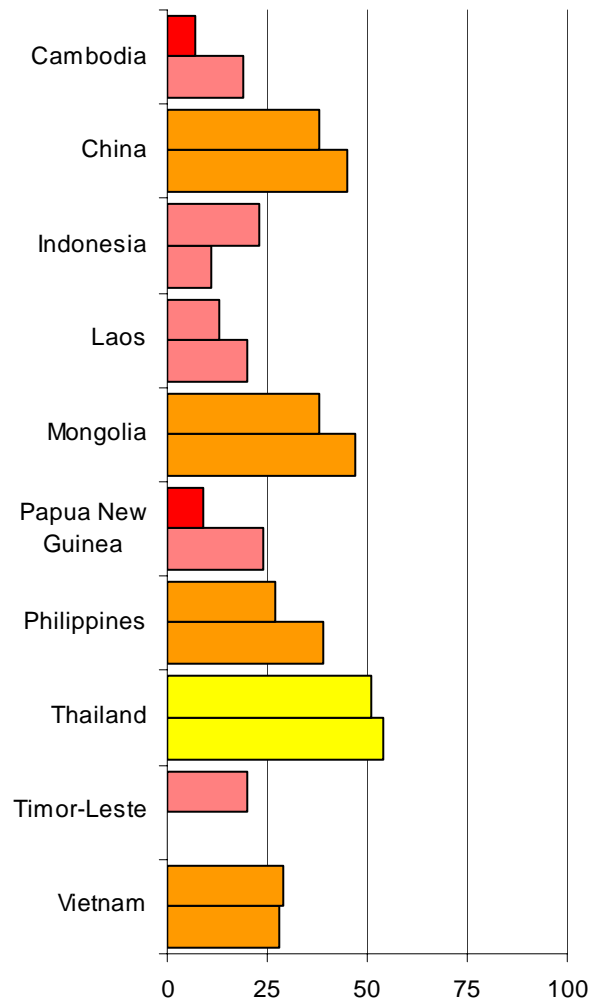
# An EAP Paradox? All Good Governance Doesn't Go Together

**Government Effectiveness**  
(2006 top, 2000 bottom)



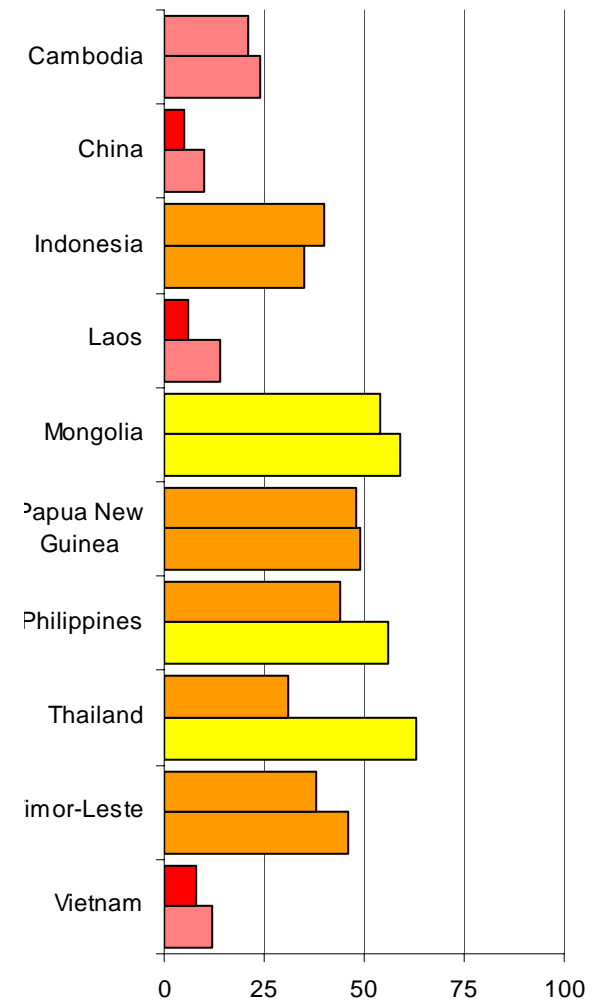
Country's Percentile Rank

**Control of Corruption**  
(2006 top, 2000 bottom)



Country's Percentile Rank

**Voice and Accountability**  
(2006 top, 2000 bottom)



Country's Percentile Rank



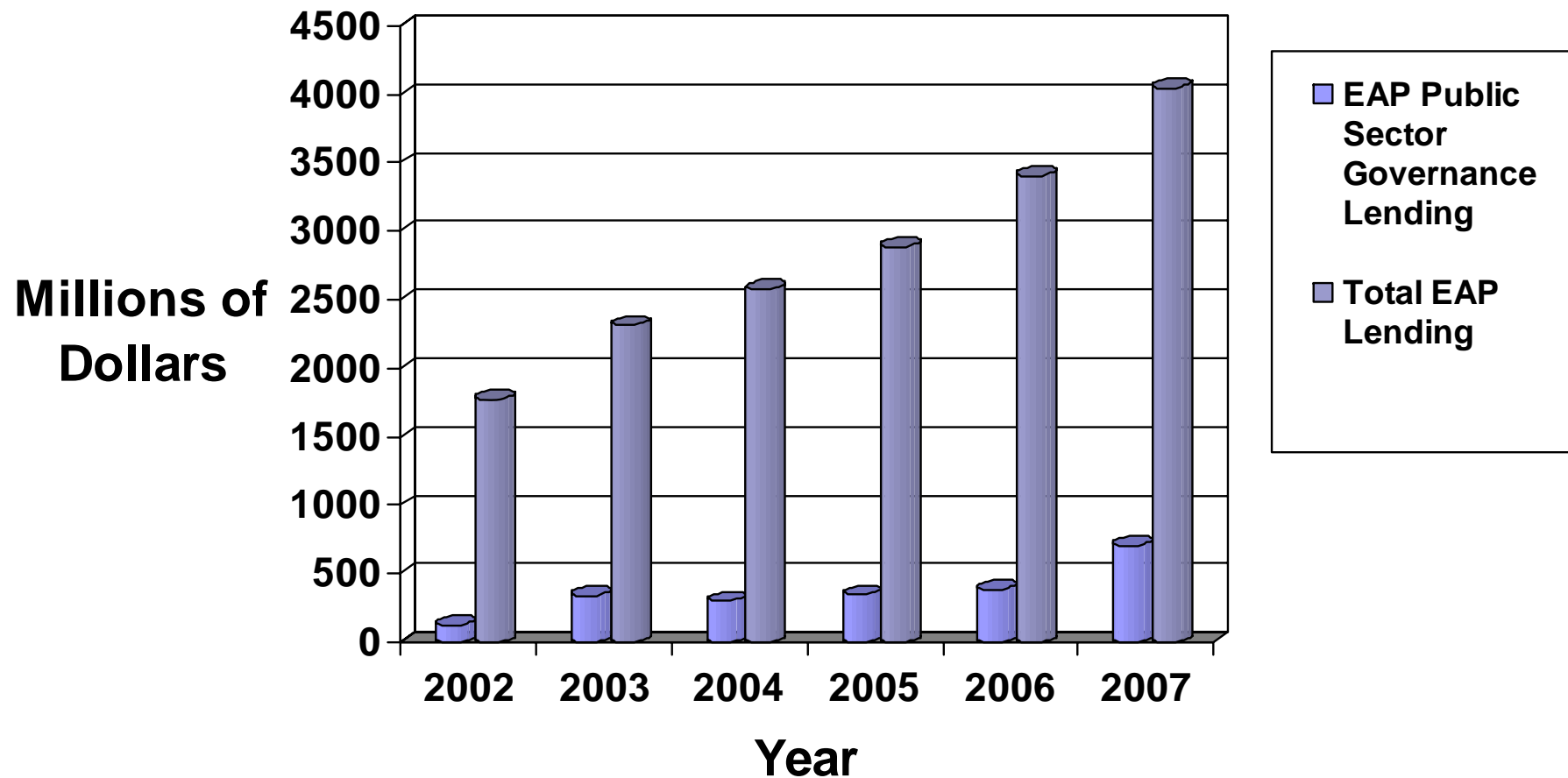
# KKZ's EAP Governance Profile

- Overall, rankings have declined slightly from 2000 to 2006
- Corruption increases in all but 2 countries (Indonesia/VN); predictably worse in fragile states
- Government effectiveness relatively high across region but fragile states fare poorly
- Two EAP governance conundrums:
  - Democracies with high voice but low government effectiveness (Mongolia, PNG)
  - Stronger and more effective states where accountability scores low (China, Vietnam)



# Bank Engagement in EAP Governance

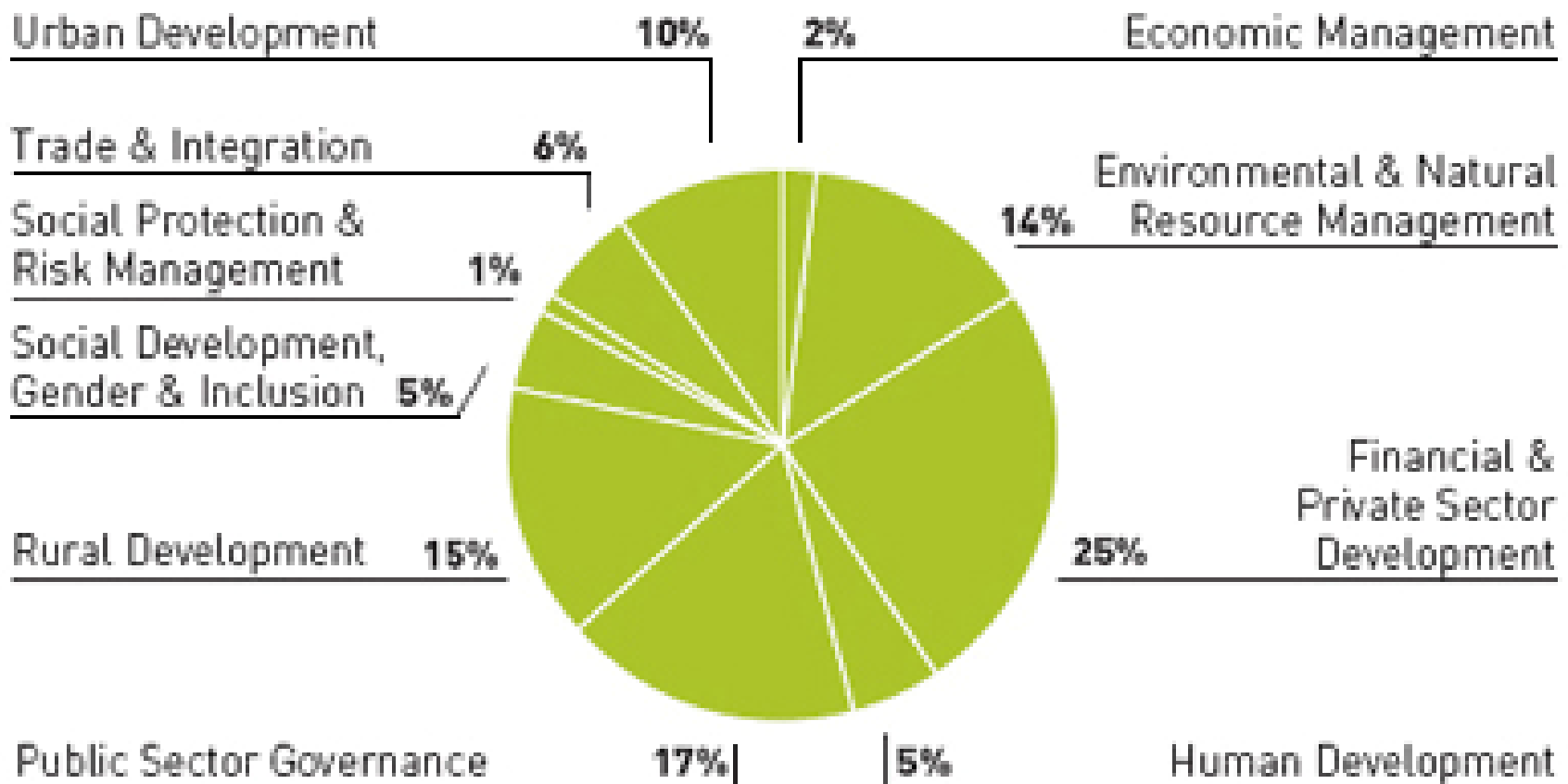
# Significant Rise in EAP Governance Lending












## EAST ASIA AND PACIFIC

### IBRD AND IDA LENDING BY THEME | FISCAL 2007

SHARE OF TOTAL OF \$4 BILLION

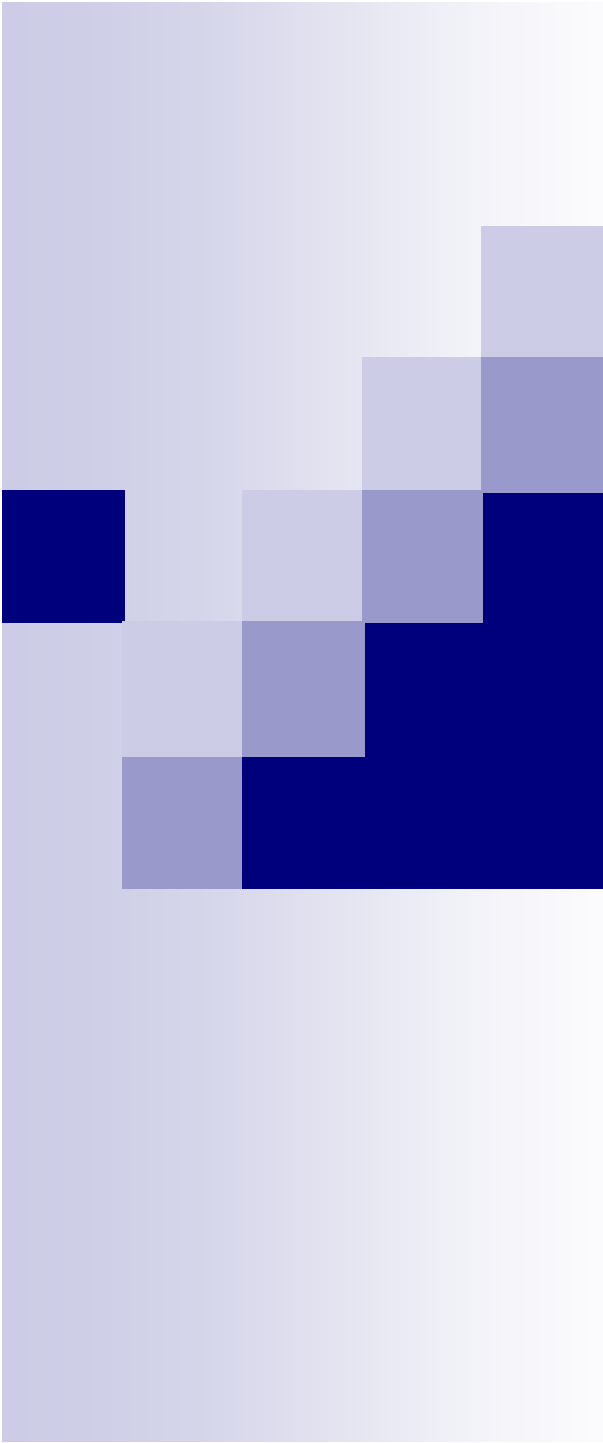


# Current Bank Governance Work Differs by Country Type

	LICs	FS	MICs
Core public sector governance			
Financial institutions/ corporate governance			
Demand-side capacity-building			

 Operational

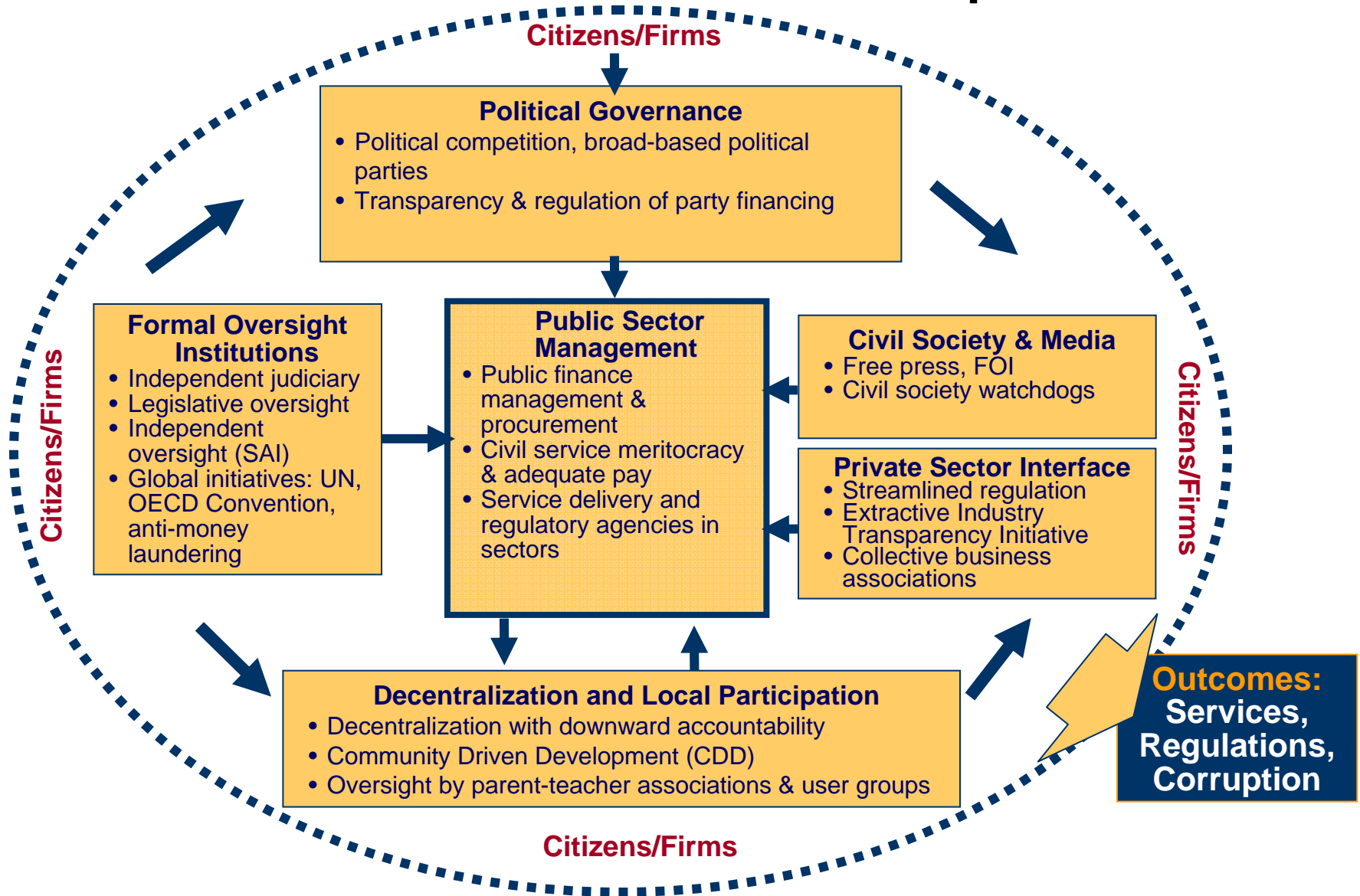
 Analytical / advisory



# Country and Thematic Approaches



# Governance Landscape

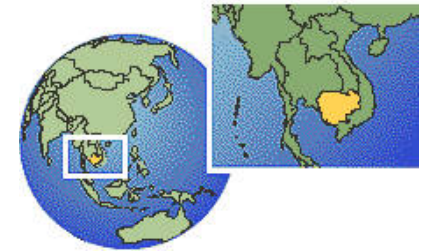




# Guiding Principles of the Bank's Governance & Anticorruption Strategy

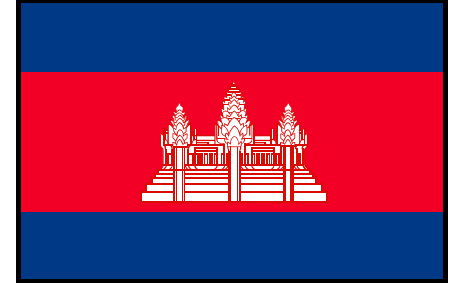
- **A capable and accountable state** creates opportunities for the poor
- GAC work must be **country driven; one size doesn't fit all.**
- The Bank should remain **engaged**, even where it's tough, so the poor don't pay twice"
- The Bank needs to work on GAC with a **broad array of stakeholders, harmonizing with governments, donors, and other actors** at global and country levels
- Strengthen, don't by-pass, **country systems**

# Cambodia – difficult governance environment



- High growth post-conflict country with non-competitive politics and high corruption
- Bank approach –find multiple entry points to reform
  - Build donor and govt. support for core public sector reforms
    - Integrated Fiduciary and Public Expenditure Review (03) partnered with other donors
    - Support PFM and CSR reforms through Public Financial Management and Accountability Project (treasury and tax modernization + pooled merit based pay initiative)
    - PRSO (policy based adjustment lending) to reinforce reforms

# Cambodia (cont.)



- Stimulate demand for good governance
  - Public Expenditure Tracking Survey (PETS)
    - Traced flow of funds from National Treasury, to the provincial treasuries down to frontline service providers in education – found diversion of funds and blockages down to school level – raised awareness at community level.
  - Demand for Good Governance Project
    - Focus on both state and non-state institutions and builds on existing, successful governance innovations, incl. freedom of information awareness campaigns, informal dispute resolution mechanisms to mediate citizen-government interactions; ombudsman offices – monitored by non-state civil society groups – intended to create “ripple effect”

# Indonesia



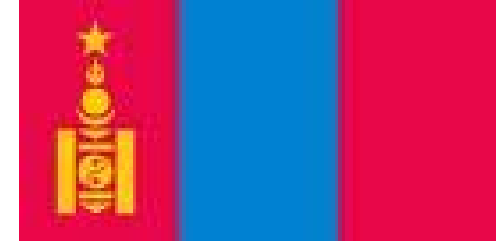
- Broad based (supply +demand) program building on newly democratic government's interest in governance reforms
  - Government Financial Management and Revenue Admin Project –massive overhaul of treasury and tax systems to support new State Finance Law
  - Kecamatan Development Project –in context of decentralization provides small grants to communities for local projects; KDP's construction costs 30-50% lower due to corruption prevention



# Indonesia: StAR Initiative

- The World Bank launched the Stolen Assets Recovery Initiative in September 2007; Indonesia's government asked for technical assistance under the program.
- The StAR Initiative is designed to help countries recover the proceeds of corruption deposited abroad, by helping countries build capacity to:
  - Organize and manage their asset recovery effort;
  - Trace stolen assets;
  - Develop capacity to respond to and file international mutual legal assistance (MLA) requests;
  - Establish the necessary legal basis to make such requests effective;
  - Adopt and implement effective confiscation measures;
  - Help monitor the recovered funds by the countries (if requested).
- Bank team is currently in Jakarta in order to assess how the StAR initiative can assist the Government of Indonesia in recovering stolen assets, by helping to build the requisite capacity and facilitating recovery.

# Mongolia



- Open politics but opaque policy making environment in midst of mining boom and threat of resource curse
- Bank approach –(Umbrella Governance Assistance Project)
  - Modernize and raise transparency of public financial management with links to safeguarding management of mining revenues.
  - Support for Asset and Income Declaration and Anti-corruption Commission/legislation

## Mongolia (cont.)



- Country Governance and Anti-corruption Assessment (CGAC) to inform new Country Assistance Strategy
- Broad political economy analysis with focus on governance constraints in avoiding the resource curse
- Employs political stakeholder analysis modeling tool



# Mongolia: CGAC

- Focuses on political economy and governance obstacles associated with the resource curse.





# Operationalizing political analysis: agent-based stakeholder model

- Reforms supported by Bank face political – not technical obstacles
- User-friendly, agent-based political stakeholder modeling tool applies rational choice principles to predict how coalitions will form to support or oppose reforms
- Pilots in Thailand, Cambodia, Mongolia and the Philippines
- Goal: to mainstream tool into country team operational decision making



THANK YOU