

# Strengthening World Bank Group Engagement on Governance and Anti-Corruption:

## Current Status and Future Direction

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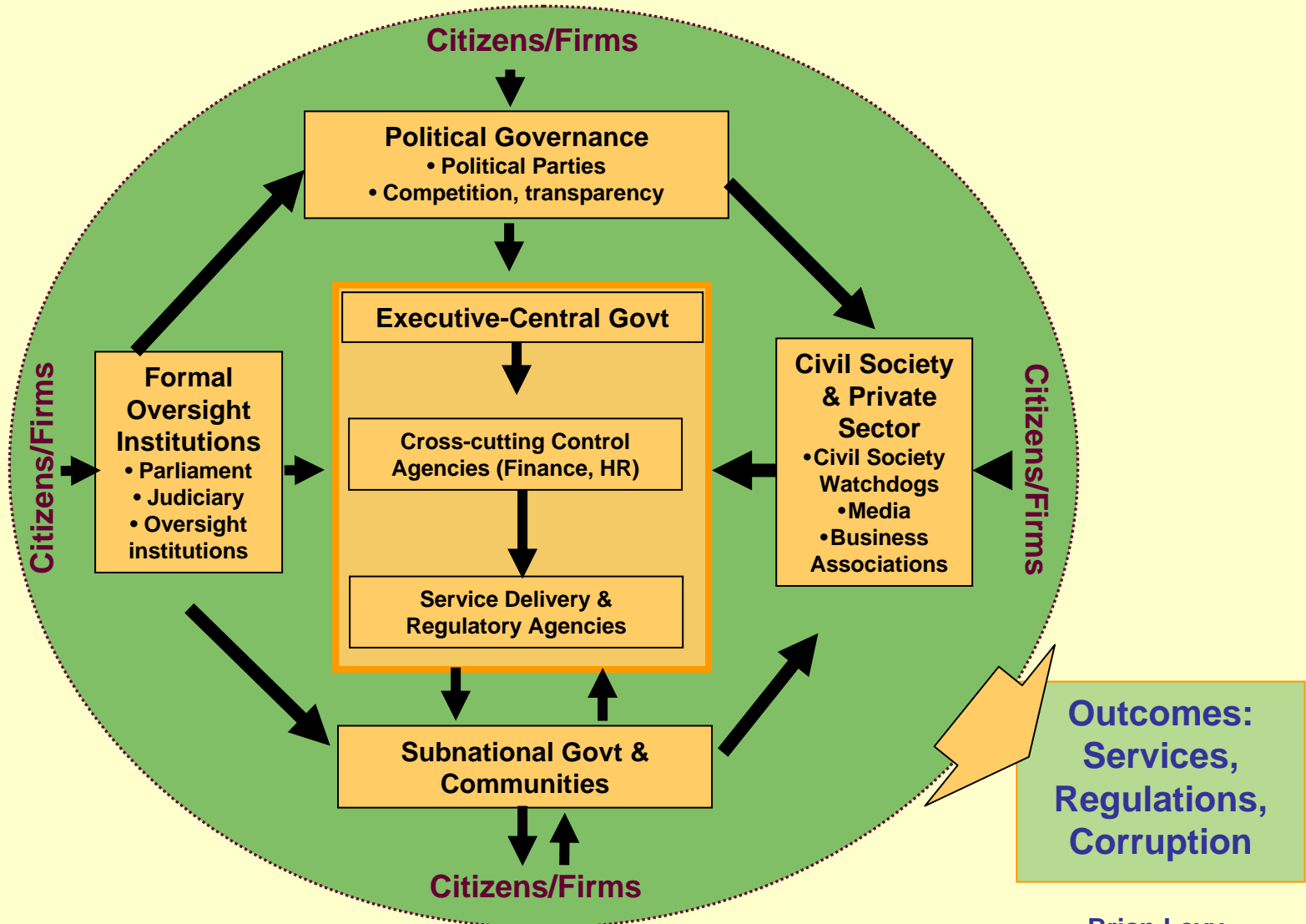
**Presented to**  
Brookings Institution,  
12 April, 2007

**Presented by:**  
Brian Levy  
Advisor  
PREM Public Sector Governance  
The World Bank



# Governance System

## Actors, Capacities and Accountability



# Governance & Corruption – Not the Same

## Governance

The manner in which the **state** acquires and exercises its authority to provide public goods & services

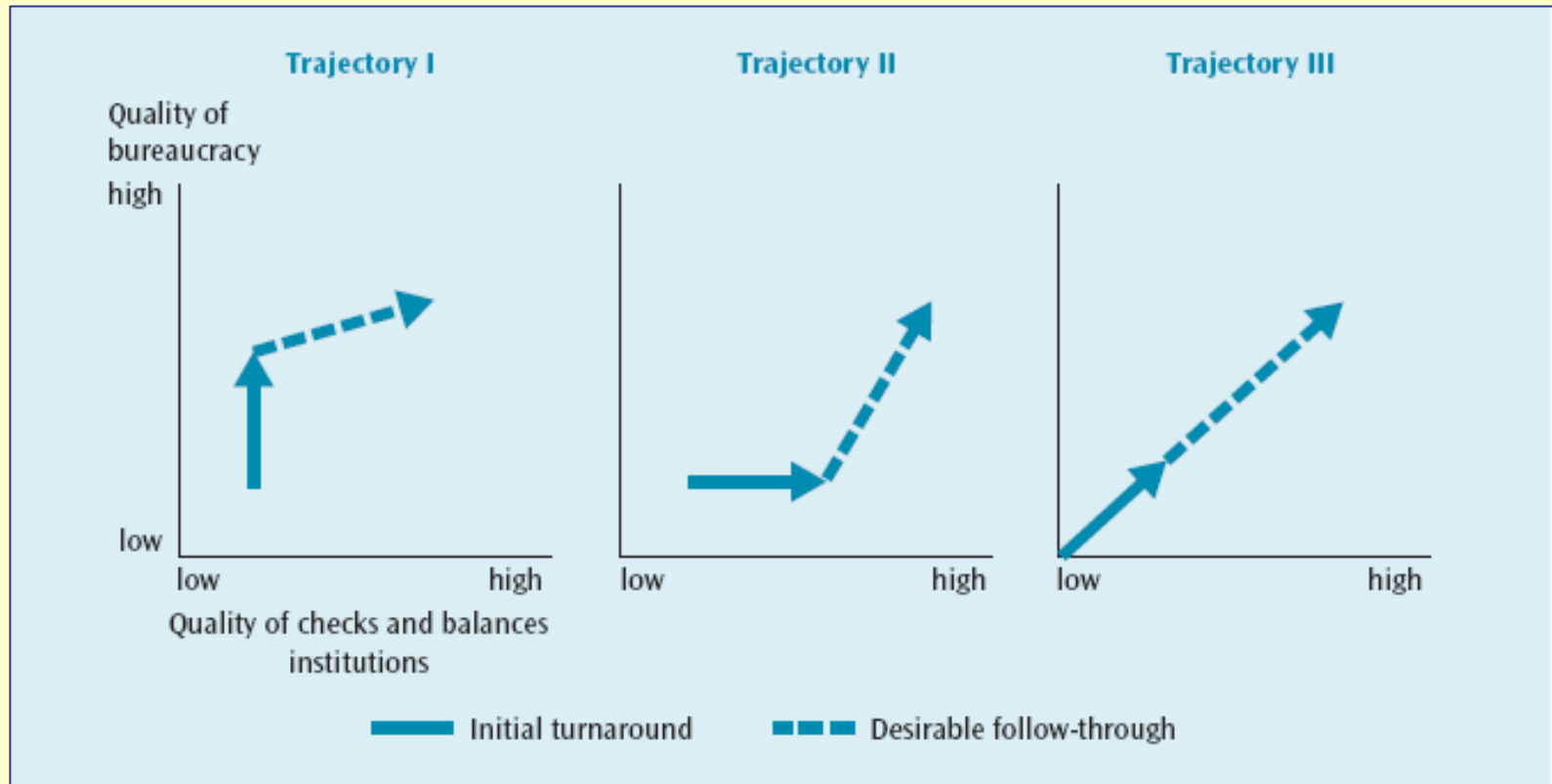
## Corruption

Use of **public** office for **private** gain

- **Corruption** is an **outcome** – a consequence of the failure of accountability relationships in the governance system
- Poor **delivery of services** and weak **investment climate** are other outcomes of bad governance
- **Governance** is the door to anticorruption, and the **broad overarching framework** for donor engagement



# Governance Trajectories



# An Unprecedented Global Consensus

✓ Consultations held in 35 developing countries, 12 donor countries, & four global events, reaching more than 3,200 people

## Europe

Brussels, the Hague, London, Madrid, OECD, Paris, Rome, Stockholm

## MNA

Egypt, Jordan (planned), Morocco, Tunisia (planned), Yemen

## ECA

Albania, Bulgaria, Georgia, Moldova, Russia

## North America

Ottawa, Washington DC (IMF, MDBs, US Government, CSOs, private sector, unions)

## LAC

Argentina, Bolivia, Dominican Republic, El Salvador, Guatemala, Mexico, IACC

## AFR

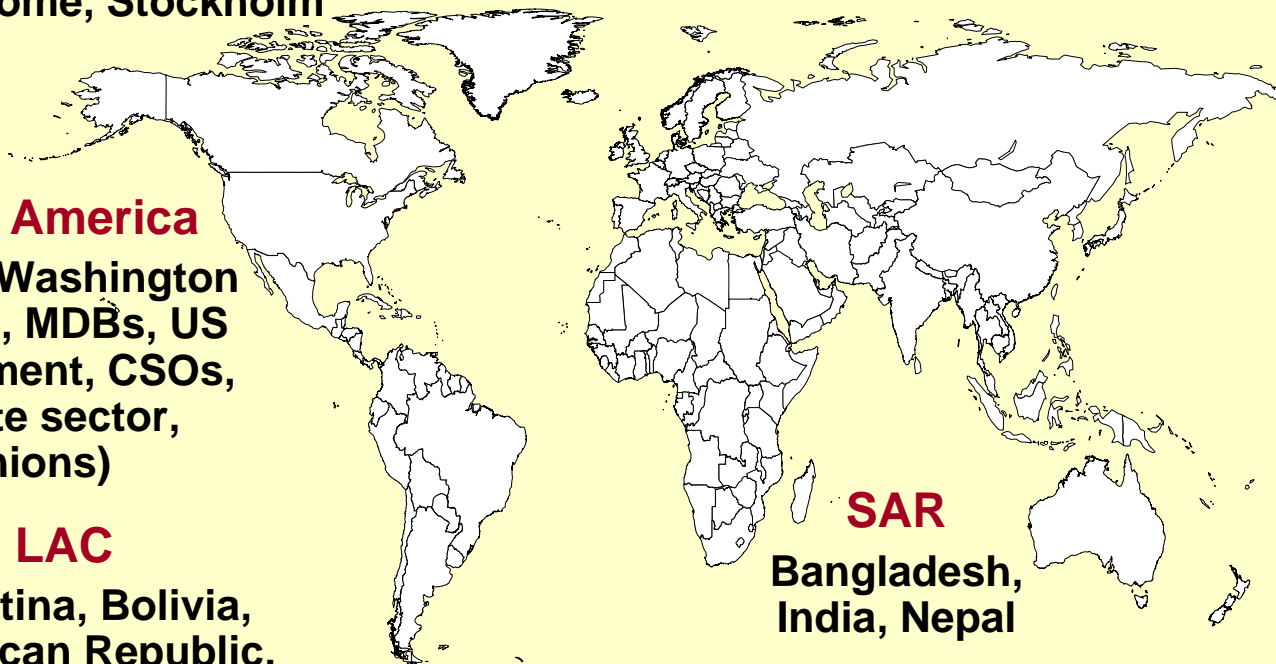
Burkina Faso, Botswana, Cameroon, Kenya, Mauritania, Mozambique, Republic of Congo, Rwanda, Senegal, Tanzania, Uganda

## SAR

Bangladesh, India, Nepal

## EAP

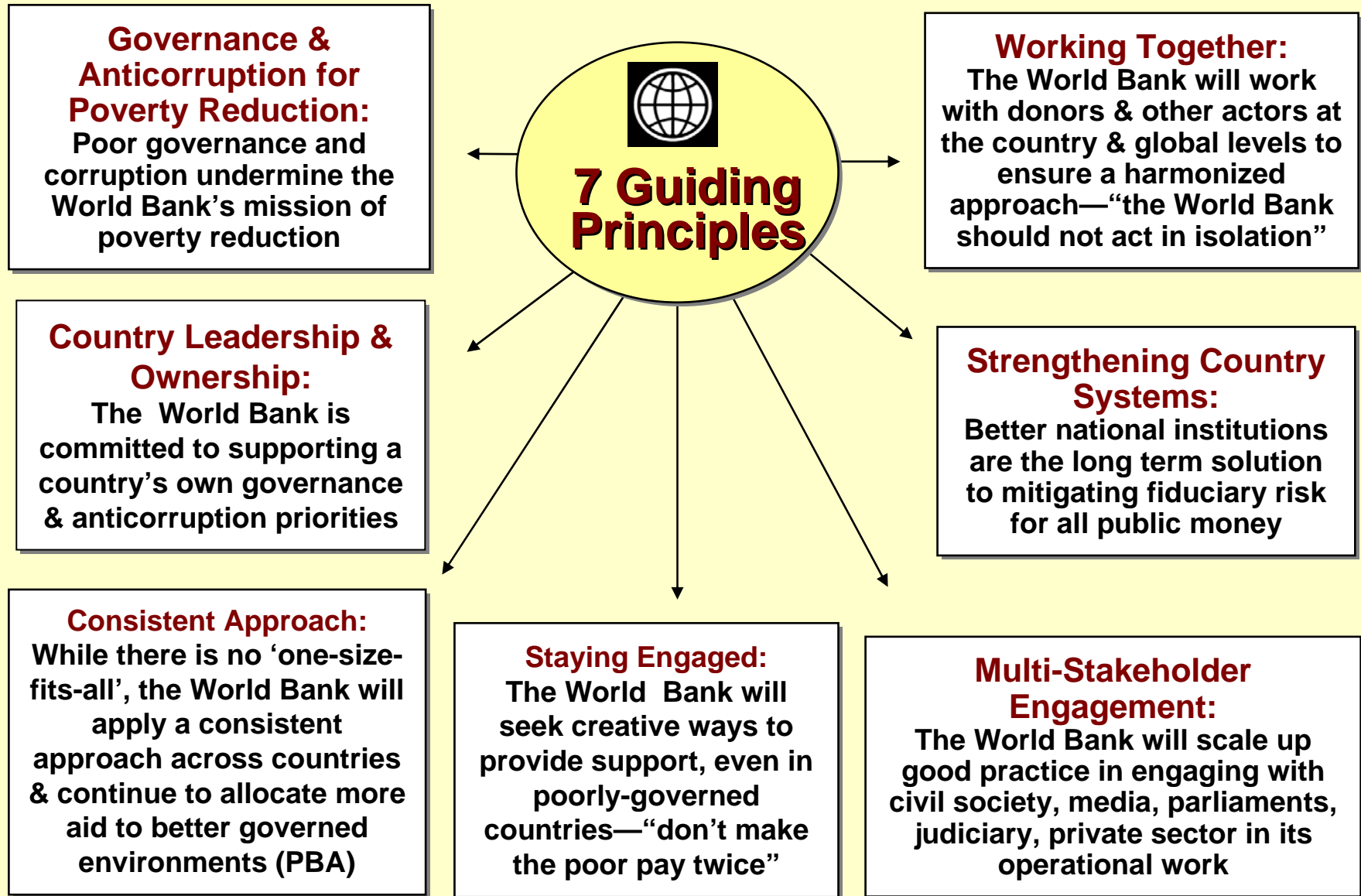
Australia, Cambodia, China, Japan, Indonesia, Lao PDR, Mongolia, New Zealand, Philippines, Thailand, Vietnam



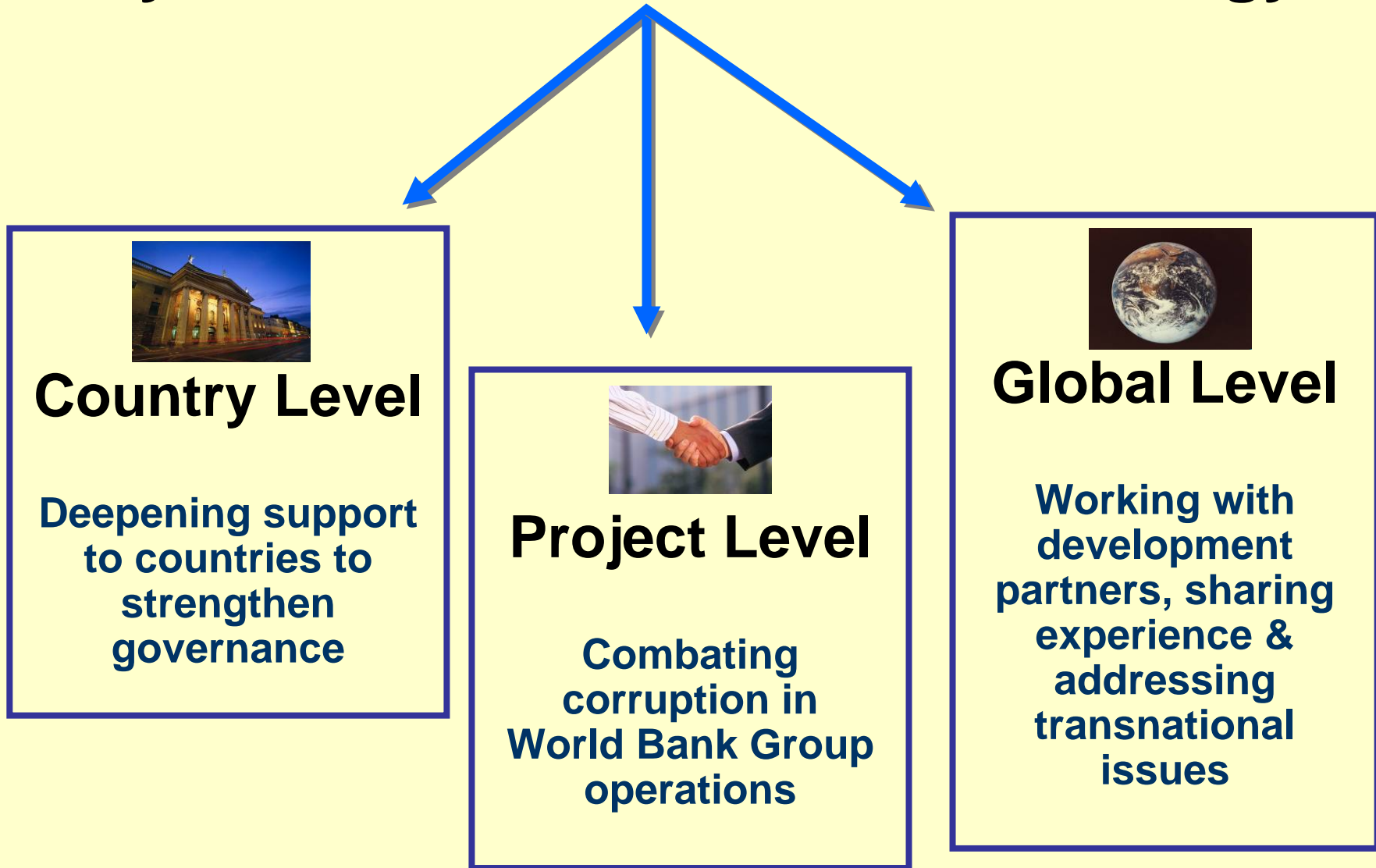
✓ Proactive engagement & unanimous endorsement by the Board

The World Bank

# Seven Guiding Principles



# Key Elements of World Bank's Strategy



# Helping Countries to Improve Governance Through Various 'Entry-Points'

## Private Sector

Competitive investment climate  
Responsible private sector

## Public Management

Public financial management & procurement, monitored by PEFA  
Administrative & civil service reform

## Civil Society, Media & Oversight Institutions

State oversight institutions (parliament, judiciary, SAI)  
Transparency & participation (FOI, asset declaration, user participation & oversight)  
Civil society & media

## 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***

Brian Levy





# Moving Forward: What Will the World Bank do Differently?



**Scale up governance work where it matters most for development**  
– alleviate governance constraints to poverty reduction



**Scale up multistakeholder engagement – with civil society, media, parliaments, local communities in policy making & service delivery**



**Strengthen country systems while enhancing anticorruption measures in WB operations – a/c action plans; enhanced disclosure, participation & monitoring**



**Systematically integrate governance in sectoral projects & programs – in extractive industries, infrastructure, forestry, health, education**



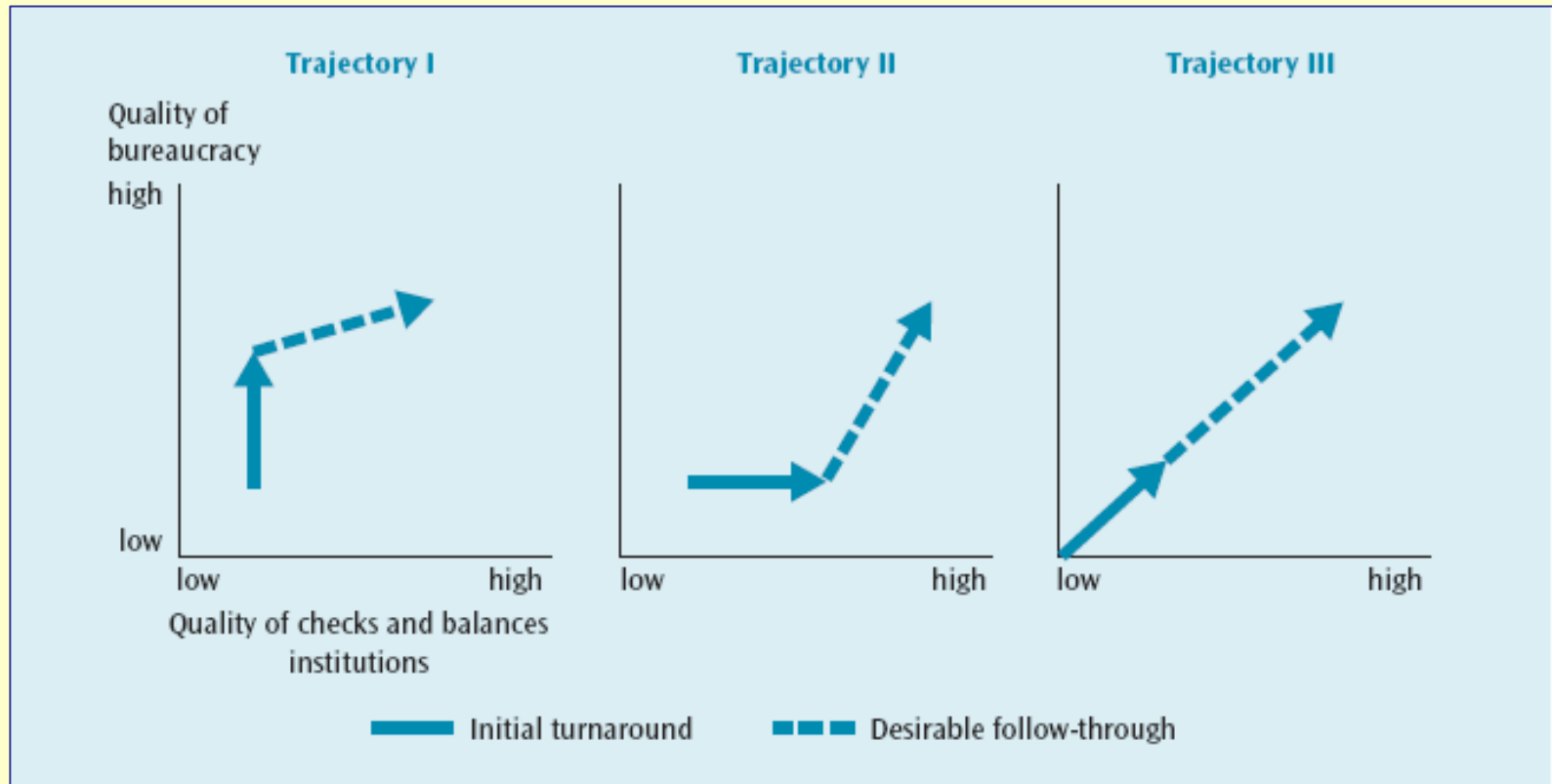
**Systematically scale up engagement with private sector & industrialized countries – to tackle the supply side of corruption**



**Work with donors & other int'l actors to ensure a harmonized approach & collective action – based on respective mandates & comparative advantage**



# Governance Trajectories

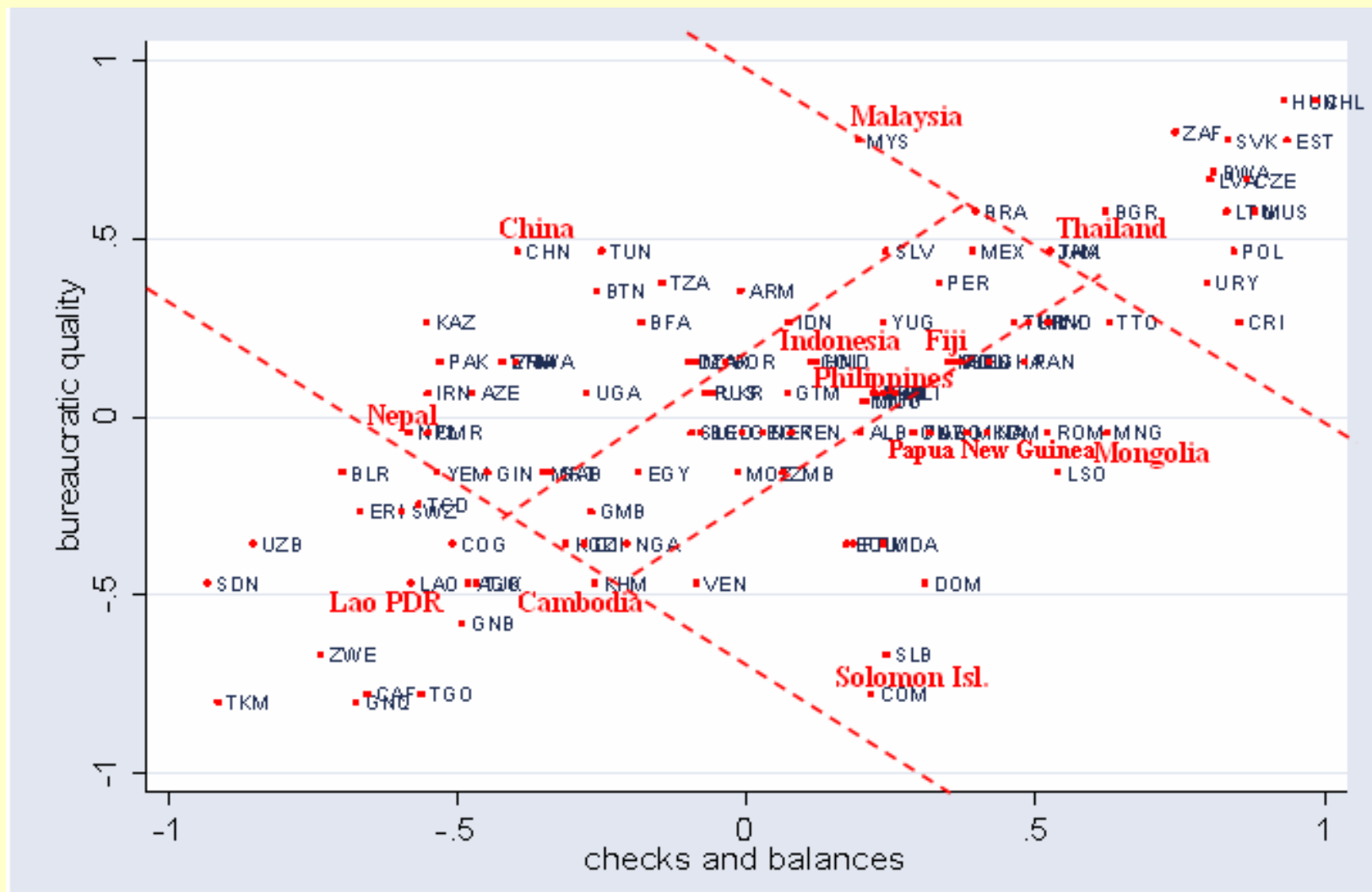


# Some Governance Indicators

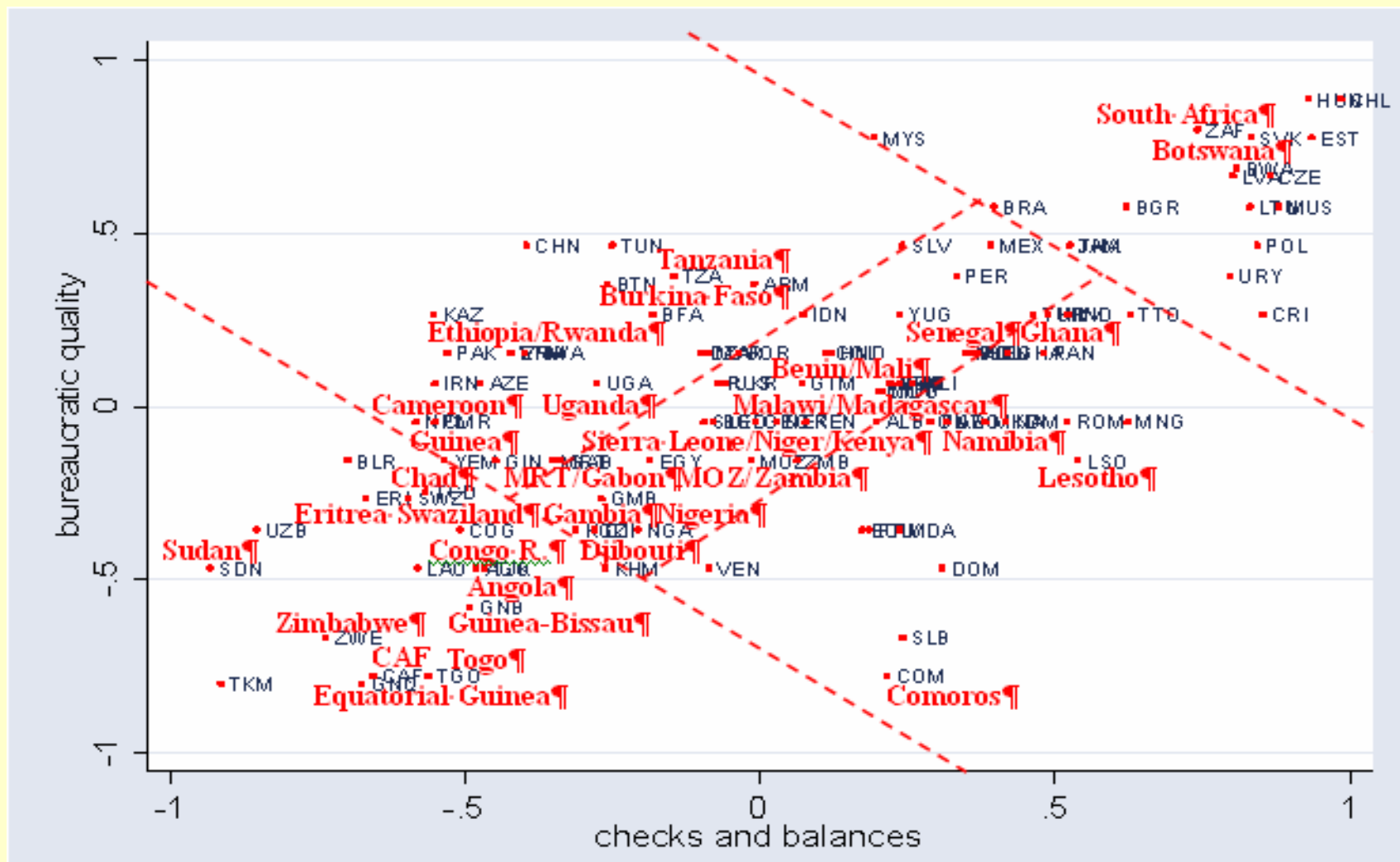
		<i>Types of Indicators</i>		
		<b>Broad</b>	<b>Intermediate</b>	<b>Specific</b>
<i>Dimension of Governance</i>	<b>Bureaucratic capability</b>	<b>State Effectiveness (KK)</b>	<b>Quality of budget and financial management (CPIA 13); Quality of public administration (CPIA15)</b>	<b>PEFA public financial management performance indicator set</b>
	<b>Accountability</b>	<b>Voice and accountability (KK); Rule of Law (KK); Executive constraints (Polity IV)</b>	<b>Property rights and the rule of law (CPIA12)</b>	<b>Global Integrity Index</b>
	<b>Governance and poverty reduction outcomes</b>	<b>Control of corruption (KK);  Policy (CPIA a-c)</b>		<b>Quality of:</b> <ul style="list-style-type: none"> <li>• <b>business environment (DB&amp;ICS)</b></li> <li>• <b>service provision</b></li> </ul>



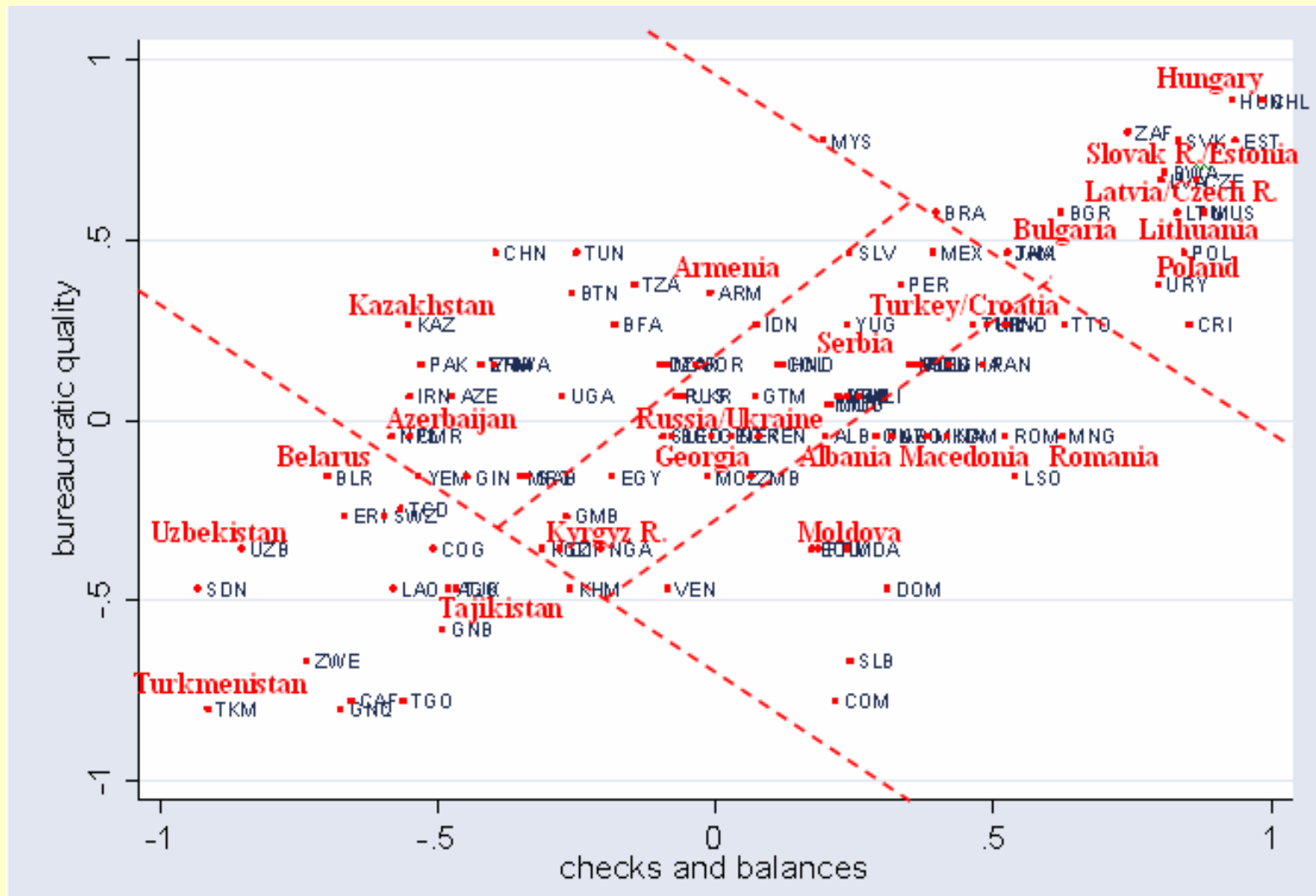
# Governance patterns: East Asia



# Governance patterns: Africa



# Patterns: East Europe and Central Asia

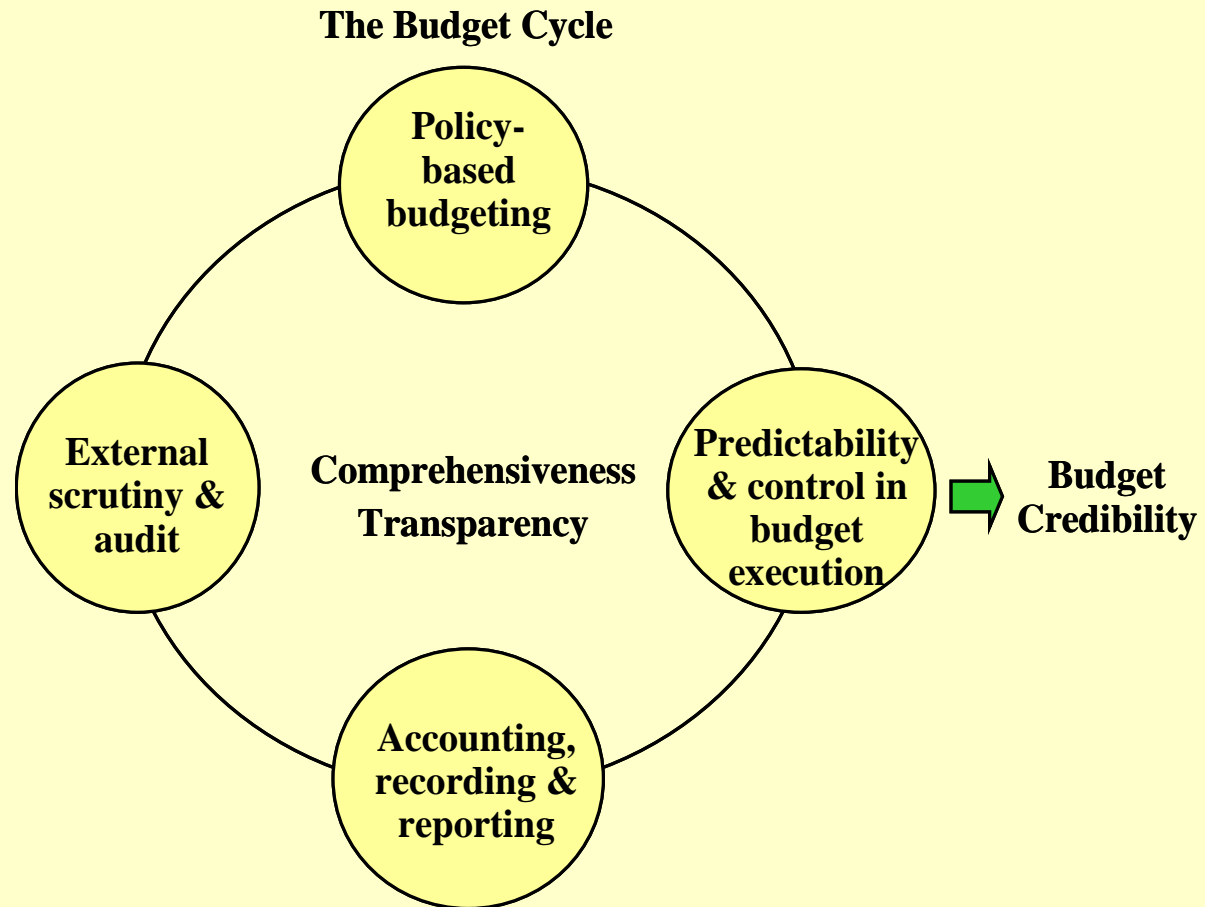


# REFORMS

- **Strengthening Bureaucratic Quality**
- **Strengthening Accountability**



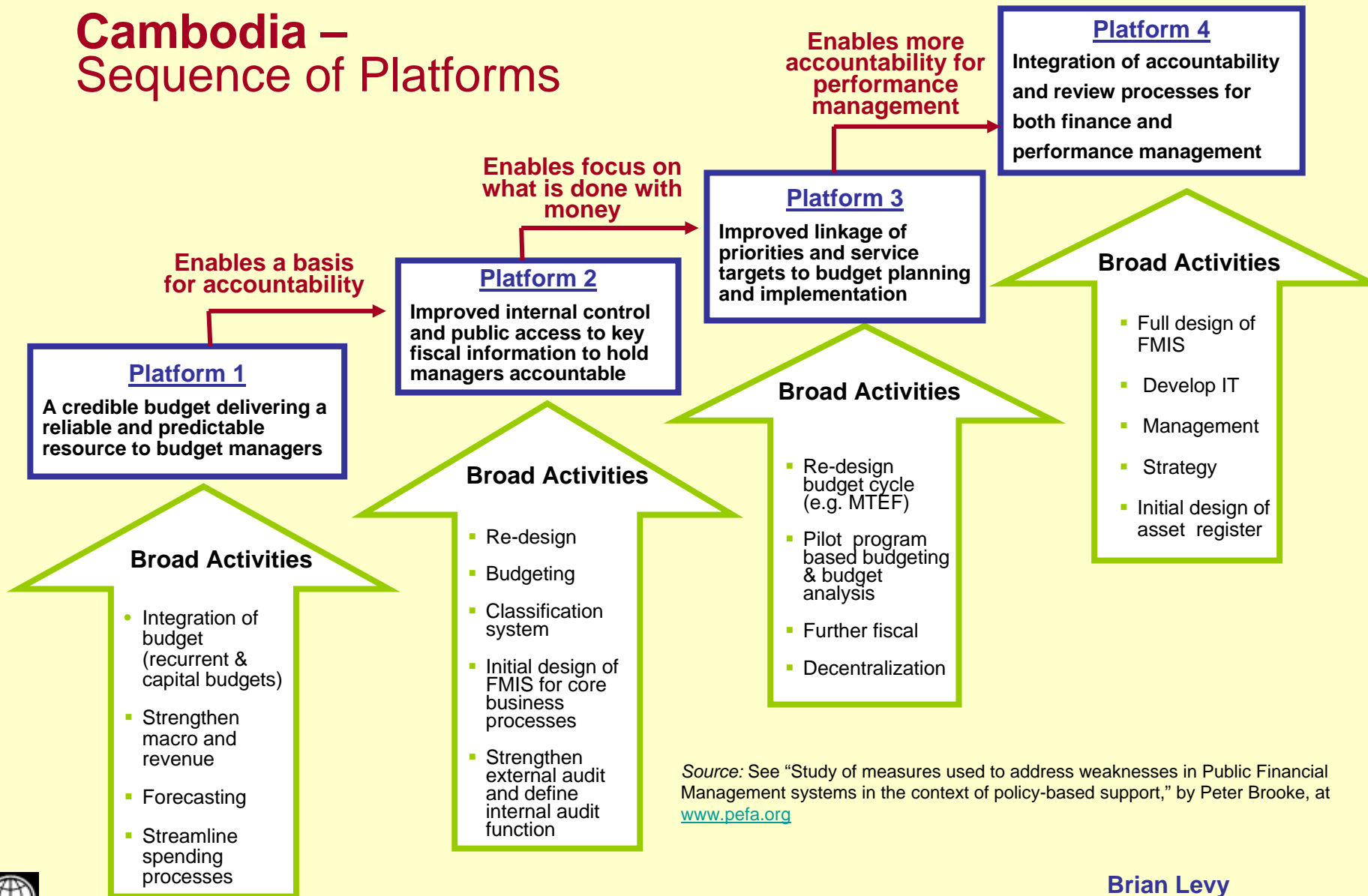
# Public financial management: a performance monitoring framework





# Supply-side I: Improving PFM – A Platform Approach

## Cambodia – Sequence of Platforms

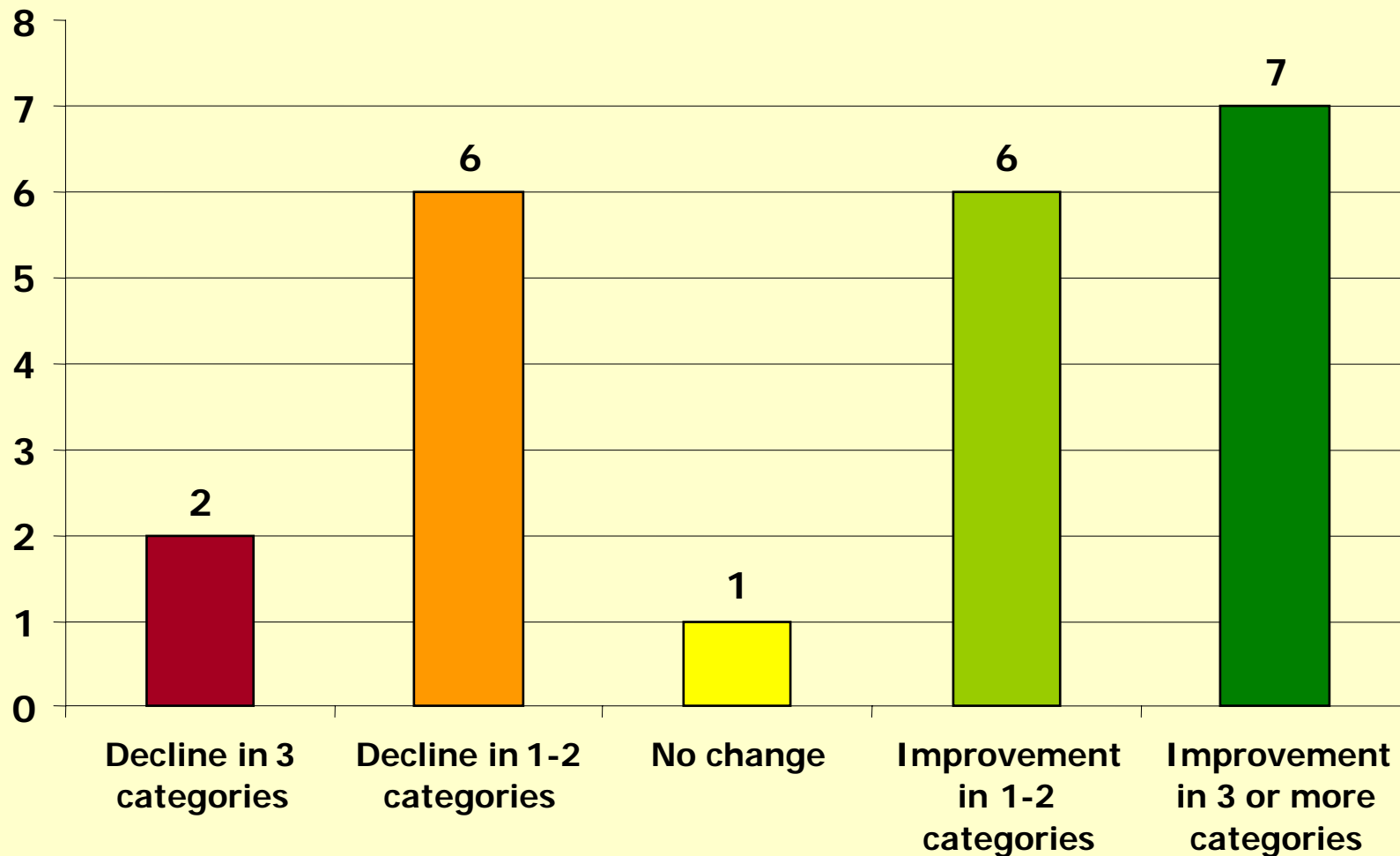


Source: See "Study of measures used to address weaknesses in Public Financial Management systems in the context of policy-based support," by Peter Brooke, at [www.pefa.org](http://www.pefa.org)



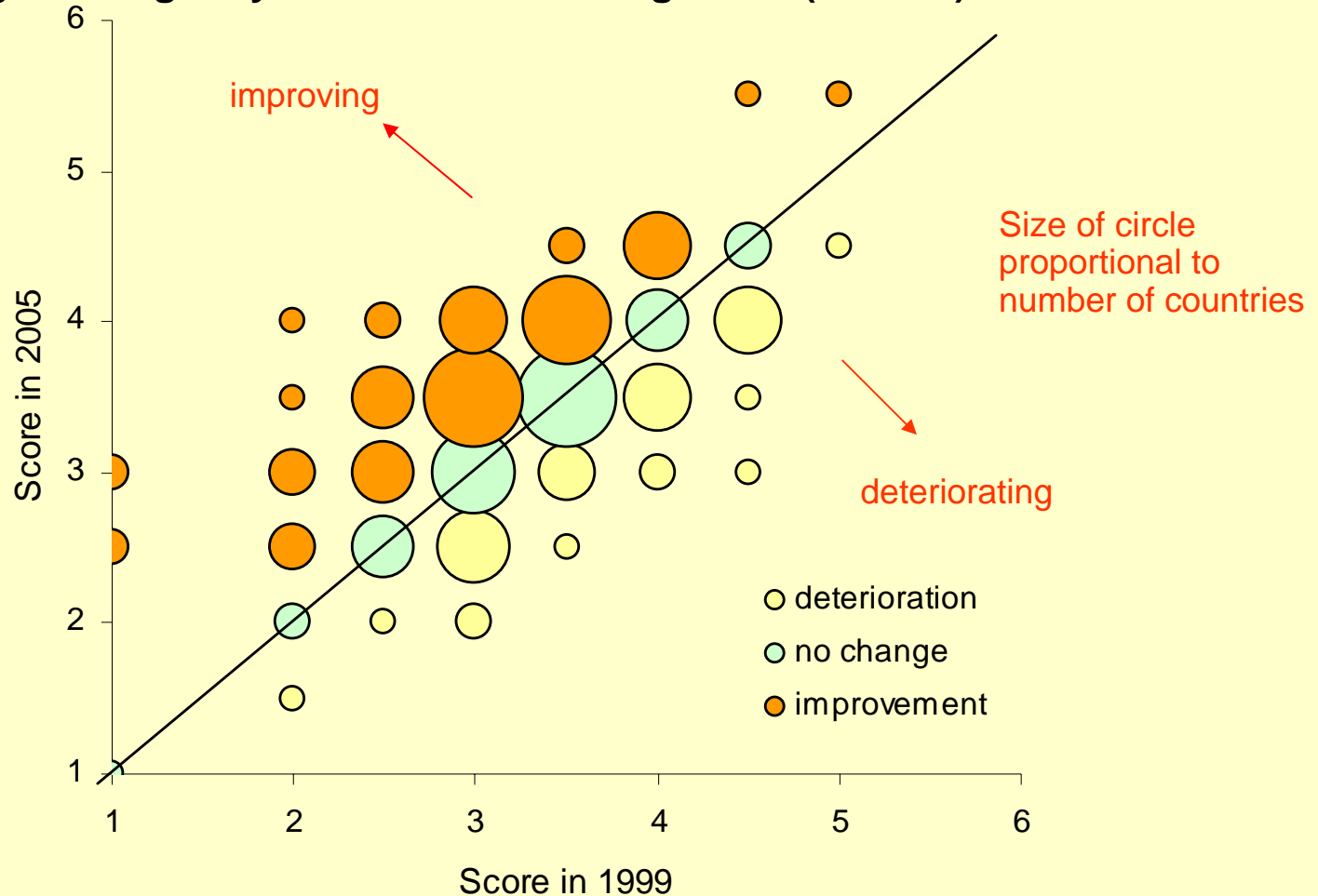
# Trends in PFM can be monitored

## Net Change in HIPC Tracking Indicators, 2001-2004



# Governance: Progress in country-level monitoring

## Quality of Budgetary and Financial Management (CPIA13)



Note: The indicator ranges from 1 to 6, with 6 representing the highest quality.



# Strengthening administrative capability

## Some initial lessons

- **Ambitious administrative reforms work only in those few countries with strong political commitment and coherence**
  - Latvia: EU accession → market competitive pay, meritocracy, comprehensive administrative restructuring
  - Tanzania: pay decompression; performance-based agency reforms
  - Even in these countries, implementation was difficult
- **In most countries, a more modest administrative reform agenda is more likely to get results: example of Albania**
  - Pay reform and meritocracy targeted at top 1300 civil servants
  - Underpinned by independent appeals body
  - Beneficiaries successfully resisted political push-back



# REFORMS

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- **Strengthening Accountability**



# The Many Meanings of Demand-side Reform

<b>Extent of Direct Co-operation with State Institutions Required for Effectiveness</b>		
<i>Marginal</i>	<i>Some</i>	<i>Significant</i>
<ul style="list-style-type: none"> <li>• Work with civil society advocacy and watchdog organizations;</li> <li>• Foster development of competitive private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Foster transparency and participation in policymaking and service provision;</li> <li>• Support media reform</li> <li>• Support community-based initiatives</li> </ul>	<p>Capacity building for:</p> <ul style="list-style-type: none"> <li>• Judiciary;</li> <li>• Parliament ;</li> <li>• Supreme audit institution</li> </ul> <p>Support for legislative reform:</p> <ul style="list-style-type: none"> <li>• Freedom of Information Act;</li> <li>• Asset Declaration;</li> <li>• Enabling legal framework for civil society organizations;</li> <li>• Enabling business environment</li> </ul>



# Innovative Examples of Multistakeholder Engagement in WB Operations

## **Participatory prioritization of policies & public spending**

### Investment Operations

Brazil Rural Poverty Reduction Project Rio Grande do Norte; Malawi Third Social Action Fund

### Development Policy Lending

Armenia SAC IV; Laos PRSC1; Timor-Leste Consolidation Support Program Policy Grant, Vietnam PRSC (I to IV)

## **Strengthening transparency & oversight over the use of budgetary resources**

### Investment Operations

Bangladesh Public Procurement Reform Project

### Development Policy Lending

Haiti Economic Governance Reform Operation I and II

## **User participation & oversight in service provision**

### Investment Operations

Andhra Pradesh, India District Poverty Initiatives Project; Morocco Initiative for Human Development Support Project

### Development Policy Lending

Brazil PHDSRL I; Georgia PRSC; Peru PSRL III  
Ethiopia, Protection of Basic Services

## **Strengthening participatory local governance**

### Investment Operations

Albania Community Works 2 Project; Bangladesh Local Governance Support Project; Ethiopia Capacity Building for Decentralized Service Delivery; Indonesia KDP

### Development Policy Lending

Sierre Leone ERRC III

## **Strengthening other formal oversight institutions**

### Investment Operations

Guatemala Judicial Reform Project; Kenya Institutional Reform and Capacity Building Project; Legal & Judicial Other  
WBI Parliamentary Strengthening Program

## **Other actions**

### Development Policy Lending

Bangladesh DSC III

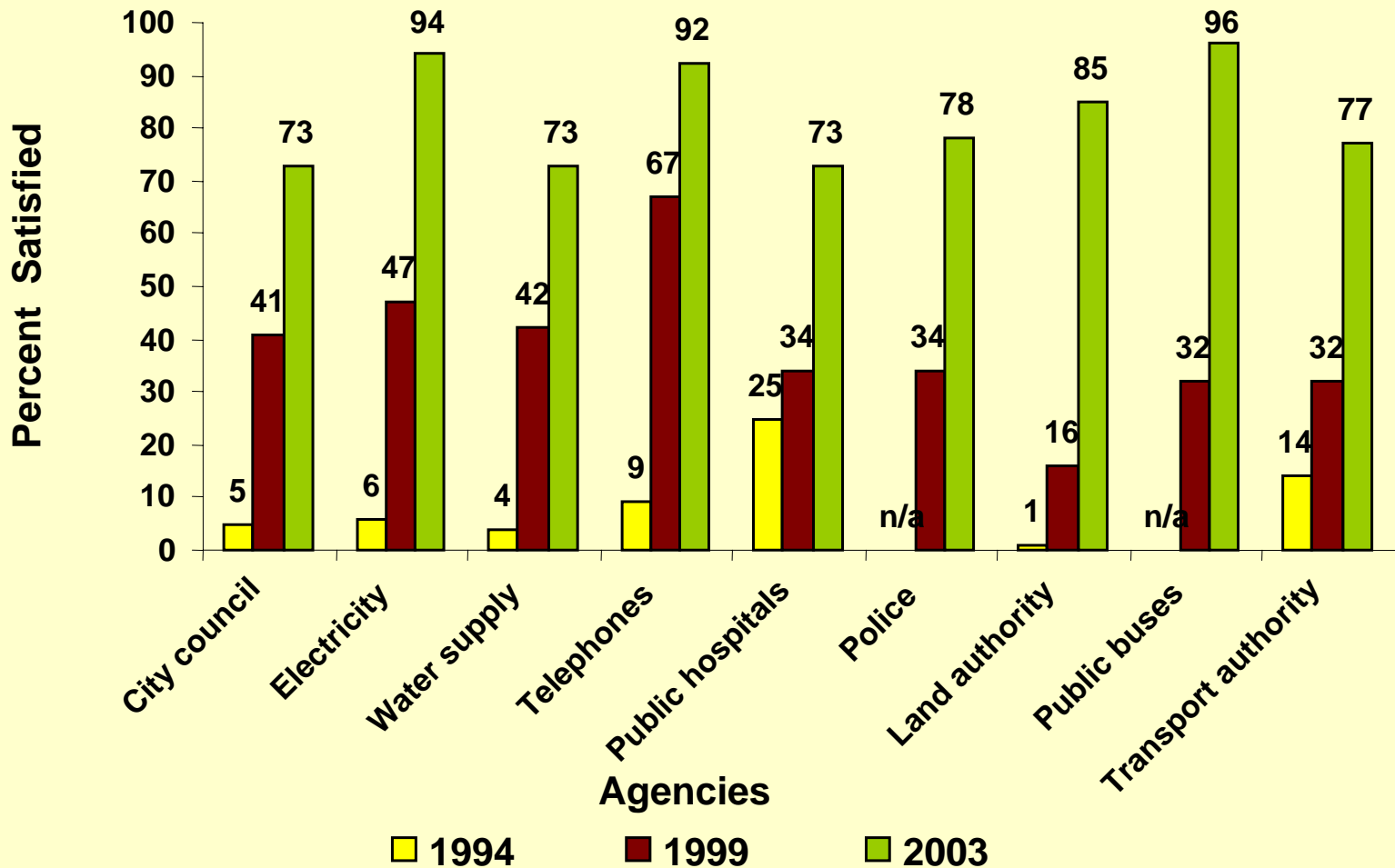
### Other

WBI Media Program  
Community Radio Initiatives  
Partnership for Transparency Fund



# Civil Society Monitoring

## Service Provision: Bangalore





# Philippines: Procurement Reform

## Mobilizing Public Support

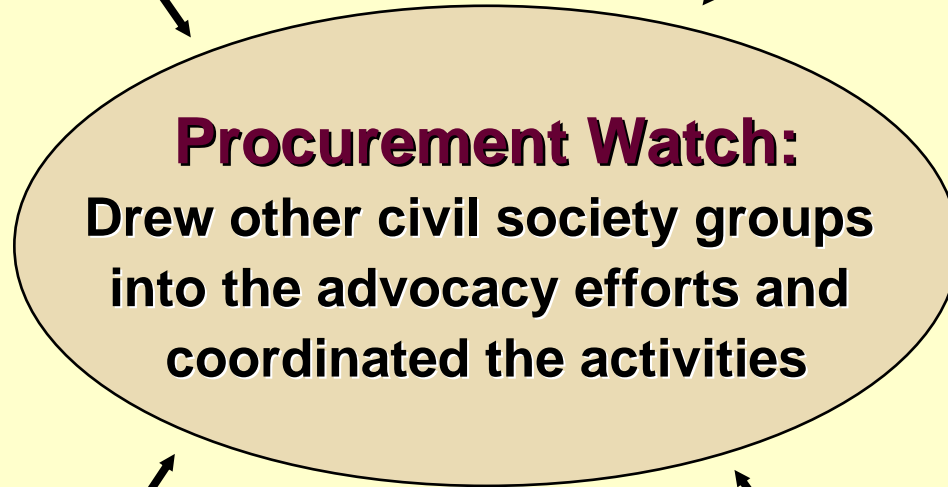


Transparency and Accountability Network (20+ member groups)

Walang Ku-Corrupt Movement (Youth)

PAGBA & AGAP (w/in Gov't)

CBCP (Church)



Local chambers of Commerce (Private sector)

Philippine Contractors Association (private sector – main takeholder)



# Civil Society Monitoring

## Media, Transparency, and Combating Corruption

### “BIR [IRS] Officials Amass Unexplained Wealth”

By Tess Bacalla, Philippine Center for Investigative Journalism

Owner: Regional Director in the Bureau of Internal Revenue; forced to resign; currently facing corruption charges; other officials suspended, also facing charges



CAR MODEL	BENEFICIAL OWNER	REGISTERED OWNER
Nissan Patrol	Edwin Abella BIR Reg'I Director, Quezon City	Sulpicio S. Bulanon Jr. 1817 Jordan Plains Subd., Quezon City (listed address of Abella in his SALs)
Suzuki Grand Vitara	Ditto	Merrick Abella (son of Abella) 24 Xavierville, Loyola Heights, Quezon City
Nissan Cefiro	Ditto	Elizabeth S. Buendia 152 Road 8, <del>Pag</del> Quezon City
BMW	Lucien E. Sayuno BIR Reg'I Director, Makati City	Limtra Dev. Corp. Zone 4, Dasmariñas, Cavite
BMW	Ditto	Marie Rachel D. <del>de</del> c/o Metrocor and Holdings, G&F, Makati City
Honda Accord	Danilo A. Duncano BIR Reg'I Director, Quezon City	Daniel Anthony P. Duncano 2618 JP Rizal, New Capital Estate, Quezon City
Mitsubishi L200	Corazon P. Pangcog AsstReg'I Director, Valenzuela City	Alberto P. Pangcog (husband) B2 L23 Lagro Subd., Quezon City
Honda CR	Ditto	Alberto P. Pangcog 9 Ricardo St., Carmel 1 Subd., Quezon City



# Three Frontier Challenges

- **Sequencing Change:**
  - **End point vs Next Steps**
- **Confronting Difficult Trade-offs**
  - **Governance and growth**
  - **Stability rents**
- **Global Programs and Weak States**

# Sequencing Decentralization: End Point versus Next steps

## 1. Effective decentralization needs:

- **Clear allocation of responsibilities** between central and local governments
  - Assignment of service provision responsibilities
  - Assignment of fiscal resources (including local tax base)
  - Central fiduciary and performance oversight over local
- **Capacity of local governments (and central counterparts)**
- **Downward accountability** between local governments and citizens

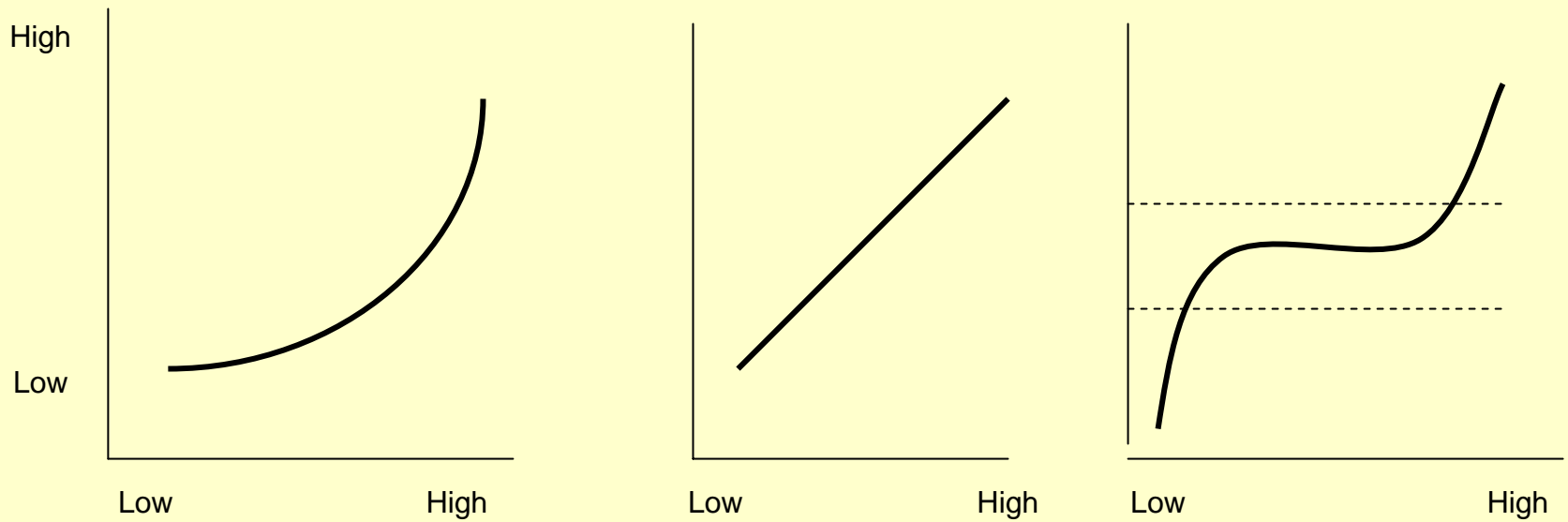
**=> High risk of institutional limbo**

## 2. Community ↔ Local government **Opportunity for cumulative gains?**



# Governance-Growth: What Relationship?

Per Capita  
Income



Quality of Formal Political Institutions



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# Q&A

