Strengthening World Bank Group Engagement on Governance and Anti-Corruption:
Current Status and Future Direction

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Presented by:
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PREM Public Sector Governance
The World Bank
Governance System
Actors, Capacities and Accountability

- Political Governance
  - Political Parties
  - Competition, transparency
- Executive-Central Govt
- Cross-cutting Control Agencies (Finance, HR)
- Service Delivery & Regulatory Agencies
- Subnational Govt & Communities
- Formal Oversight Institutions
  - Parliament
  - Judiciary
  - Oversight institutions
- Civil Society & Private Sector
  - Civil Society Watchdogs
  - Media
  - Business Associations

Outcomes: Services, Regulations, Corruption
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

![Diagram showing three trajectories with axes for quality of bureaucracy and quality of checks and balances institutions. Trajectory I starts low, moves to high, then back to low. Trajectory II moves steadily from low to high. Trajectory III moves steadily from low to high. The initial turnaround is shown with a dashed line, and the desirable follow-through with a solid line.]

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An Unprecedented Global Consensus

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

Europe

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

SAR
Bangladesh, India, Nepal

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

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

Governance & Anticorruption for Poverty Reduction:
Poor governance and corruption undermine the World Bank’s mission of poverty reduction

Consistent Approach:
While there is no ‘one-size-fits-all’, the World Bank will apply a consistent approach across countries & continue to allocate more aid to better governed environments (PBA)

Country Leadership & Ownership:
The World Bank is committed to supporting a country’s own governance & anticorruption priorities

Staying Engaged:
The World Bank will seek creative ways to provide support, even in poorly-governed countries—“don’t make the poor pay twice”

Multi-Stakeholder Engagement:
The World Bank will scale up good practice in engaging with civil society, media, parliaments, judiciary, private sector in its operational work

Strengthening Country Systems:
Better national institutions are the long term solution to mitigating fiduciary risk for all public money

Working Together:
The World Bank will work with donors & other actors at the country & global levels to ensure a harmonized approach—“the World Bank should not act in isolation”

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Key Elements of World Bank’s Strategy

Country Level
Deepening support to countries to strengthen governance

Project Level
Combating corruption in World Bank Group operations

Global Level
Working with development partners, sharing experience & addressing transnational issues
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**
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

Trajectory I

Quality of bureaucracy
high

Quality of checks and balances institutions
low

Initial turnaround

Trajectory II

Quality of bureaucracy
high

Quality of checks and balances institutions
low

Desirable follow-through

Trajectory III

Quality of bureaucracy
high

Quality of checks and balances institutions
low

Desirable follow-through
### Some Governance Indicators

#### Types of Indicators

<table>
<thead>
<tr>
<th>Dimension of Governance</th>
<th>Broad</th>
<th>Intermediate</th>
<th>Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucratic capability</td>
<td>State Effectiveness (KK)</td>
<td>Quality of budget and financial management (CPIA 13); Quality of public administration (CPIA15)</td>
<td>PEFA public financial management performance indicator set</td>
</tr>
<tr>
<td>Accountability</td>
<td>Voice and accountability (KK); Rule of Law (KK); Executive constraints (Polity IV)</td>
<td>Property rights and the rule of law (CPIA12)</td>
<td>Global Integrity Index</td>
</tr>
<tr>
<td>Governance and poverty reduction outcomes</td>
<td>Control of corruption (KK); Policy (CPIA a-c)</td>
<td>Quality of: business environment (DB&amp;ICS)</td>
<td>Service provision</td>
</tr>
</tbody>
</table>

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- PREM Public Sector Governance
Governance patterns: East Asia

[Graph showing governance patterns in East Asia with countries plotted on a scatter plot based on bureaucratic quality and checks and balances.]

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Governance patterns: Africa
REFORMS

- Strengthening Bureaucratic Quality
- Strengthening Accountability
Public financial management: a performance monitoring framework

The Budget Cycle

- Policy-based budgeting
- External scrutiny & audit
- Comprehensiveness Transparency
- Predictability & control in budget execution
- Accounting, recording & reporting

Budget Credibility

Predictability & control in budget execution
Supply-side I: Improving PFM – A Platform Approach

Cambodia – Sequence of Platforms

Platform 1
A credible budget delivering a reliable and predictable resource to budget managers

Platform 2
Improved internal control and public access to key fiscal information to hold managers accountable

Platform 3
Improved linkage of priorities and service targets to budget planning and implementation

Platform 4
Integration of accountability and review processes for both finance and performance management

Enables more accountability for performance management

Enables focus on what is done with money

Enables a basis for accountability

Broad Activities

Platform 1
- Integration of budget (recurrent & capital budgets)
- Strengthen macro and revenue
- Forecasting
- Streamline spending processes

Platform 2
- Re-design budget cycle (e.g. MTEF)
- Pilot program based budgeting & budget analysis
- Further fiscal
- Decentralization

Platform 3
- Re-design budgeting
- Classification system
- Initial design of FMIS for core business processes
- Strengthen external audit and define internal audit function

Platform 4
- Full design of FMIS
- Develop IT
- Management
- Strategy
- Initial design of asset register

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

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Trends in PFM can be monitored
Net Change in HIPC Tracking Indicators, 2001-2004

- Decline in 3 categories: 2
- Decline in 1-2 categories: 6
- No change: 1
- Improvement in 1-2 categories: 6
- Improvement in 3 or more categories: 7
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

- Strengthening Bureaucratic Quality
- Strengthening Accountability
## The Many Meanings of Demand-side Reform

### Extent of Direct Co-operation with State Institutions Required for Effectiveness

<table>
<thead>
<tr>
<th>Marginal</th>
<th>Some</th>
<th>Significant</th>
</tr>
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<tbody>
<tr>
<td>- Work with civil society advocacy and watchdog organizations;</td>
<td>- Foster transparency and participation in policymaking and service provision;</td>
<td>Capacity building for:</td>
</tr>
<tr>
<td>- Foster development of competitive private sector</td>
<td>- Support media reform</td>
<td>- Judiciary;</td>
</tr>
<tr>
<td></td>
<td>- Support community-based initiatives</td>
<td>- Parliament;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Supreme audit institution</td>
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<tr>
<td></td>
<td></td>
<td>Support for legislative reform:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Freedom of Information Act;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Asset Declaration;</td>
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<tr>
<td></td>
<td></td>
<td>- Enabling legal framework for civil society organizations;</td>
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<tr>
<td></td>
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<td>- Enabling business environment</td>
</tr>
</tbody>
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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
  - Sierra 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

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<tr>
<th>Agencies</th>
<th>1994</th>
<th>1999</th>
<th>2003</th>
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<tr>
<td>City council</td>
<td>5</td>
<td>41</td>
<td>73</td>
</tr>
<tr>
<td>Electricity</td>
<td>6</td>
<td>47</td>
<td>73</td>
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<tr>
<td>Water supply</td>
<td>4</td>
<td>42</td>
<td>94</td>
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<tr>
<td>Telephones</td>
<td>9</td>
<td>67</td>
<td>92</td>
</tr>
<tr>
<td>Public hospitals</td>
<td>n/a</td>
<td>34</td>
<td>73</td>
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<tr>
<td>Police</td>
<td>n/a</td>
<td>34</td>
<td>78</td>
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<tr>
<td>Land authority</td>
<td>1</td>
<td>n/a</td>
<td>85</td>
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<tr>
<td>Public buses</td>
<td>16</td>
<td>32</td>
<td>96</td>
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<tr>
<td>Transport authority</td>
<td>14</td>
<td>32</td>
<td>77</td>
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</table>

Source: Public Affairs Center, India
Philippines: Procurement Reform
Mobilizing Public Support

- Transparency and Accountability Network (20+ member groups)
- Walang Ku-Corrupt Movement (Youth)
- Procurement Watch:
  Drew other civil society groups into the advocacy efforts and coordinated the activities
- PAGBA & AGAP (w/in Gov’t)
- Local chambers of Commerce (Private sector)
- Philippine Contractors Association (private sector – main takeholder)
- CBCP (Church)
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

<table>
<thead>
<tr>
<th>CAR MODEL</th>
<th>BENEFICIAL OWNER</th>
<th>REGISTERED OWNER</th>
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<tbody>
<tr>
<td>Nissan Patrol</td>
<td>Edwin Abella, BIR Reg’l Director, Quezon City</td>
<td>Sulpicio S. Bulanon Jr.</td>
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<tr>
<td>Suzuki Grand Vitara</td>
<td>Ditto</td>
<td>Merrick Abella (son of Abella)</td>
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<td>Nissan Cefiro</td>
<td>Ditto</td>
<td>24 Xavierville, Loyola Heights, Quezon City</td>
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<tr>
<td>BMW</td>
<td>Lucien E. Sayuno, BIR Reg’l Director, Makati City</td>
<td>Elizabeth S. Buendia</td>
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<td>BMW</td>
<td>Ditto</td>
<td>Limtra Dev. Corp.</td>
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<td>Honda Accord</td>
<td>Danilo A. Duncano, BIR Reg’l Director, Quezon City</td>
<td>Marie Rachel D. (wife)</td>
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<tr>
<td>Mitsubishi L200</td>
<td>Corazon P. Pangcog, AsstReg’l Director, Valenzuela City</td>
<td>c/o Metrocor and Holdings, G&amp;F, Makati City</td>
</tr>
<tr>
<td>HondaCR</td>
<td>Ditto</td>
<td>Daniel Anthony P. Duncano</td>
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<td></td>
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<td>2618 JP Rizal, New Capital Estate, Quezon City</td>
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<tr>
<td></td>
<td></td>
<td>Alberto P. Pangcog (husband)</td>
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<td></td>
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<td>B2 L23 Lagro Subd., Quezon City</td>
</tr>
</tbody>
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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

High

Low

Quality of Formal Political Institutions

Low

High

Low

High

Low

High
Three Frontier Challenges

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