Addressing Corruption at the National Level

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World Bank Institute
www.worldbank.org/wbi/governance
Outline

- Types of corruption across countries
- Alternative efforts to address this problem
- Lessons learnt about reducing corruption
  - The importance of in-depth, country-specific information
  - The role of participation
- The role of FM and procurement within a national strategy
Number of World Bank Operations with Explicit Anti-Corruption Components, 1997-2003

The ‘conceptual’ challenges…

- Corruption can take very different forms, for ex.
  - Administrative corruption
  - Corruption in personnel management
  - Corruption in public procurement
  - Corruption in budget management
  - Legal and regulatory corruption

- Different countries are affected by different types of corruption (*variation across countries*)

- Within the same country, different public agencies are ‘crippled’ by different types of corruption (*variation within country*)
## Types of corruption across countries
*(ranked by severity as reported by public officials in each country)*

<table>
<thead>
<tr>
<th>Country 1</th>
<th>Country 2</th>
<th>Country 3</th>
<th>Country 4</th>
<th>Country 5</th>
<th>Country 6</th>
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<tbody>
<tr>
<td>Corruption in public procurement</td>
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</table>
.. And the policy challenges..

- Potential lack of long-term commitment
- Comprehensiveness of the reforms needed
- Potential bias due to existing stereotypes
- Costs and timing of the reforms
To overcome these challenges...

- Involve different stakeholders in the design and implementation of the assessment
- Involve different stakeholders in the analysis of the results and the identification of priorities
- Promote social auditing
A participatory anti-corruption strategy mobilizes all key stakeholders
A few lessons learnt

- In-depth, country-specific information and rigorous analysis are key for strategy design
- Leadership and strong commitment at the top are necessary conditions for reforms…
- …But you also need collective action and participation for sustainable policy changes
- Anti-corruption efforts should be part of a broader governance strategy that focuses on
  - proper incentives to improve core public institutions
  - measures to strengthen oversight institutions and civil society
The role of empirical analysis

Will and Political Leadership for Institutional Reforms On governance

Empirical analysis and assessment:
- Identification of severe obstacles
- Vulnerability of each institution
- Identification of priorities
- Monitoring of progress

Empirical Tools and Data

Strategy and Action Plan
Governance and A-C diagnostic surveys

- A demand-driven process to improve governance and build local capacity

- Key features:
  - *Three surveys*: households, firms, and public officials
  - Questions focus both on *experience* and *perceptions*
  - Questions are tested and adapted to local realities
  - Rigorous technical requirements in *implementation*
  - *Local institution* implements with guidance from international experts

- Outcomes: greater local capacity, baseline governance data, and action plan for policy reform
Challenge: poor governance and corruption

The process

1. Establishment of Steering Committee
2. Diagnostic surveys + analysis
3. Draft of the NAS
4. Public dissemination + discussion
5. Revision of the NAS
6. Implementation by Government
7. Monitoring and Evaluation of NAS

Experiential data from 3 sources on quality of governance

Key Partnership: Government + Civil Society
The power of diagnostic data and key dimensions for analysis

1. Unbundle corruption – administrative, state capture, bidding, theft of public resources, purchase of licenses
2. Identify weak and strong institutions
3. Assess the costs of corruption on different stakeholders
4. Identify key determinants of good governance
5. Input to design concrete policy recommendations
6. Empower stakeholders to monitor behavior
A few Illustrations

**Challenge:** poor governance and corruption

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**Key Partnership:** Government + Civil Society

**Guatemala**
Highly fragmented civil society
Joint effort (CMU, SDV, WBI) to build consensus

**Sierra Leone**
Strong commitment (civil society, state, donors) => surveys and report within a year. Results will be used for Institutional Reform Project

**Honduras**
CNA: report and strategy to newly elected gov (January 2001); integration of strategy in the 2002-2006 government plan
Additional stories

- Ghana: report and strategy (2000), integration of results into Bank projects, dissemination at national and regional level
- Colombia: report (2001). Strategy in progress, collaboration between government and steering committee
- Bolivia: report (2001); country reform policy for Judiciary and procurement
Extent of corruption
(diagnostic surveys 1999-2003)

- % firms report bribes used frequently in public contracts
- % users report bribes used frequently in public services
- % firms report bribes used frequently in public services
- % of public officials report frequent purchase of positions in their institutions
- % of public officials report frequent public funds mis-management

Peru, Colombia, Honduras, Ecuador
Corruption acts as a regressive tax, and small firms pay more in bribes

(% of gross monthly revenue paid in bribes, as reported by managers)
Public funds are mismanaged (Sierra Leone, 2003)

% of Public Officials that said irregularities/misappropriations are frequent

- Min. of Health
- Min. of Agriculture
- S.L Police
- Min. of Justice
- Nat. Commissions
- Min. of Information
- Min. of Development
- Min. of Defence
## Personnel and budget decisions in public institutions

(As reported by public officials, 2001)

### Personnel

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<thead>
<tr>
<th></th>
<th>Colombia</th>
<th>Honduras</th>
<th>Peru</th>
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<tr>
<td>Politicized personnel decisions</td>
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<td>Personnel decisions based on private connections</td>
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### Budget

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*Colombia, Honduras, Peru*
National and municipal agencies are ridden by different types of corruption
(based on public officials' responses, a Latin American country, 2001)
<table>
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<tr>
<th>Governance and corruption indicators by province</th>
<th>South Prov.</th>
<th>North Prov.</th>
<th>East Prov.</th>
<th>West Area</th>
<th>WHOLE COUNTRY</th>
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<td>Overall corruption</td>
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<td>Corruption in public contracts</td>
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<td>Audit Mechanisms</td>
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The indicators above take values between 0-100. To interpret them please keep in mind that:
- The higher the value of the governance indicator the better the quality of that dimension.
- The higher the value of the corruption index, the more severe the problem.
What to do in the area of procurement and FM?

- Focus especially on transparency and accountability

- How?
  - Disclosure and information sharing
  - Strengthening of audit mechanisms (internal and external)
  - Promoting oversight and control systems
Illustration of Concrete Projects and Programs promoting Transparency and Accountability

- Transparency & reform in political/party finance: e.g. new methods for disclosure
- E*disclosure (web) of votes of parliamentarians
- Public Disclosure of Assets/Incomes by public officials and legislators and their dependents
- E*procurement; e*data.governance; diagnostics
- In-depth Institutional Country Diagnostics for Agency and Budgetary transparency
- Delisting Firms Publicly
To sum: a few salient lessons

- Governance and A-C studies affect the policy debate and serve as an input in the design of a National A-C Strategy
- Transparency and public dissemination of the results are key
- The approach must be participatory at each stage of the process
A Few Salient Lessons, cont.

- To unbundle corruption and institutional weaknesses allows to identify key areas for reform
- Quality control and use of rigorous analytical methods enhance the credibility of the results
WBI Governance on the Web

- Courses on Governance Diagnostic Capacity Building: http://www.worldbank.org/wbi/governance/capacitybuild/courses.html