Towards a Governance Report 2006:
Tabling Some Issues, Receiving Feedback and Ideas

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For background discussion at the Netherlands Ministry of Development Cooperation, The Hague, February 3rd, 2005
Evolution of Governance/A-C at the World Bank: From C ... ‘Prohibition’ era to Mainstreaming

The ‘Prohibition’ Era

- WDR on Institutions 1982
- JDW “Cancer of Corruption” Speech (10/96)
- TI CPI (5/95)

Broadening & Mainstreaming

- Data & Research Corruption-Development
- State in a Changing World (97)
- Strategic Compact (97)
- Anti-corruption Strategy (97)
- Governance Pillar - CDF (98)
- Gov/A-C Diagnostics start (98)
- O.P. Mainstreaming AC in CAS (99)
- Governance Strategy (00)

- Public Expenditure, Financial Mgt. & Procurement Reforms
- Diagnostic/Data/ Monitoring Tools
- Administrative & Civil Service Reform
- Civil Society Voice, Accountability, Media & Transparency Mechanisms
- State Capture/Corporate Governance
- Legal/Judicial Reform


- 1st set of firms Debarred from WB (99)
- Internal AC unit created in WB (98)
- Formalization of INT (01)
Number of IBRD/IDA Operations with Explicit Anti-Corruption Components, 1997-2003

World Bank projects with Governance Components (Annual Averages)

World Bank projects with Anti-Corruption components (Annual Averages)

Explosion of activities: Examples of major programs launched across countries

- Albania (public admin.)
- Latvia (anticorruption)
- Ukraine (tax admin)
- Russia (customs/treasury)
- Kyrgyz Republic (governance reform)
- Colombia (diagnostics & civil society)
- Guatemala (diagnostic to action program)
- Jordan (civil society)
- Ghana (PE accountability)
- Gabon (water/electricity)
- Uganda (PRSC; education)
- Pakistan (devolution)
- Bangladesh (civil society)
- Tanzania (PSR)
- Ethiopia (decentralization)
- Bolivia: (public admin.)
- Cambodia (PE; forestry)
- Philippines (transport)
- Indonesia (local governance)
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- Bolivia: (public admin.)
- Cambodia (PE; forestry)
- Philippines (transport)
- Indonesia (local governance)
Key Themes

1. Governance: Missing in the Washington Consensus
2. At the World Bank: from Prohibition era...to today
3. Governance *can* be measured, analyzed, & monitored
4. ‘Data Revolution’ at 3 Levels: Macro, Mezzo, Micro
5. Corruption Matters: *Development, Democracy & Security*
6. Stagnating Governance and Corruption Control?
7. Some Key Findings – and Addressing Misconceptions
   *Lessons from Variation across Countries & Institutions*
8. Concrete Implications and Challenges ahead for
   ‘Doers’ and Donors: *Towards a Systemic Approach?*
Evidence challenges some ‘popular’ notions

1. Don’t trust the Data in this field
2. Higher Incomes come first; corruption control follows
3. Administrative/Bureaucratic Corruption at the core
4. Challenge concentrated within Public Sectors?
5. Rich world corruption-free; emerging world corrupt
6. Transplants of OECD codes of conduct, templates?
7. Cultural or Legal-Historical Origins is key? (vs. Incentives)
8. Anticorruption by: Legal fiat; Campaigns, Agencies
9. Security, ML: separate from Governance & Dev’t?
Most effective Anticorruption Measures?

Responses from Officials and Leaders in 62 countries

Deserving particular attention…

1. ‘Data Power’ / Metrics Matters (Governance Report)
2. External Accountability Mechanisms (voice)
3. Transparency Mechanisms (e*governance, data)
4. Incentives as drivers, Prevention (e.g. meritocracy, transparency)
5. The Role of the Firm and Elites (influence, capture)
6. Political Reform, including on Political Finance
7. Governance: linking security & development
8. Implement Rule of Law-domestic & internationally
9. For Donor Countries, IFIs: i) Aid Effectiveness – scaling up with tough selectivity; ii) Trade Barriers & Subsidies; iii) MNCs; & iv) ‘World Econ. Clubs’
On the growing gap between EU-accession countries and the rest of transition --Rule of Law Over Time, Selected Regions, 1996-2002


Each region has the following number of countries: OECD: 28; East Asia (Developing): 35, East Asia (NIC): 4; Eastern Europe: 16; Former Soviet Union: 12; South Asia: 8; Sub-Saharan Africa: 47; Middle East North Africa: 21; Latin America and Caribbean: 38.
Governance Indicators: Chile 2002 vs. 1998

Source for data: [http://www.worldbank.org/wbi/governance/govdata2002](http://www.worldbank.org/wbi/governance/govdata2002); Colors are assigned according to the following criteria: Dark Red, bottom 10th percentile rank; Light Red between 10th and 25th; Orange, between 25th and 50th; Yellow, between 50th and 75th; Light Green between 75th and 90th; Dark Green above 90th.
Illustration of Concrete Projects and Programs promoting Transparency and Accountability

- Transparency & reform in political/party finance: e.g. new methods for disclosure (expenses), etc.
- 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
- Country takes the lead, participatory approach
- The ‘Governance CAS’ Strategic Approach
Rationale for Data-driven Governance Report

- Much has been written on Governance and Corruption
- But there is a scarcity of recent reports which:
  i) Integrate analytical rigor with concrete applications
  ii) Views corruption within broader governance framework
  iii) Data-driven analytical approach: results from cross-country analysis and specialized in-country diagnostics
  iv) Present databank on worldwide governance
  v) Reviews the evidence of progress and setbacks on the various dimensions of governance worldwide, derives key lessons for policy from the evidence (including what has not worked and thus needs to be challenged)

- Thus, bridging gap: producing data-driven, integrative report-- a PRR -- ‘Policy Research Report’ (as in 'Assessing Aid‘), inter alia building on some WDRs from the past (such as 1997) and other publications within and outside of the Bank, accounting for the new research and data.
- First part: chapters analyzing salient analytical, empirical and policy issues
- Also methodological issues on governance indicators/data would be addressed, and would include survey of literature
- Evaluate whether conventionally held notions hold (*cont…*)
On the Report, *Cont.*

- Assessing conventionally held notions, and related unanswered questions, such as:
  
  i) Poor countries misgoverned because they are poor, or vv.?
  
  ii) Historical-legal determinants are key (vs. policies today?)
  
  iii) Effectiveness of PSM & legal/judiciary approaches?
  
  iv) Importance of non-traditional forms of misgovernance (such as state capture, vested interests/influence)?
  
  v) Has importance of leadership been under-estimated?
  
  vi) Links of governance w/ investment climate/competitiveness?
On the Report, Cont.

• 2nd part: Data presentation
• Report would prominently include country profiles, for all countries and territories of the world (over 200)
• Akin to Bank's World Development Indicators (WDI), but for Governance, & also include elements of the WEF’s Global Competitiveness Report country data pages
• Further, data would also be organized by subject matter & types indicators (rule of law, corruption, etc.), with indicators in each page (alphabetical listing of countries)
Corporate Corruption, 2004

% Firms report corruption type (1-4)

Source: Author's calculations based on EOS 2004.
Overall Approach: Good governance has many dimensions and “entry points”

**Institutional Checks & Balances**
- Independent, effective judiciary
- Legislative oversight
- Decentralization with accountability
- Global initiatives: OECD Convention, anti-money laundering, WCO

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

**Civil Society Voice & Participation**
- Freedom of information
- Public hearings on draft laws
- Media/NGOs
- Community empowerment
- Report cards, client surveys

**Competitive Private Sector**
- Economic policies
- Restructuring of monopolies
- Effective, streamlined regulation
- Robust financial systems
- Corporate governance
- Collective business associations

**Public Sector Management**
- Meritocratic civil service with adequate pay
- Public expenditure, financial management, procurement
- Tax and customs
- Frontline service delivery (health, education, infrastructure)
Selected References and Links to papers and materials
http://www.worldbank.org/wbi/governance

• Governance Matters III:

• Rethinking Governance: Empirical Lessons Challenge Orthodoxy

• Governance Redux: The Empirical Challenge

• Growth without Governance:

• The Inequality of Influence

• Corruption, Governance & Security: Challenges for the Rich Countries and the World

• Governance Indicators Dataset:

• Governance Diagnostic Capacity Building:
  http://www.worldbank.org/wbi/governance/capacitybuild/
Data for Analysis and informing Policy
Advise, not for Precise Rankings

Data in this presentation is from aggregate governance indicators, surveys, and expert polls and is subject to a margin of error. It is not intended for precise comparative rankings across countries, but to illustrate performance measures to assist in drawing implications for strategy. It does not reflect official views on rankings by the World Bank or its Board of Directors. Errors are responsibility of the author(s), who benefited in this work from collaboration with many Bank staff and outside experts.

http://www.worldbank.org/wbi/governance