



OED REACH

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Mainstreaming Anti-Corruption Activities in World Bank Assistance: A Review of Progress Since 1997

Based on *Mainstreaming Anti-Corruption
Activities in World Bank Assistance:
A Review of Progress Since 1997*

- A desk review of all World Bank initiatives to mainstream anti-corruption concerns in its work concludes that the Bank has come a long way in a short time, with corruption concerns increasingly integrated into operational activities and internal processes.
- Field studies for Guatemala, Kenya, Latvia, Pakistan, Philippines and Tanzania confirm the results of the desk review. They demonstrate that the Bank has supported highly relevant anti-corruption activities on the ground. However, understandably, the Bank has achieved only modest success so far in achieving durable outcomes.
- As the Bank moves on to a more mature phase of its anti-corruption work, it will need to be even more creative in its choice of instruments, the nurturing of partnerships, and the sequencing of operations. Highly differentiated strategies are required to find adequate entry points and address the most important causes of corruption.

Background

Recognizing that corruption often compromises the effectiveness of external assistance, World Bank President James Wolfensohn in 1996 urged the development assistance community to fight against the “cancer of corruption.” This evaluation examines the progress in implementing the World Bank’s anti-corruption strategy that was launched in September 1997.

A desk review of all Bank programs concludes that the Bank has come a long way in a short time. Corruption concerns are increasingly integrated into operational activities and internal processes. Understanding of the causes and dynamics of corruption in different country settings has improved. By encouraging open debate, carrying out policy research, and disseminating good practice to member countries and international organizations, the Bank has helped to raise the profile of governance issues on the development agenda. As a result, support for anti-corruption work has grown within the development community.

The country case studies confirm the results of the desk review. They demonstrate that the Bank has supported highly relevant anti-corruption activities on the ground. However, the Bank has achieved only

modest success so far in achieving durable outcomes.

The short time elapsed since the anti-corruption program was launched, the unusual complexity of the task at hand, and the magnitude of the challenge account for the gap between relevance and efficacy.

Bank Assistance

The Bank’s anti-corruption activities have addressed key corruption factors, including greater transparency in public sector operations, safeguards against state capture by elites or special interest groups, rule of law, and capacity building aimed at good government and a competent civil service. But corruption is also grounded in political contexts and social fragmentation over which the Bank has limited influence. Furthermore, long-term capacity development in such areas is not always the Bank’s comparative advantage.

Therefore, greater reliance on development partners may be warranted, provided, of course, that borrowers are receptive. A better understanding of social and political factors at the country level would enhance the quality and impact of Bank advice and improve the design of the Bank’s anti-corruption interventions. As the Bank moves on to a more mature phase of its anti-corruption work, it will need to be even more creative in its choice of instruments, the nurturing of partnerships, and the sequencing of operations. Highly differentiated

strategies are required to find adequate entry points and address the most important causes of corruption.

Corruption will be most effectively addressed through long-term institutional governance reforms, including reforms of public and private sector institutions, as well as strengthening civil society engagement. To this end, the following challenges will require sustained attention:

- ***Deal with the demand dilemma by fostering demand among a wide spectrum of stakeholders.***

The Bank's current approach targets anti-corruption support to countries that demand such assistance, since ownership is critical in fighting corruption. Unfortunately, the countries most in need of "anti-corruption" assistance tend to be the least interested in receiving it. Where acceptable to public authorities, the Bank should deal with this problem by fostering demand among a wide spectrum of stakeholders in those countries.

- ***Continue assessments of the governance environment.***

The Bank should continue to assist clients in carrying out assessments of their institutional environments. It should help develop a long-term, holistic, and sequenced reform program. The Bank and other donors should work with the government in identifying the areas where they can best help in implementing these reforms. The Country Assistance Strategy (CAS) should articulate the Bank's role.

- ***Define the governance prerequisites for lending.***

Corruption poses significant risks for the effectiveness of Bank lending, especially adjustment lending, and therefore the Bank should set minimum governance prerequisites for lending, including governance assessments. This should lead to greater selectivity in lending and increased reliance on advisory activities in high-corruption environments where there is limited anti-corruption demand. In such cases, the Bank may need to make an independent assessment, to be reflected in the CAS, of whether corruption would impede the effectiveness of lending.

- ***Focus lending instruments on accountability for results.***

This would help create appropriate incentives and promote public sector reform. Linking development assistance to demonstrable improvements in efficiency and equity of public services provision (rather than expenditure levels), especially in areas most relevant to the poor, may be

the most effective characteristic of the Bank's evolving anti-corruption strategy.

- ***Provide more assistance for bottom-up reforms.***

In many countries where corruption is entrenched, governments lack either the will or the capability to mount effective anti-corruption programs. In such countries, the Bank and/or its partners may choose to amplify citizens' voice and strengthen exit mechanisms.

Management Response

The Bank's management broadly agrees with the recommendations of the report. They argue that the Bank fosters demand for anti-corruption through CDD programs, participatory approaches supporting country-led CDF/PRSP programs, and public expenditure management institutional building processes involving a variety of stakeholders.

Management emphasizes that the completion of a PER, CFAA, and CPAR is part of core ESW requirements, and CAS documents regularly include an analysis of the governance agenda. IGRs are an additional optional instrument.

Management asserts that the Bank exercises selectivity through a multifaceted approach, including CAS triggers, reduced lending volumes, and governance discounts for IDA countries based on the CPIA. Management does not wish to mandate the preparation of governance assessments.

Management agrees with a stronger focus on results in service delivery, and that systemic corruption needs to be addressed as it poses significant risks to the development of the private sector, the financial sector, and the rule of law.

Management agrees that assistance for bottom-up reforms is effective in improving governance. The Bank uses assistance to sub-national governments, CDD programs, and support for the CDF/PRSP approach, and intends to further strengthen participatory programs in its governance agenda, mainly through these instruments.