

Fighting Corruption: Role of the World Bank and Other International Financial Institutions (IFIs)

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1 Fighting Corruption Can Boost Development

1.1 International Financial Institutions (IFIs) comprise the World Bank, International Monetary Fund, International Fund for Agricultural Development, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and the Inter-American Development Bank.

1.2 All IFIs are actively engaged in helping countries fight corruption because of growing evidence that corruption is a major impediment to development and keeps poor people in poverty.

1.3 Research done by the World Bank has found that:

- ❖ Worldwide, more than \$1,000 billion is paid in bribes each year.
- ❖ Countries that tackle corruption and improve their rule of law can increase their incomes by as much as four times over the long term.
- ❖ Annual income growth is 2-4 percent points higher in countries with good corruption control compared with countries with poor corruption control.

2. IFIs approach to fighting corruption: Research and experience in combating corruption indicates that action is necessary on many fronts. Broadly speaking, the IFIs help countries combat corruption by providing assistance in one or more of the following entry points for improving governance:

2.1 Public Sector Management

- ❖ Meritocratic civil service with adequate pay
- ❖ Public expenditure, financial management, procurement
- ❖ Tax and customs
- ❖ Frontline service delivery (health, education, infrastructure)

2.2 Competitive Private Sector

- ❖ Economic policies
- ❖ Restructuring of monopolies
- ❖ Effective, streamlined regulation
- ❖ Robust financial systems
- ❖ Corporate governance

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- ❖ Collective business associations

- 2.3 Civil Society Voice & Participation
 - ❖ Freedom of information
 - ❖ Public hearings on draft laws
 - ❖ Media/NGOs
 - ❖ Community empowerment
 - ❖ Report cards, client surveys
 - 2.4 Institutional Checks & Balances
 - ❖ Independent, effective judiciary
 - ❖ Legislative oversight
 - ❖ Decentralization with accountability
 - ❖ Global initiatives: OECD Convention, anti-money laundering, WCO
 - 2.5 One important area in combating corruption ie. political accountability is outside of the mandates of the IFIs. Some of the entry points for actions in this area are:
 - ❖ Political competition and credible political parties
 - ❖ Transparency in party financing
 - ❖ Disclosure of parliamentary votes
 - ❖ Asset declaration and conflict of interest rules.
 - 2.6 A recent report by the Congressional Research Service of the Library of Congress examines the Anti-Corruption Standards of the IFIs (a copy of the report has been distributed to you as a background document). One of its findings was that: "...all have procedures to prevent, identify and punish corruption within their organizations. The World Bank appears to have the most extensive and detailed process for addressing corruption issues but other multilateral development banks have or are establishing similar procedures."
 - 2.7 As an example of the IFIs efforts in fighting corruption, please allow me to share briefly with you the highlights of World Bank anti-corruption strategy and recent actions for helping countries around the world to fight corruption.
3. Overview of the World Bank's Anti-Corruption Strategy
 - 3.1 In a 1996 speech to the World Bank's shareholders, Bank President James D. Wolfensohn placed corruption center stage as an obstacle to development, by drawing on evidence identifying corruption as a major disincentive to investment, and as a crippling

tax on the poor. He decried the “cancer of corruption” and called for a zero tolerance policy toward fraud and corruption.

- 3.2 The anti-corruption strategy that the World Bank has followed since 1996 calls for action on four key fronts:
 - ❖ Providing assistance to countries that ask for help in curbing corruption;
 - ❖ Making anti-corruption efforts a key focus of the World Bank's analysis and lending decisions for a country;
 - ❖ Contributing to international corruption-fighting efforts, and;
 - ❖ Striving to prevent fraud and corruption in World Bank-financed projects and its operations.
4. Highlights of the Actions the World Bank has taken to help developing countries to fight corruption, as well as to curb corruption within its own organization.
 - 4.1 Since 1996 the World Bank has provided assistance to more than 100 countries to support more than 600 anti-corruption initiatives by these countries. The range of actions supported includes:
 - ❖ Anti-corruption measures
 - ❖ Public expenditure management improvement programs
 - ❖ Civil services reforms
 - ❖ Judicial reforms
 - ❖ Tax policy and administration reforms
 - ❖ Decentralization, e-government and public services delivery.
 - 4.2 More than 40 percent of the World Bank's lending operations now include public sector governance improvement components.
 - 4.3 The World Bank has put in place stringent financial disclosure rules for its employees. All of the World Bank's senior managers are now required to provide an annual statement listing their financial interest and those of their immediate families.
 - 4.4 The World Bank runs a global 24-hour a day anti-corruption telephone hotline: 1-800-831-0463
 - 4.5 The World Bank is an active supporter of the United Nations Convention Against Corruption.
 - 4.6 The World Bank is a leader in fighting money laundering and the financing of terrorism--currently supporting 40 such projects benefiting 115 countries.

- 4.7 The World Bank publicly names companies found to have been engaged in corrupt practices--so far almost 100 have been debarred.
- 4.8 The Department of Institutional Integrity at the World Bank investigates allegations of fraud and corruption in World Bank financed projects and among its own employees.
- 4.9 The World Bank's office of Ethics and Business Conflict provides advice on internal ethical issues for staff and runs ethics training programs.

Note: For more information, please visit the World Bank website at www.worldbank.org/publicsector/anticorrupt