Corruption, politics and development

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Stories from the ground…

- An African country has signed a peace agreement after a decade of conflict. Formal institutions (especially local ones) are largely absent. Capacity is limited. Power is highly concentrated – a few leaders control allocation of land and awarding of public contracts for reconstruction. Nepotism and patronage are widespread.

- Oligarchs in a country in northern Africa have divided the economy into lucrative monopolies, through government supported restrictions on competition. Civil society is weak.

- The President of a resource-rich country in Central Asia accepted millions of dollars in bribes, placing them abroad in a major financial center. There are few checks on executive power.
Stories from the ground, cont.

- In a low-income, democratic country in Africa, businesses finance political parties in exchange for preferential treatment. Petty corruption is widespread. Efforts to combat corruption stop prior to elections, out of fear that party financing will be cut off.

- A chronically under-funded military in a country in East Asia resorted to self-financing, establishing commercial enterprises and foundations. Generals enrich themselves by sitting on boards.

- In a low-income country in Latin America, top political leaders paid and accepted bribes from an intricate network, spanning all aspects of state and society. Through the network, the leadership controlled judiciary, legislature, and media.
Corruption increases inequality
(Sierra Leone, 2003)

Percentage of income spent on bribes to obtain services, by income status (as reported by households)

- Surveys and Lands
- Municipal/Dist. Councils
- Judges/Courts officials
- Income Tax Department
- Public education services
- Public health services

- high income
- middle income
- low income

percentage of household income spent on bribes
Peru and Colombia: extent of "State Capture" by elites (as reported by public officials, 2001)

Capture by Vested Interests of:

- Parliamentarians (to influence laws)
- Judiciary (influencing major court decisions)
- High Officials (influencing presidential decrees/decisions)
- Regulatory Agencies
- Central Bank decisions

% public officials reporting that bribes to each agency are influencing business climate

Colombia
Peru
Key Elements of World Bank’s Strategy

**Country Level**
- Deepening support to countries to build more capable & accountable states

**Project Level**
- Combating corruption in World Bank Group operations

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

**Key Instruments:**
- “CGAC” approach
- Public sector reform
- Sector governance, incl. private sector
- ‘Demand-side’

**Key Instruments:**
- Strengthen capacity & accountability
- Smart project design
- Improved supervision & review

**Key Instruments:**
- Donor coordination
- Multistakeholder alliances
- StAR
Strengthening Governance Systems: Balancing Supply & Demand

**Supply-side**

Strengthen the state’s bureaucratic capability – leadership, skills, human resource & financial management systems – to deliver public goods and services

**Demand-side**

Strengthen accountability arrangements – elections, political parties, effective parliaments, independent judiciary, free press, vibrant civil society, accountable local governments – that enable citizens and firms to hold state institutions to account
Summing up

- Corruption and governance are key for development effectiveness
- World Bank has a multi-sector, multi-actor and multi-level approach to address this challenge from a preventive angle
- Building capacity is key
- Progress have been achieved in promoting better governance on a few fronts, but…
Administrative corruption, BEEPS, 2005-08
Diversion of public funds, 2005-08

Figure 3.9. Diversion of Public Funds by Country, 2005 and 2008

Emerging “features” of the “corruption challenge”

- In practice, an heterogeneous challenge
  - Different country’s reality (political, institutional and cultural)
  - Different forms of corruption
  - Different level of skills and resources

- It involves diverse actors and stakeholders (local, national and international)

- It requires a significant re-allocation of powers and rents within the country
What do we know now?

Need to design a GAC strategy that:

- is “country” specific and pragmatic
- allows to monitor progress and to adjust to new circumstances
- includes both short term and medium term measures
- fosters and sustains coordination and collaboration among different actors
- promotes local capacity building (citizens, civil servants and youth)
WB Resources on the Web

- Governance and Anti-corruption: www.worldbank.org/anticorruption
- Anti-Corruption Authorities Portal: www.acauthorities.org
- Governance Diagnostic Surveys Country Sites: http://go.worldbank.org/P8PT8AK4P0
- Actionable Governance Indicators Website:
  - www.agidata.info (internal)
  - www.agidata.org (external)

Additional material available upon request: AskGov@worldbank.org
THANK YOU!

Q & A