

Daniel Kaufmann: 12th International Anti-Corruption Conference

Special Plenary Session.

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Transcript

Daniel Kaufmann: Just two things from my perspective before we continue. One - to give proper credit and to show you that the World Bank sometimes not only values, but it significantly uses resource from outside of the bank, even more so, the graph that Sanjay showed on embedded network comes in fact from the work that Jose Ugaz and which Moreno Ocampo, while he was in TI were doing. We have benefited enormously from the tremendous lessons from many others, and that's why we wanted to put that slide which is so telling and is so much related to what Jose Ugaz discussed this morning.

Secondly and frankly, we're told by the World Bank, our wonderful institution where we work, how we should be careful how we present things; to be very self-assured, we always try to present very self-assured, we're given this incredible tool, we're all prisoners of power point nowadays, which makes it sound even more self-assured.

My part, my last part just a few minutes of the presentation, believe it or not, will present some doubts, because this is a field which is still evolving; we're the first in acknowledging that the jury is still out, not all the answers are in. We have learnt hard lessons in terms of things that have not always worked, and there are very, very, as Nancy mentioned before, there are very serious debates out there. So that's one of the reasons we've been consulting with, and why we understand this is being debated. This is not macroeconomics, where many of the issues were settled 20 years ago. So we very much look forward to this type of debates and discussions, because we're the first in acknowledging that there's no last word, there's no Bible in this field.

That's one of the reasons that we put a lot of emphasis on monitoring, benchmarking data issues, how to measure, what to measure. How we're going to evaluate ourselves and the work in the countries in terms of results? What's working? What's not

working? How to best do it? There are significant debates even around the issues of data. There have been very good panels on those issues. We all know we have written extensively about it as well as others, in terms of the pitfalls of some types of indicators versus others. Eventually, we need to move forward, always trying to help innovate together with TI and many other workers in terms of improving indicators. Complimentarity is crucial in terms of using aggregate indicators, using disaggregate indicators, using action oriented or actionable indicators, using also output or outcome indicators. What's happening on the ground at the end of the day in terms of outcomes, as well as in terms of inputs and actions? Sanjay showed before, this environment of the graph, this is actually a work of five years ago. We're working now in the updated data set, in terms of the extent to which foreign firms, transnationals still bribe today from OECD countries, in spite of the OECD convention.

Preliminary estimate puts it in the area of 30% of the firms themselves report and acknowledge still, bribery today. It may have come down over the past five years a little bit, but it is still a very significant proportion. That's one issue of monitoring, obviously that drives one of the elements that Sanjay mentioned, where we are going to put much more emphasis in the future, which is the engagement with the private sector, not only the domestic private sector, but the multinational. This is not just the responsibility of public sectors within developing countries. At the same time, there's an issue also of the private sector within the developing countries, as well as some others, and the interface with a public sector. This is another example of monitoring very quickly, the extent to which firms pay bribes for public procurement within their countries. So, its an enormous scope, contrary to some conventional thinking of the whole developing community, one can't lump it together with one average - that hides enormous variance in terms of performance.

The differences between many countries are very clear; there are some countries like, frankly for full disclosure, my own, Chile, which has other challenges. But in this area only 5% of the firms are suggesting that they pay bribes, which is much better than some rich OECD industrialized country. So monitoring is very, very important. It's not only for our own benchmarking and monitoring, but according to popular demand from reformers, from civil society, from researchers. It empowers so many of the reformers and agents of change. So, that's one key area of how to move forward and improve on these very issues. We see it for Mozambique - the improvements, according to the aggregate governance indicators, not the only ones that should be used, but just to illustrate, from 1998 to 2005, in many areas of governance, we monitored many areas of governance, because after all, to combat corruption one has to act systemically, as Sanjay suggested.

Quickly to show another example, Indonesia - much more recently, short period of three years with a new regime-- one begins to see change. The reformers in Nigeria, Ngozi will come to be here with us tomorrow, the former minister of finance. She requested that we monitor -- we help them monitor, because they want to see what's

working, what's not working, frankly discuss it with the person in the cabinet, what needs to be done to take corrective action and so on, so it's a power of that data. Let's now begin concluding on the whole issue of consultations, and the main questions that have been posed, which do not preclude or exclude many other questions that you may have, but I want to synthesize some of the debate that have already come up.

Some of which already have been hinted by Sanjay and by Nancy. It has been acknowledged already that there is significant support from many quarters of us going ahead with these, but there are some debates and controversies and they need to address concerns about the process, in terms of moving forward in this strategy, including on consultation, that's one of the reasons why we're here today, and in terms of the substance and the content. I have mentioned some of the debate issues just to summarize.

There's going to be an in-depth consultation until late January in this current stage of the work on the strategy, and then submission to the Executive Board of the World Bank. The outcome of that, all the consultations on the strategy will lead then to a report for the Spring Meetings for the Development Committee. We are engaging now much more closely and substantively with our country partners, our own staff in the field. So some of the questions that you'll see posed here is the type questions that we'd like to float already here.

How do we engage on the ground, in the field, in each country, to elicit what's the ultimate question for us. From the countries themselves, what it is that they will see as the most effective way for them to move forward in terms of the help, support from the World Bank. Therefore it's a very decentralized approach that we're going to take that is starting already. Crucial importance in terms of the consultation on the ground of civil society, and obviously of government, the private sector, and of all stakeholders that we are able to provide. How does a country want the Bank to proceed and move forward - it's an overarching and very basic question - which can be unbundled into this very basic set that I will read very quickly. We want to start very basically, rather than with a very convoluted set of very picky questions, in each country, what governance challenges do you face, does a country face? What are the main opportunities for reforms in your country? What is the main governance change, in which area you would like to see your institution in your sector in the coming years? How can we, the World Bank, best assist?

Most of the work that we can have is one of supporting, helping a country help itself. We cannot and nobody else from outside can take the lead in this context, that has been around long ago. In that context, in answering this question, that we ask the strategy that has just been discussed, that Sanjay presented in brief, that it is in the big paper. Does that help frame the Bank's response to these issues and these concerns

that you have, and your colleagues, stakeholders in the country have. If not, many are not addressed, what else would you like to see on that? So that's one basic set, and let me end then with a more substantive specific type of debate which is still pending.

One is the issue of country ownership. Obviously, for a number of years, it has been extremely important for us in the World Bank, first and foremost country leadership, and therefore country ownership of the reforms. They cannot be imposed by the outside, bringing 200 conditions, that's totally clear. While there is still a serious debate in countries where there's no serious commitment, or there is a weak commitment from the top leadership in the public sector at least, how best then to proceed. In extreme case, as Sanjay already hinted, should the World Bank restrict financing or even cut off financing at least to the central government, and explore other modalities of funding? That's an extremely controversial question, open to very significant debate, to get the feedback is very important to us.

Second, I'm wrapping up, how can the World Bank better engage the private sector business, which is a new element, we have been missing in action a bit in the past in terms of engaging seriously the supply side of the corruption, the corruptor. How better to do it? How can we address the role of industrialized countries and transnationals that context, we raised it before? What can we do - this is a crucial question in this big conference - to strengthen the non-executive institutions of accountability, the institutions outside of the executive including, in particular, working more effectively with civil society, with media institutions, with the local level, with parliaments and so on? Fourth, how best to safeguard the funds in aid projects, in our own projects, while at the same time helping the countries build their own systems, build their own capacity? So, not to just focus on ensuring which is very important institutional responsibility, that our dollars are not stolen, but at the same time work with countries to help build the overall systems and their reforms more systemically. Should the donors have a more common approach, Sanjay already approached it, so I won't say much, but it's very important to avoid mixing that. It will make no difference if the World Bank just went alone among all donors with a new strategy, and obviously everybody else had a different strategy. Ultimately, there has to be a strong collaboration and more commonality for it to make sense. For the World Bank to say, in a country, in this sector, if there's so much corruption today, and no leadership in this sector, we will lend to another sector with much better leadership, but if another donor comes and just substitutes for it, it will make then no difference. So the issue of commonality, of working with donors in terms of their approach, I will suggest is crucial.

Last but not least, is a whole issue of how to monitor progress, but broadening that question, how to work with a country in terms of assessing in-depth governance and anti-corruption at the country level with the local expertise. We've been starting on that process, for instance, in the country, in Kenya, to do a much more in-depth understanding and the in-depth assessment. To do governance assessment, the idea is

to do it in many countries in the future. This is an ongoing interactive process for us to listen, learn and move forward together. Muchas Gracias.

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