



THE WORLD BANK



Fighting Corruption at the International Level: A Glass Half Full or Half Empty?

Otaviano Canuto
Vice President and Head of Network
Poverty Reduction and Economic Management
The World Bank

**Seminar "The Impact of Corruption on Development",
ETCO and Valor Economico
Sao Paulo, August 15th 2012**

A few definitions



Governance

The manner in which the state acquires and exercises its authority to provide public goods & services

Corruption

Use of public office for private gain

- ***Corruption*** is an ***outcome*** – a consequence of weak or bad governance
- ***Governance reform*** helps combat corruption by addressing its ***underlying causes***

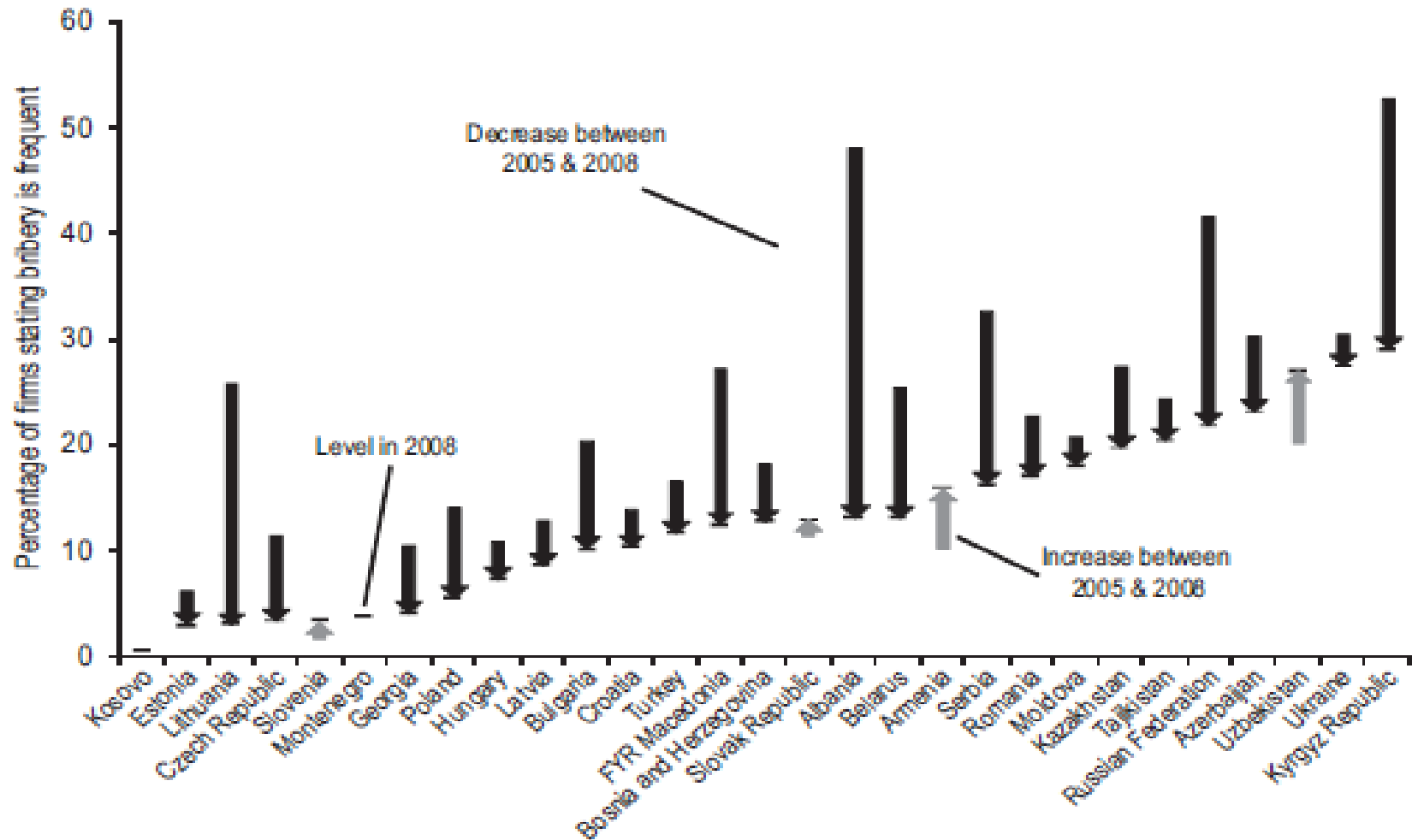
Key initial lessons

- Governance and corruption are critical for development effectiveness
- Corruption affects different stakeholder differently
- Key role of:
 - Updated and detailed information and data
 - Alternative entry points
 - Integration of supply and demand side reforms
 - Multi-sector and multi-level approach
- Some progress => BEEPS data

Administrative corruption, BEEPS, 2005-08



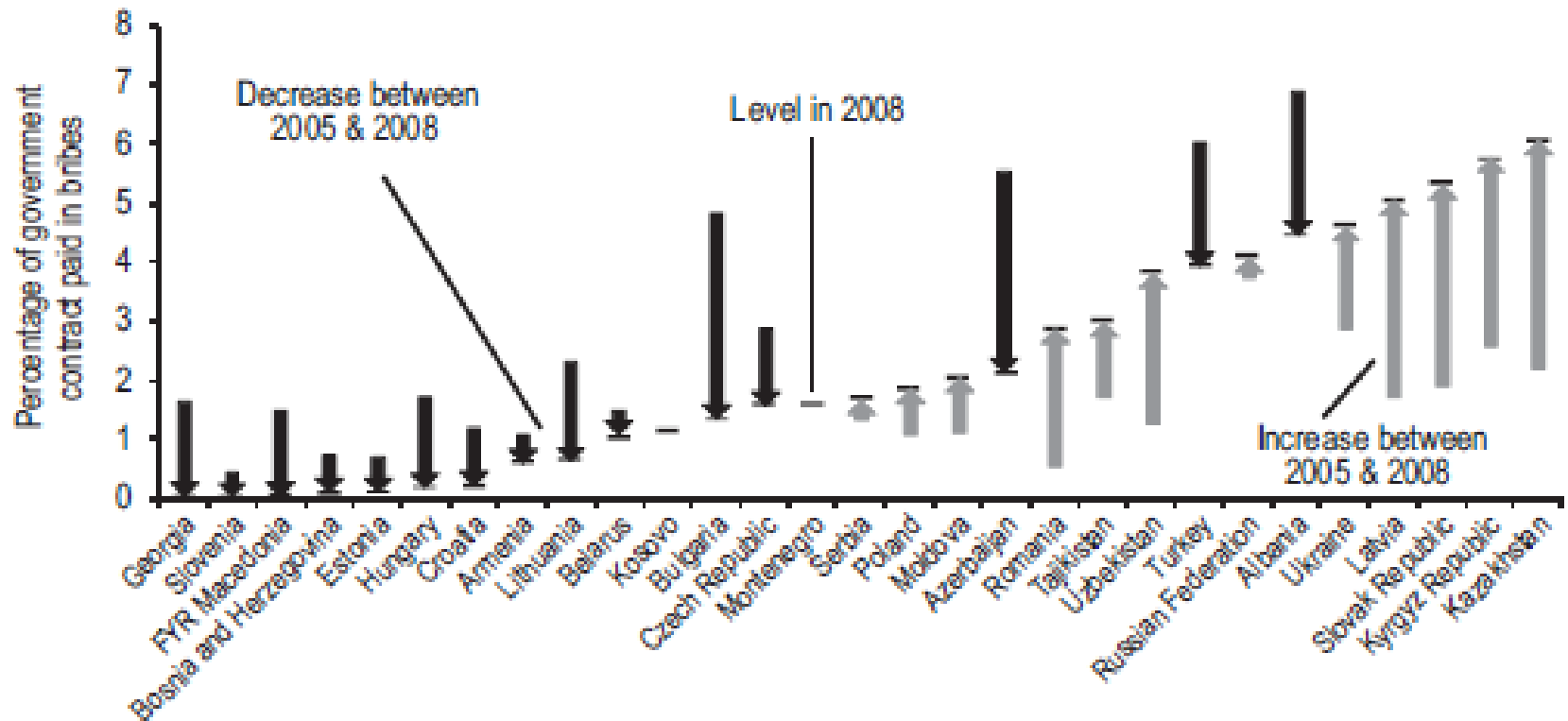
Figure 3.4. Bribe Frequency by Country, 2005 and 2008



Source: BEEPS 2005, BEEPS 2008.

Bribes in Public Procurement, BEEPS, 2005-08

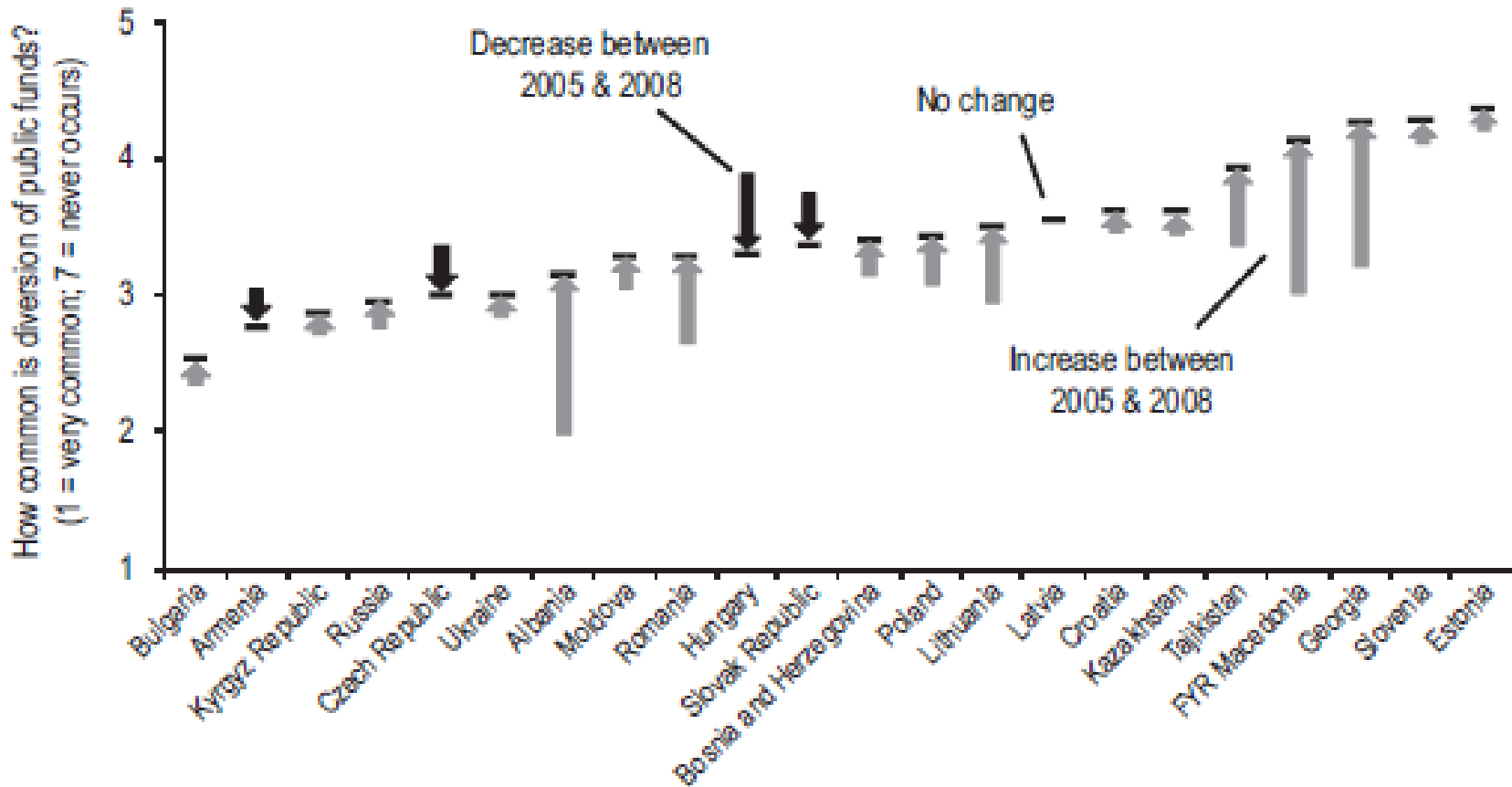
Figure 3.7. Bribes in Public Procurement by Country, 2005 and 2008



Source: BEEPS 2005, BEEPS 2008.

Diversion of public funds, 2005-08

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



Source: World Economic Forum 2005 and 2008.

Heterogeneity in corruption...



- ❑ *Corruption in public procurement:* use of bribes, gifts and/or favors to alter the public procurement process;
- ❑ *Corruption in budget management:* use of bribes, gifts and/or favors to influence budget management decisions and divert funds;
- ❑ *Corruption in personnel management:* use of bribes, gifts and/or favors to affect personnel management decisions;
- ❑ *Legal and regulatory corruption:* use of bribes, gifts and/or favors to alter regulatory and legal decisions;
- ❑ *Administrative corruption:* use of bribes, gifts and/or favors to obtain or hasten the provision of public services.

.. And in initial conditions

- 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.

Heterogeneity in initial conditions, 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.

Some progress but....



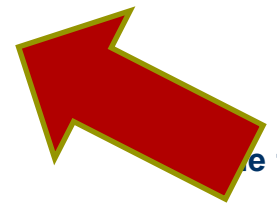
A few remaining challenges:

- ❑ *Heterogeneity of the problem*
- ❑ *De jure vs. de facto => the implementation gap*
- ❑ *Sustainability of reforms*

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?

A successful GAC strategy:

- 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)

Heterogeneity



Sustainability



Anti Corruption Implementation Gap: Latin America (Global Integrity)



	Year	AC Legislation	AC Imp Gap	Implementation Gap
Argentina	2010	100	20	20
Bolivia	2010	91	31	21
Guatemala	2010	91	46	47
Peru	2010	100	43	23
Colombia	2009	100	45	41
Venezuela	2009	91	33	44
Chile	2008	100	25	21
Ecuador	2008	64	6	32
Nicaragua	2008	100	65	38



Summing up



- ***Heterogeneity*** – Different types of corruption and initial conditions call for different policy measures and entry points
- ***Sustainability*** – Successful reforms require long term commitment paired with quick-wins, broad collaboration and capacity building
- ***Implementation gap*** – De jure vs. de facto

Summing up

- Corruption can take many different forms and requires a significant re-allocation of powers and rents
- Progress is associated with
 - a pragmatic approach that fosters and sustains political and citizens' support
 - a country-specific strategy that addresses the specific institutional, economic, political and cultural challenges
 - a focus on results and impact



WB Governance Resources on the Web

- ❑ **Governance and Anti-corruption:**
www.worldbank.org/anticorruption
- ❑ **Anti-Corruption Authorities Portal:** www.acauthorities.org
- ❑ **World Bank Public Sector Group:**
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/0,,menuPK:286310~pagePK:149018~piPK:149093~theSitePK:286305,00.html>
- ❑ **Governance Diagnostic Surveys Country Sites:**
<http://go.worldbank.org/P8PT8AK4P0>
- ❑ **BEEPS:** <http://go.worldbank.org/I4ZRB5O300>
- ❑ **Actionable Governance Indicators Website:**
 - www.agidata.info (internal); www.agidata.org (external)

Additional material available upon request: AskGov@worldbank.org

Obrigado!



www.worldbank.org/prem/vp/publications

www.project-syndicate.org/contributor/3943

www.huffingtonpost.com/otaviano-canuto