

**TOWARDS BETTER GOVERNANCE AND LESS CORRUPTION:
A BATTLE WE MUST ALL FIGHT**

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L'action d'une entreprise responsable dans une mondialisation éthique**

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Madame Parisot, Monsieur Monville, Madame Labelle, Monsieur Gurría,
Monsieur Vincke, Members of the French business community. It is a pleasure to be
with you today.

World Bank President Paul Wolfowitz regrets he is unable to be here. In his stead
he has asked that I represent him. It is an honor to do so. It is a particular honor for I
will speak to a matter of the utmost concern to Presidents Wolfowitz and Parisot and to
members of both the development community and the business community – the fight
against corruption.

I will cover two issues. First, I will provide a general overview of the Bank's new
strategy to improve governance and combat corruption. Second, I will focus on those
elements of the strategy of particular relevance and concern to the business community.

We are grateful for the time and effort that MEDEF members and its staff have devoted to providing the business community's perspective as we grapple with how to fight corruption. The MEDEF has been instrumental in organizing meetings in both Paris and Washington where French companies and Bank staff have been able to discuss, fully and frankly, the many considerations that must go into a comprehensive Governance and Anti-Corruption Strategy. MEDEF members also discussed the Bank's new Voluntary Disclosure Program with our internal investigation unit.

Now to the Bank's new Governance and Anti-corruption Strategy.

As you know, the Bank has been an energetic advocate of governance reforms for the last decade. It has attacked the problem from a variety of angles – public expenditure management, sectoral reforms, and national anti-corruption programs. The new strategy builds upon this work and creates significant new space for stepping-up our assistance to countries to strengthen their efforts to root out corruption.

The strategy was formally unveiled on September 8 in a document titled: "Strengthening Bank Group Engagement on Governance and Anti-corruption," which is available in French as well as English on the World Bank's website.

We are working to consult extensively with civil society groups, as well as with the private sector - both within countries, and, globally, including in forums such as this, to elicit their views and perspectives on taking this agenda forward. The Governance and Anti-corruption Strategy will be the vehicle for these consultations. Following consultations, the strategy will be reviewed, revised as necessary, and moved to implementation by the Bank's Board in the first quarter of 2007.

The strategy is organized around three levels of activities – the country level, the project level, and the global level:

1) At the country level, our program will be more responsive to the particular risks and challenges that governance and corruption pose for meeting the development goals of that country;

2) At the project level, we will continue to identify vulnerable projects and focus on how to reduce potential risks by paying more attention to project design, monitoring, and supervision, and also by supporting government efforts to investigate and prosecute corruption; and

3) At the global level, we have committed to working closely with our many donor partners – bilateral and multilateral assistance agencies, CSOs, and the private sector – to more effectively coordinate and harmonize our work so that the sum of our efforts is more than the individual parts

Before reviewing the elements of the strategy at each level, however, it may be useful to provide the context within which these steps will be taken.

How the Bank Works

The Bank typically agrees with a government to a multi-year assistance plan. These Country Assistance Strategies are about much more than providing financial assistance. They address how we intend to help government reform its policies through advice and analysis. Increasingly, they also contain performance benchmarks. These are indicators, which we and the government agree upon, that show how well the government is doing in meeting the commitments it made in return for Bank support. We see this as an accountability framework of resources, results, and monitoring.

In terms of Euros, it is at the project level where the bulk of the Bank's assistance is provided. Our task teams spend much effort trying to reduce the probability of abuse during all phases of project execution. Vigilance is required -- from drafting the project specifications through the tendering process. We are taking major steps to minimize problems with our projects.

Of course, Bank projects are only a piece of the governance story. The forces propagating corruption are powerful, and our only chance at making headway is to work together with our development partners and client countries to raise national standards, to build local capacity for self-regulation, and to support agents of reform. We also cooperate closely with businesses and business associations and civil society organizations, both national and transnational ones.

We have enjoyed excellent relations with Transparency International and its chapters in client countries. We look forward to continuing our close working relationship during Madame Labelle's presidency.

We have also worked closely with Secretary General Gurría and his staff to fashion a shared approach across the donor community to corruption. We expect to see this effort come to fruition over the next several months as the OECD's Development Assistance Committee agrees, along with the Bank and other multilateral donors, on common principles for combating corruption. Thanks to the Secretary General's leadership, we are also working with Dr. Mark Pieth and others who oversee the implementation of the OECD anti-bribery convention to ensure a common, and harmonized approach to transnational bribery.

As I said at the outset, the Bank's new Governance and Anti-corruption Strategy operates at three levels: that of the country, the project, and the global level.

Country Level Assistance

At the country level, the new strategy demands a far more systematic and disciplined approach to governance and anti-corruption in our Country Assistance Strategies than has heretofore been the case. Governance concerns must be front and center in the assistance plans we draw up with government counterparts.

In countries, where reforms are yielding positive results and governance is relatively sound and improving, our support will be driven by the priorities of the government and will continue to increase flexibility. We will rapidly scale up technical and financial assistance to assist these states to implement well and sustain a high growth trajectory.

But in countries where governance poses significantly greater risks and greater obstacles, we will chart a more cautious approach. We will invest more in a careful analysis of the situation and will provide country teams experienced staff to advise on how to improve governance and reduce corruption. We will be more selective in the sectors in which we operate. We will monitor aggressively.

In extreme, and we hope, rare cases -- where governance is so poor, corruption widespread, and senior officials lack a commitment to reform, -- the Bank may focus more on providing capacity-building and other non-lending activities instead of providing financial support.

Project Level Actions

At the project level, we will incorporate anti-corruption objectives and plans into specific sector programs and projects. We will continue to identify vulnerable projects and focus on how to reduce potential risks by paying more attention to project design, monitoring, and supervision. We will also support government efforts to investigate and prosecute by helping modernize their anti-corruption laws and strengthen their judiciaries.

We will continue to put more resources into investigations of projects to bring the lessons learned from specific instances of misuse or fraud into a broader sector-wide or country-wide anti-corruption framework. Among other things, this means working more closely with businesses.

When we detect misuse of resources, we will take action to recover the money so it can be put to better use somewhere else. And we will continue to prevent companies that have been found to have done anything illegal from doing business with us in the future.

Global Level Interactions

At the global level the Bank will marshal its analytic resources and knowledge of developing countries and the development process on four fronts.

First, it will advocate strict compliance with the OECD Convention on Combating Bribery of Foreign Public Officials, the United Nations Convention Against Corruption, and the Inter-American, African, and Council of Europe conventions. We will work closely with those charged with monitoring these conventions, and provide technical

assistance to help our clients who are party to these conventions comply with their treaty obligations.

Second, the Bank will engage the private sector, civil society, and the media in both developed and developing countries. We will continue to be a source for the latest evidence showing the devastating impact that poor governance has on the poor. We will support policy reforms that reduce corruption – introducing greater transparency in the procurement process, improving financial management systems, and reducing cumbersome and costly bureaucratic procedures.

The third front on which the Bank will work globally is through its support for transnational reform coalitions. One is the Extractive Industries Transparency Initiative, a voluntary program to reduce corruption in the production of oil and the mining of hard minerals through cooperative action between natural resource firms and governments possessing natural resources. Another is the Global Integrity Alliance, a group of leaders in all walks of society dedicated to restoring integrity in leadership both globally and in their own nations.

Finally, the Bank will work to harmonize the actions of bilateral and multilateral donors. Corruption is a global phenomenon that requires a collective response by the nations of the world. Through the Governance Network of the OECD's Development Assistance Committee, the Multilateral Development Bank working group on corruption, and other fora we will strive to see that a consistent approach to corruption is adopted across the board.

Private Sector and the Bank's Strategy

I will conclude by highlighting areas of the Bank's strategy of particular interest to business.

The first is support for reforms that will improve the investment climate and promote a competitive private sector. In this respect, MEDEF and the Bank share a common understanding of the problem. At its core, poor governance manifests itself in unpredictable and non-transparent rules and procedures.

We also share a common approach to the solution – administrative and legislative reforms that simplify rules and bring greater transparency and predictability.

We think it is particularly important that the procurement process be more open. Our investigations continue to discover new challenges to procurement integrity. In Indonesia, for example, the announcement of a tender for a Bank project appeared in a regional paper in conformity with our publicity requirement. Only during a subsequent investigation did we find that the entire issue of the paper was bogus – printed only to fool the contracting officer and never circulated. Our procurement and integrity staff continue to unearth more such ruses. As they do, we modify our rules and procedures accordingly. I would hope that when you come across new ways to beat the rules you will share them with us.

A second element of our strategy of particular interest to the business community is harmonizing the disbarment rules across international financial institutions. In September, the Bank reached a landmark agreement with the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development on a common framework for

fighting fraud and corruption in activities and operations funded by their institutions. We hope this agreement lays the foundation for a coordinated approach to disbarment.

A third area of our strategy of interest to business is how we plan to deal with the phenomenon of the corrupt officials. Of course, for every bribe requested there is a potential bribe payer. We are focused in this area by the Bank's principal constituency – the poor – who are the ultimate victims. One element is disclosure. Our Integrity Department staff encourages firms approached for a bribe on a Bank project to disclose the request to them. As with other voluntary disclosures, such a report will be treated with the utmost confidentiality.

Final Remarks

In conclusion, we as members of the international community need to see governance as a key to development results. It makes little sense to give debt relief and then thwart the efforts of developing countries to export to OECD countries. It makes equally little sense to increase official aid and not stop leakages in its use.

If teachers don't show up in rural areas, we can lose another generation. If medical clinics are unmanned, even such valuable programs as the distribution of HIV-AIDS medicines will be for naught. Lapses in government are symptomatic of underdevelopment and will require many decades to improve.

What we have all learned is that we do governments and their citizens no favors by sweeping these concerns under the rug. The Bank's new Governance and Anti-Corruption Strategy seeks to recognize the challenge explicitly and to design – with care and with the country's unique characteristics in mind – ways to remove these constraints to development. I hope we are all in this battle together. Thank you.