

The World Bank's Anti-Corruption Fight Continues

by Danny Leipziger and Sanjay Pradhan

The recent turbulence surrounding the resignation of Paul Wolfowitz from the Presidency of the World Bank has underscored the need to push ahead with the Bank's good governance and anti-corruption agenda. This is necessary not only for the sake of the Bank itself, but, more fundamentally, for the sake of the poor in developing countries, whose access to public services and opportunities for a better life are undermined by weak governance and graft.

Some have suggested that the president's departure is the result of his making too many waves with his anti-corruption agenda. This is simply not true. The leadership crisis did not reflect a weakening commitment to the governance agenda either by the Bank's professionals or by the countries and shareholders with whom we work. On the contrary, that anti-corruption/good governance agenda precedes and outlives the person at the helm of the institution.

The Bank began focusing its efforts on improving governance and combating graft ten years ago. Breaking the taboo of never mentioning corruption, in 1996 the Bank's then president, James Wolfensohn, identified the "[cancer of corruption](#)" as a major burden for the poor in developing countries.

Over the last decade, improving governance and fighting corruption has been seen as a high priority by governments, civil society, the private sector, and the international community. This is reflected in the World Bank's lending. The Bank's loans targeting governance and related areas now amount to roughly \$4.5 billion, or almost 20% of total lending.

Corruption is a major obstacle to economic development, costing billions of dollars a year that could otherwise be used to reduce poverty and promote economic growth. For example, the Bank's recent study [The Many Faces of Corruption](#) estimates, that illegal logging causes annual losses of about \$10 billion in the forestry sector. And teacher absenteeism, a major aspect of corruption in education, can lead to direct losses of up to a quarter of a country's public spending on primary education.

Improving governance and fighting corruption helps countries deliver basic services better and create growth and employment opportunities for the benefit of the poor. That is why we are strengthening citizen and watchdog oversight of public resources in countries like Tanzania, as well as supporting poor people, including indigenous women, in efforts to gain greater access to the judicial system through mobile courts, as we are doing in Guatemala. From enhancing audit institutions in Africa to strengthening procurement procedures in Asia, the Bank's work to combat corruption is an everyday reality.

On March 20, 2006, the Bank's Board – representing virtually every country – unanimously approved a new [Governance and Anticorruption Strategy](#) that will push the frontiers of Bank work in this area. The strategy was the outcome of intensive consultations with governments, civil society, private sector, and development partners in 47 countries, reflecting an unprecedented global consensus on the critical impact of good governance on poverty reduction.

The consultations on the strategy and its endorsement have raised expectations that the Bank will intensify its assistance to countries to help them strengthen their good governance efforts. The strategy was poised for implementation when the Bank's leadership crisis struck.

On April 26, 2007, the entire network of governance professionals in the Bank wrote in an open letter to the Board and the President that the crisis that the leadership crisis was eroding the Bank's credibility and hampering implementation of this vital agenda. Now, the resolution of the crisis has reassured many that the Bank can practice what it preaches.

The next president of the World Bank will, of course, need to rebuild credibility and deliver on the Bank's promises to work vigorously with our country partners in the fight for good governance. In fact, there will be no greater challenge than driving the governance and anti-corruption agenda forward. The next president of the World Bank will have many allies in this fight, not only within the institution, but also among the two billion poor who still survive on under \$2 dollars a day.

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