

**Beyond convention on Governance & Anti-Corruption**  
*Insights from Empirical Analysis for Framing Issues*

**Daniel Kaufmann, The World Bank Institute**

**[www.worldbank.org/wbi/governance](http://www.worldbank.org/wbi/governance)**

*Conference on 'Improving Governance and Fighting  
Corruption -- New Frontiers in Public-Private  
Partnerships', at the Egmont Palace, Brussels, Belgium,  
March 14-15 2007*

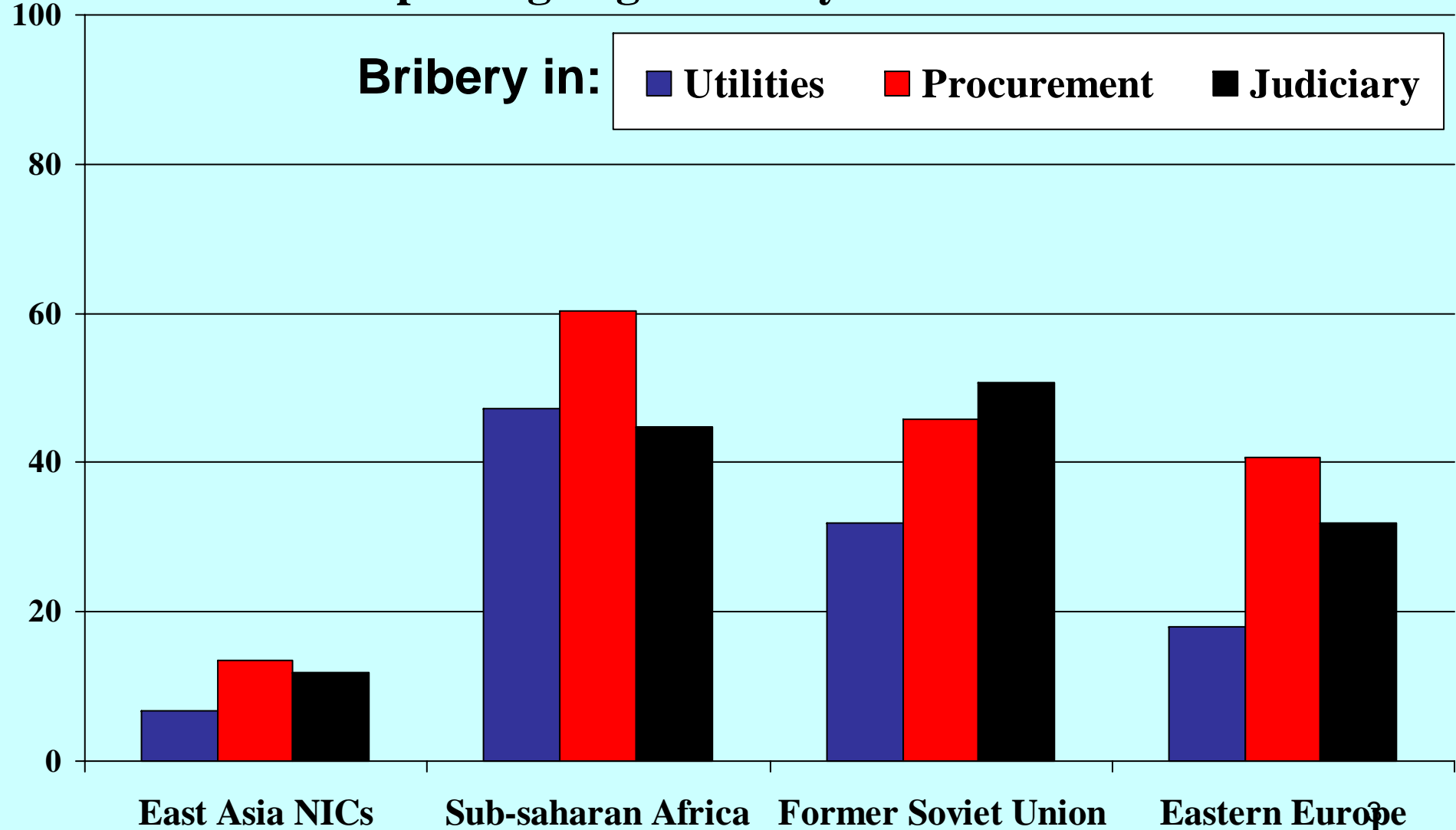
*'If you cannot measure it, you cannot improve it  
-- Lord Kelvin*

# 4 'Beyond' Points

- **Beyond the World Bank / Donors: who leads?**
- **Corruption: Beyond Petty *(or Bureaucratic)* Bribery**
- **Beyond 'Fighting Corruption by Fighting Corruption': Good Governance is key**
- **Beyond Petty Solutions [*such as Voluntarism, Legalism*]-instead: *Politics, Systemic Change, Transparency Reforms, & 'Raising Cost'***

# Beyond Bureaucratic Corruption: Unbundling

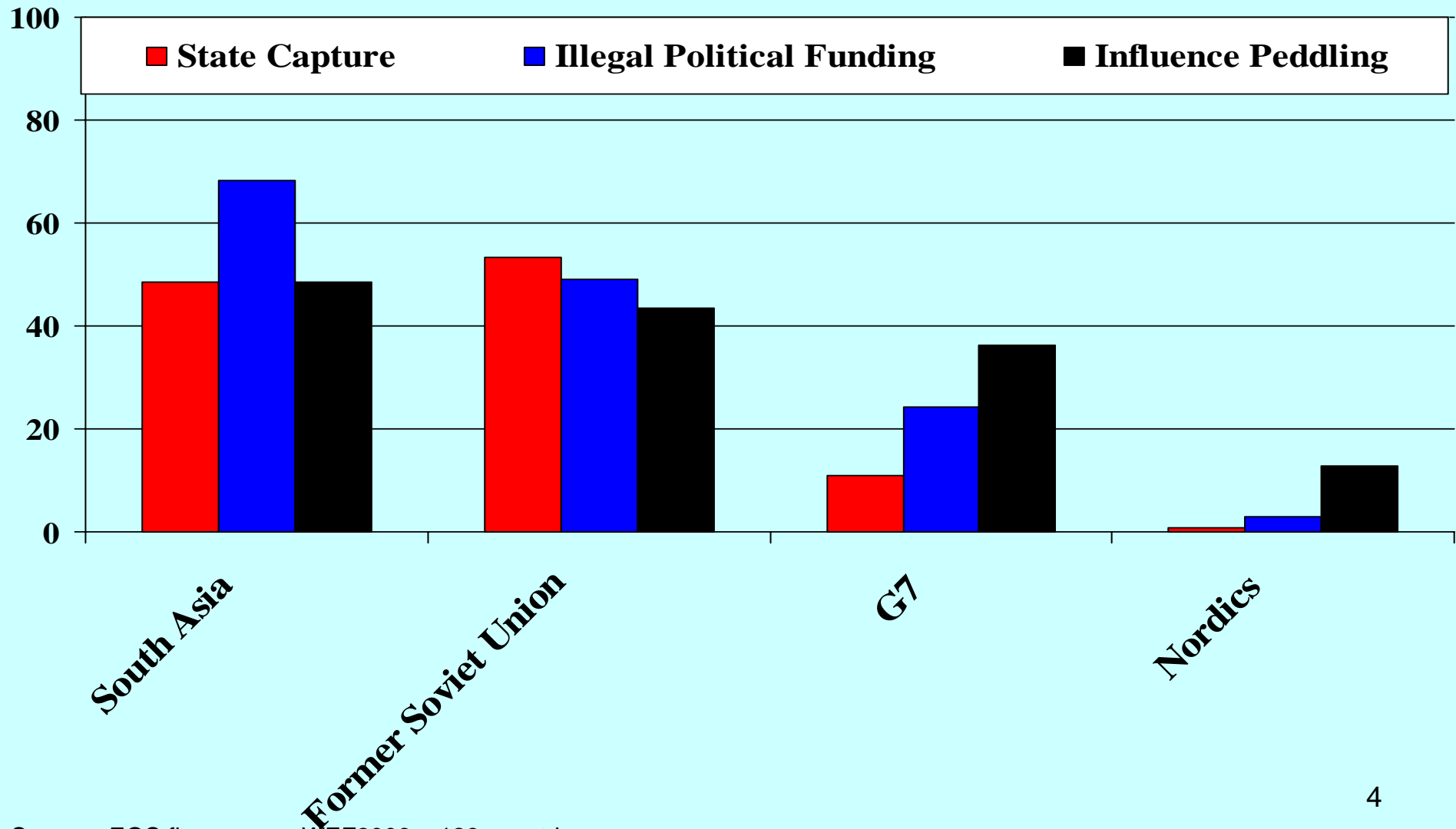
## Share of Firms Reporting High Bribery



Source: EOS firm survey, WEF2006 – 126 countries.

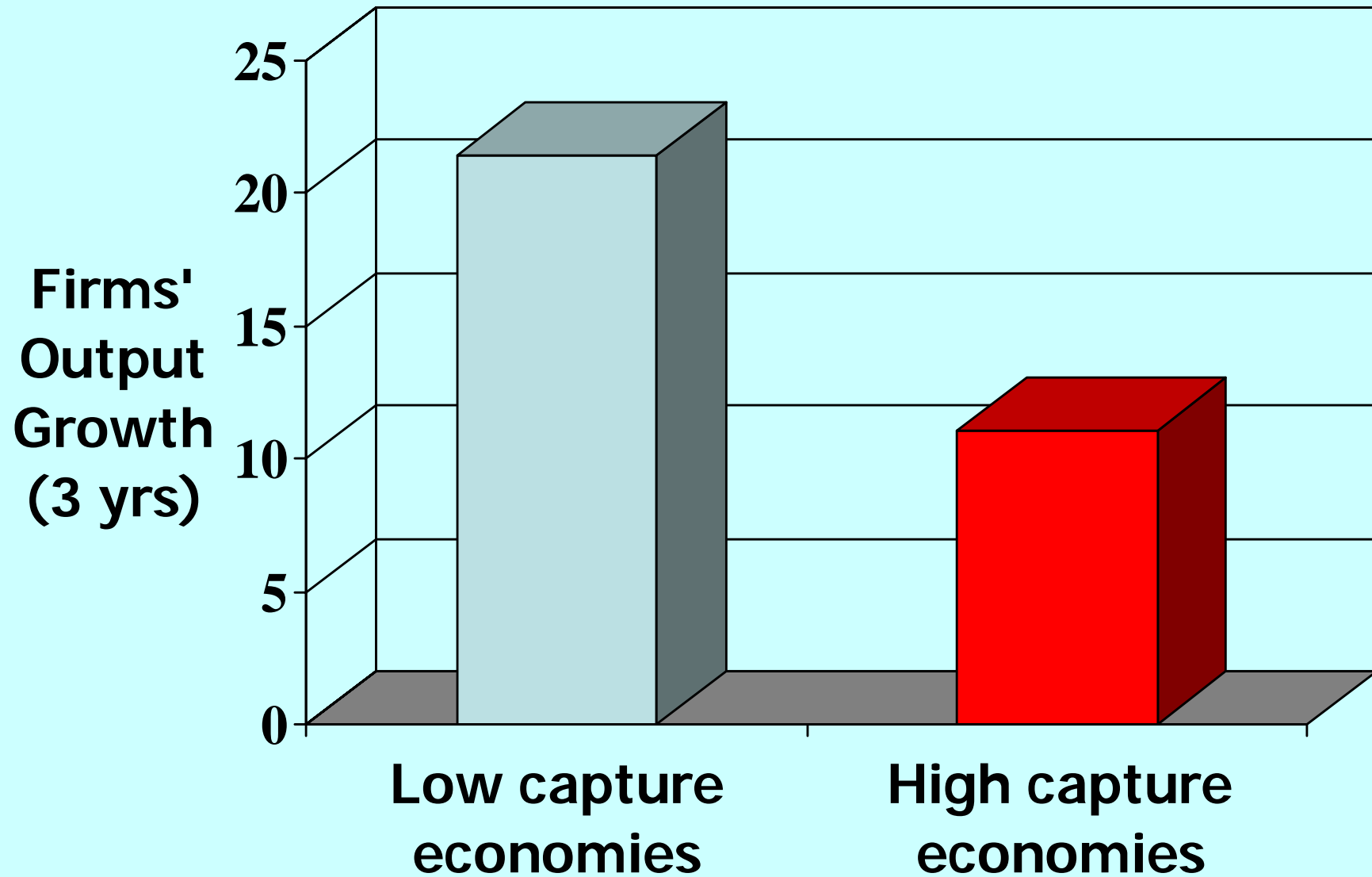
# State Capture, Undue Influence & Political Funding, *Report of Firms, 2006*

## Share of Firms Report Poor Governance



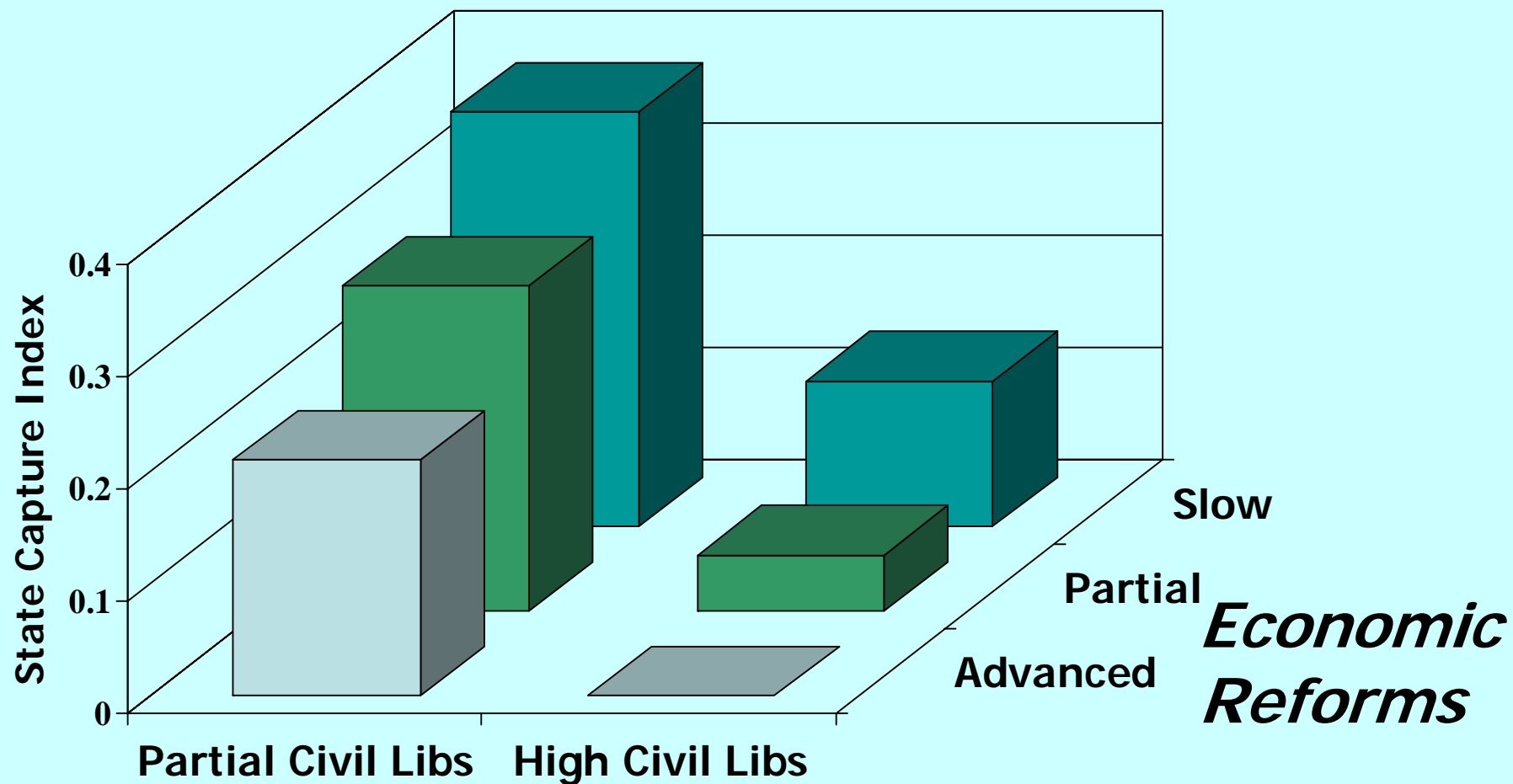
Source: EOS firm survey, WEF2006 – 126 countries.

# Capture by Corporates Impairs Competitive Growth



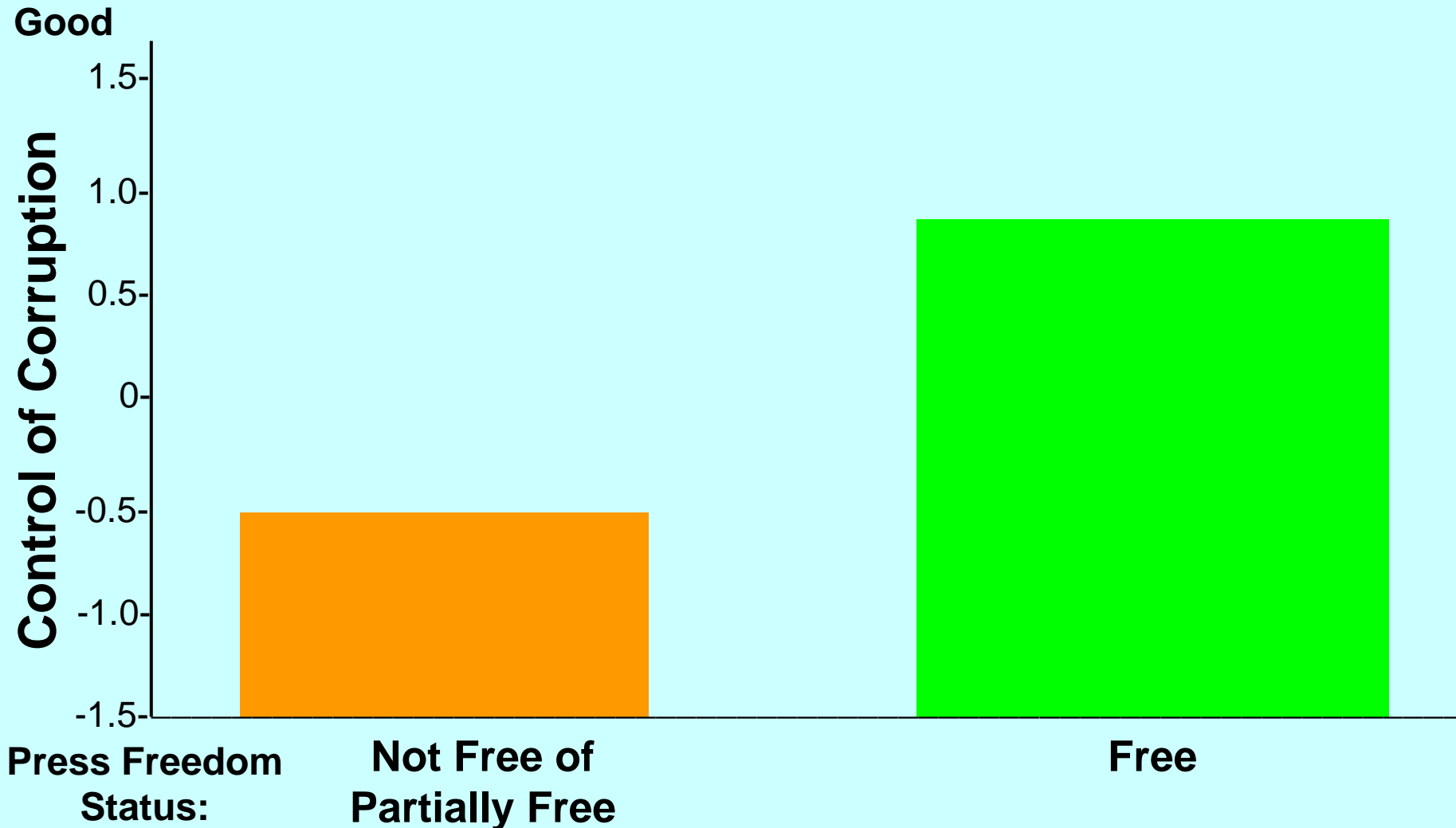
*Based on survey of transition economies, 2000*

# ***Fighting Capture: Economic Reform, Political Competition & Civil Liberties Matter***



***Political/Civil Liberties Reforms***

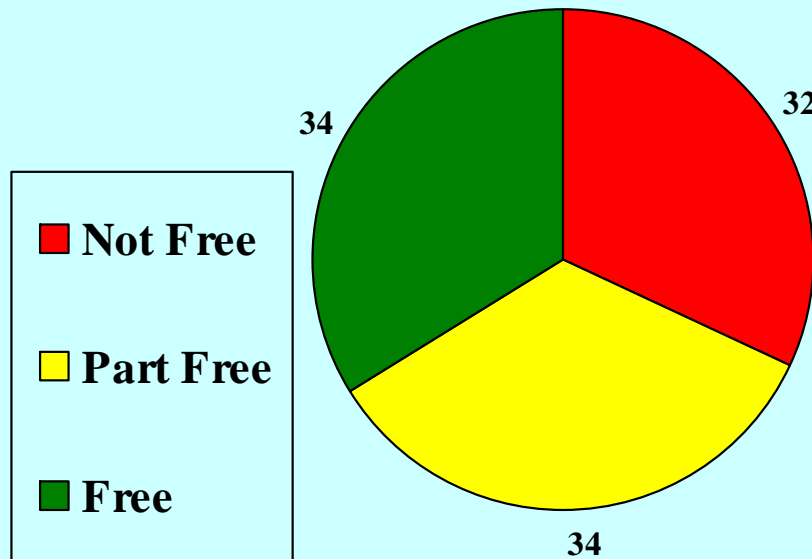
# Freedom of the Press is associated with better Control of Corruption



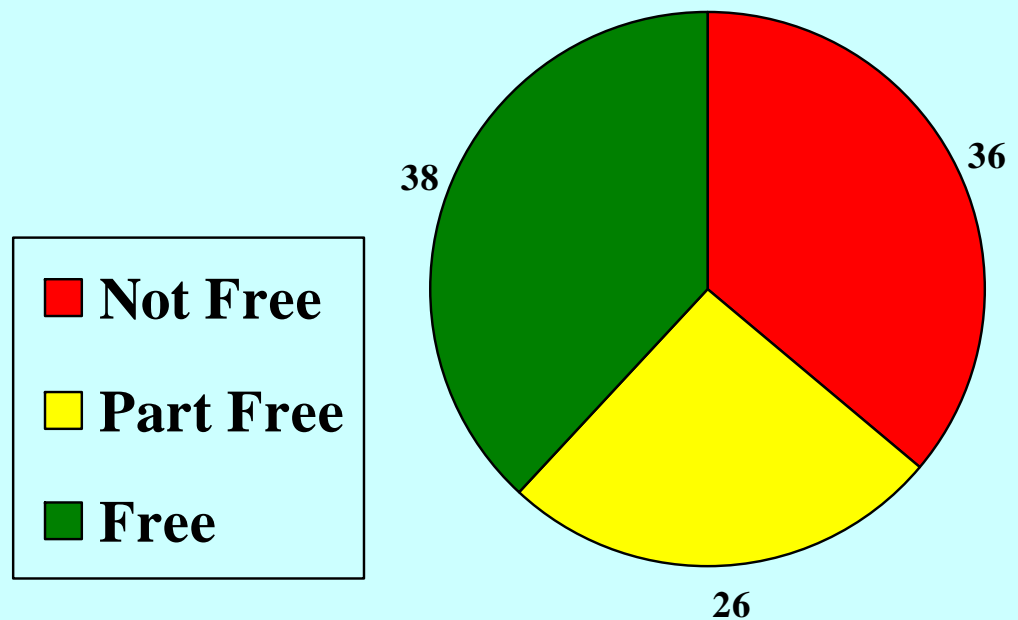
Source for control of corruption: : 'Governance Matters V: Governance Indicators for 1996-2005', D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006 (<http://www.govindicators.org/>). Source for Press Freedom: 2006 Freedom House's Press Freedom Report. Terciles divided according to Press Freedom ratings (190 countries total). Free: 0-30 (69); Partly Free: 31-60 (54); Not Free: 61-100 (67).

# Press Freedom in the World, 1995 vs. 2004: *Stagnant?*

% countries  
in 1995

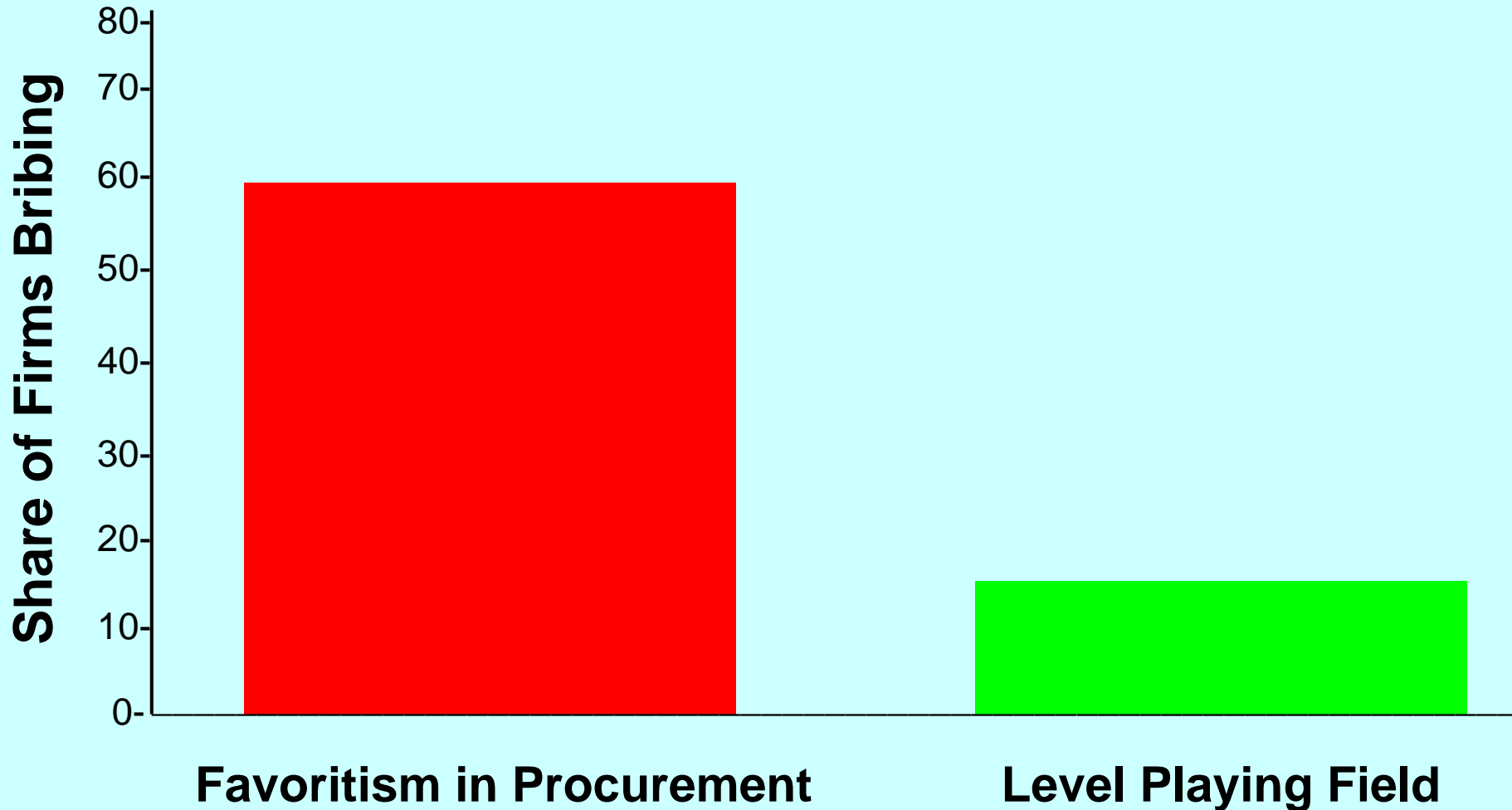


% countries in 2004



Source: Freedom House. Y axis measures percentage of countries in the region with free press (rating of 30 or below), partly free (ratings between 30 and 60) and not free (rating above 60).

# Deficient Procurement Systems Linked to Frequent Bribing by Firms

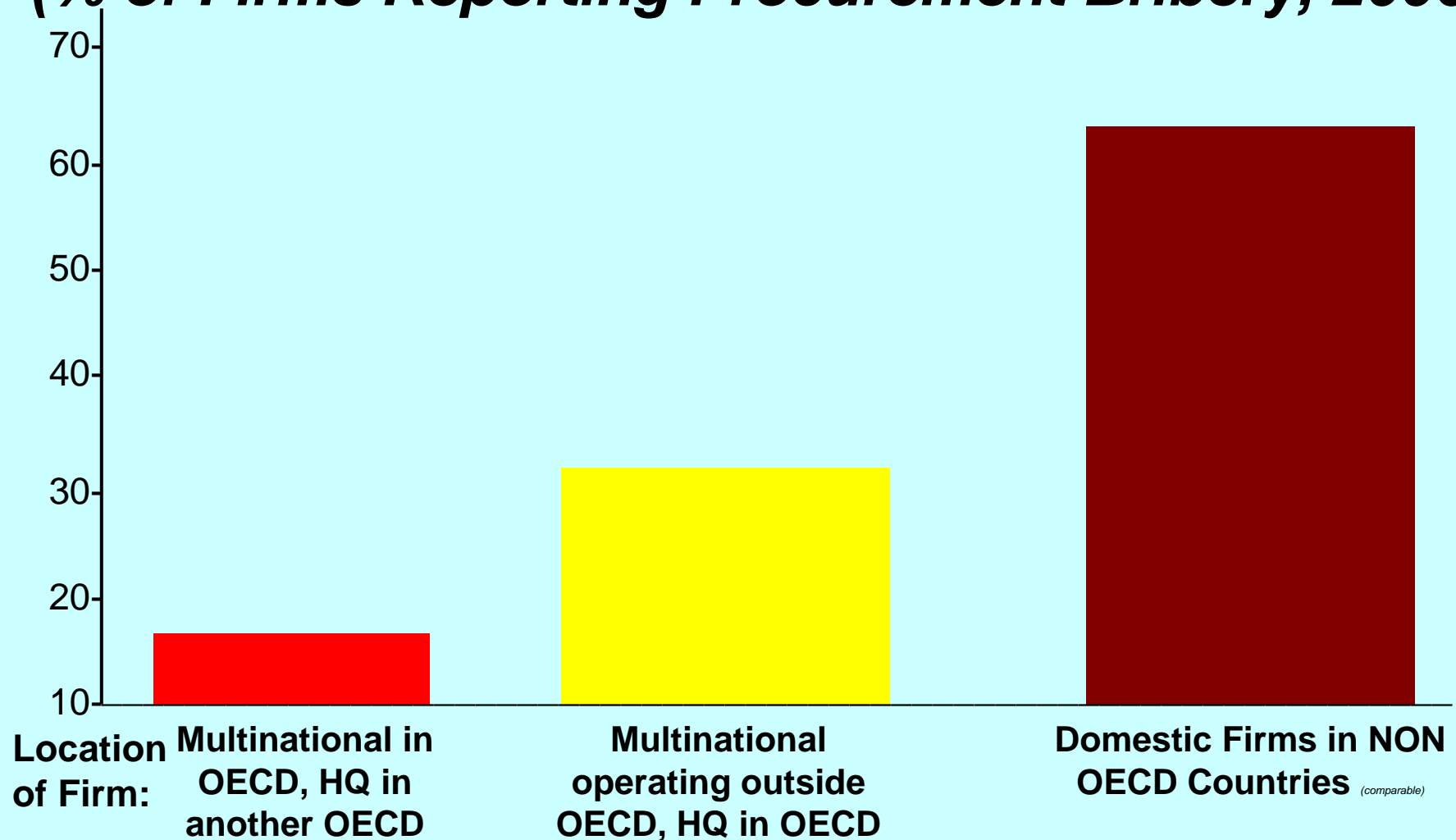


## Favoritism in Public Procurement and Policies

Source: EOS2006. Questions: When firms **like yours** do business with the government, how much of the contract value must they offer in additional payments to secure the contract?". Question: When deciding upon policies and contracts, government officials favor well connected firms / are neutral.

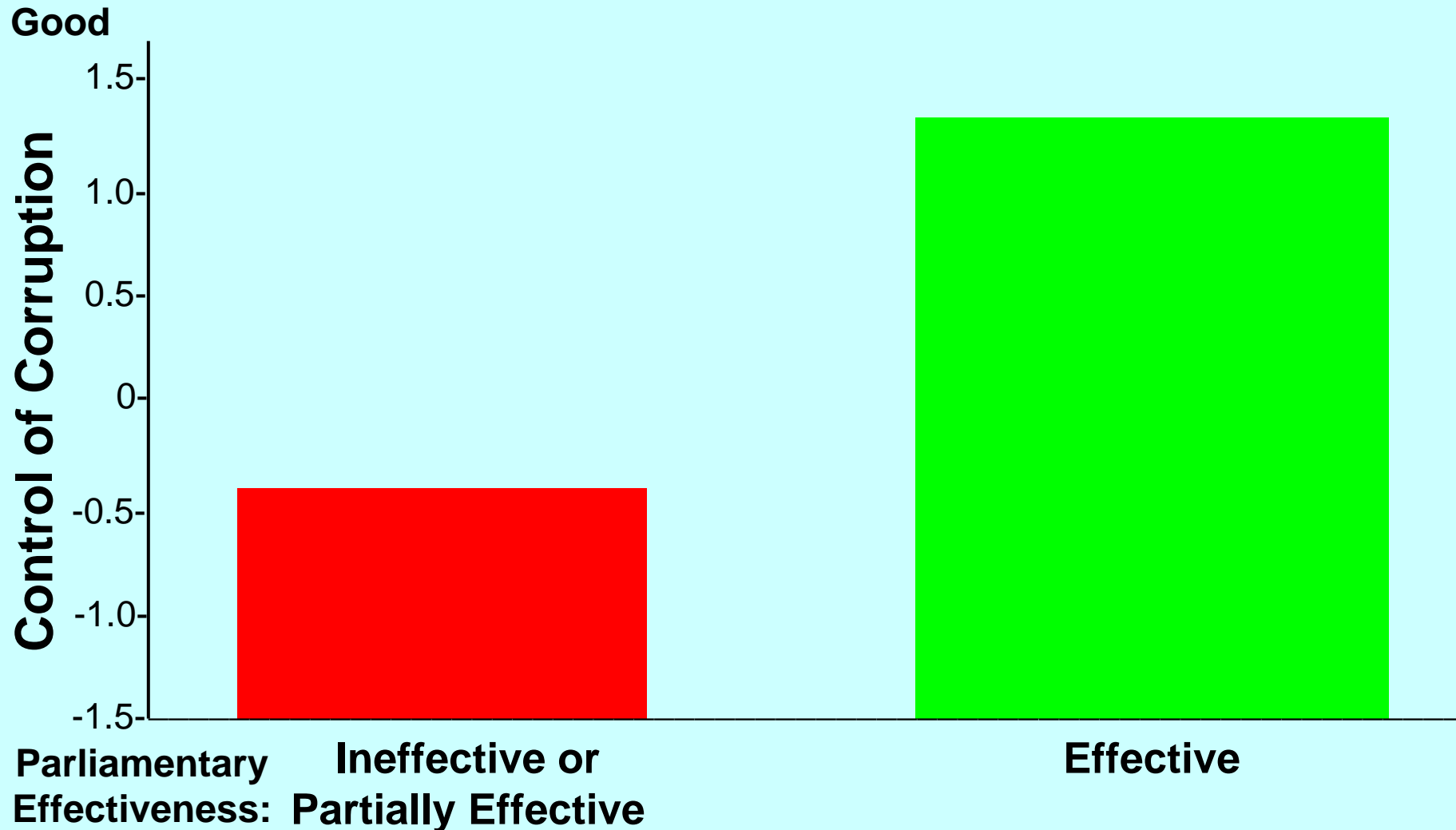
# Responsibility of the Private Sector & Multinationals on Anti-Corruption

*(% of Firms Reporting Procurement Bribery, 2006)*



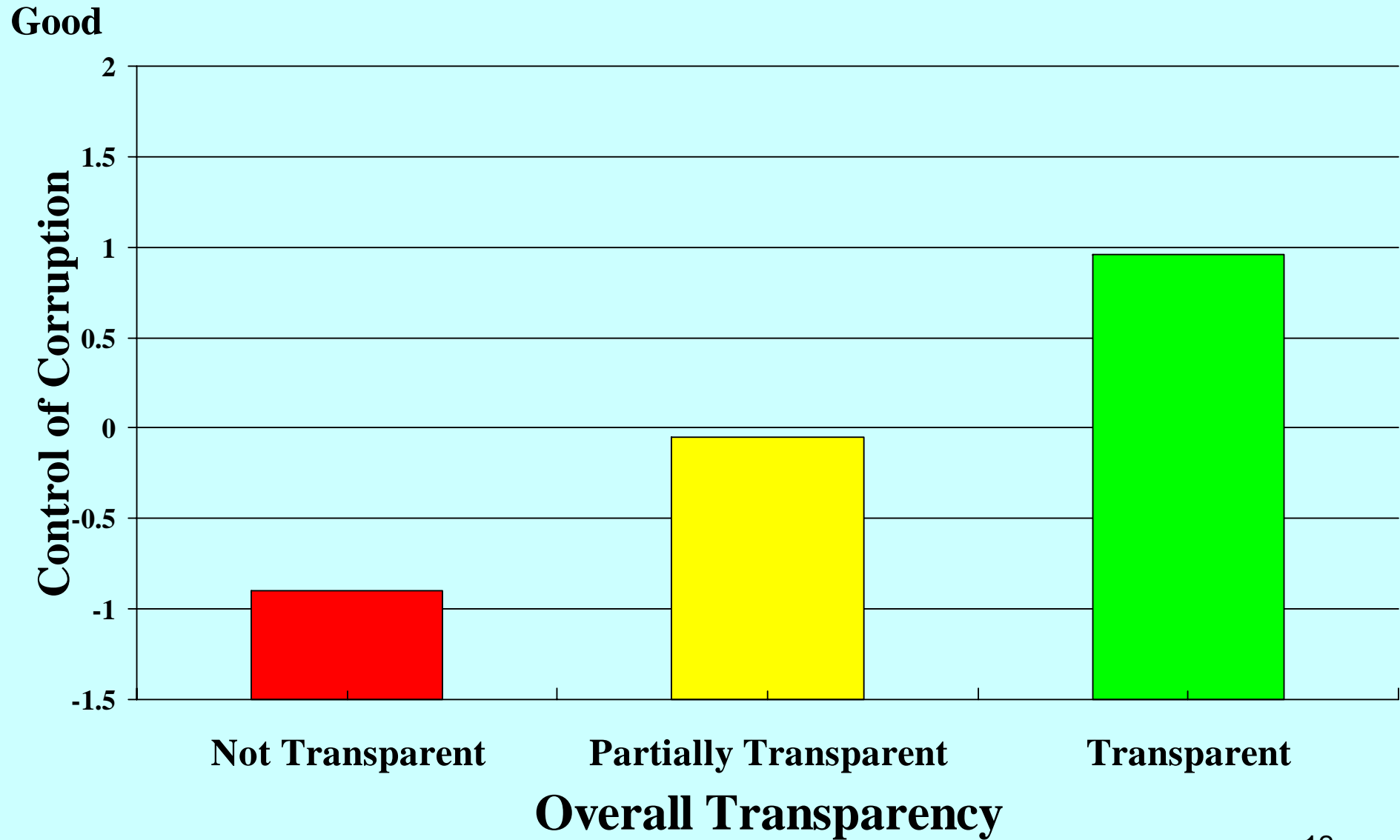
Source: EOS2006. Questions: When firms **like yours** do business with the government, how much of the contract value must they offer in additional payments to secure the contract?". Y-axis shows percentage of firms who admitted paying bribes. Last bar excludes small with less than 50 employees.

# An Effective Parliament does Matter for Controlling Corruption, 2006



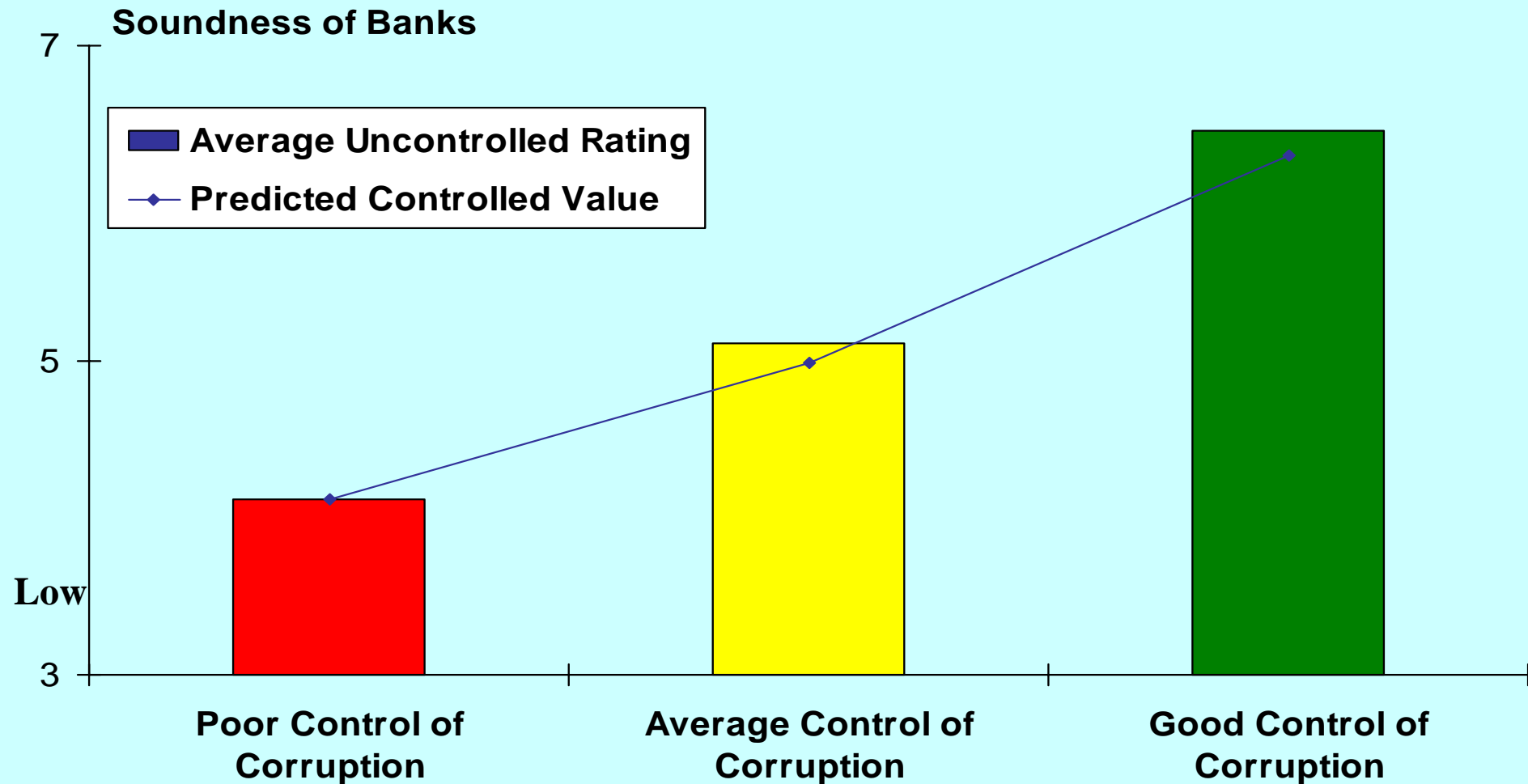
Source for control of corruption: : 'Governance Matters V: Governance Indicators for 1996-2005', D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006 (<http://www.govindicators.org/>). Source for Parliamentary Effectiveness: 2006 EOS. Terciles divided evenly according to Parliament Effectiveness ratings (125 countries total).

# Transparency Matters for Controlling Corruption



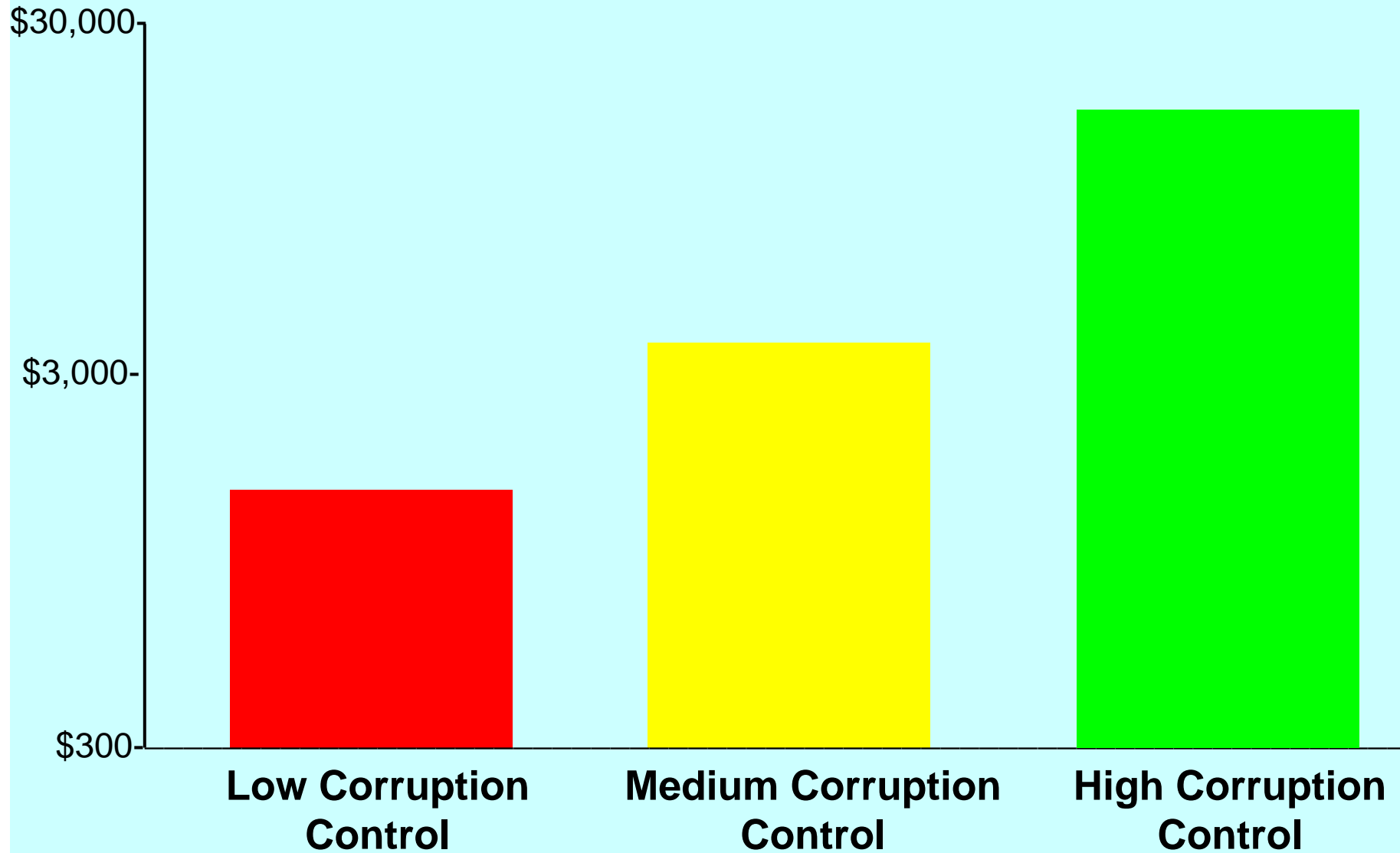
Sources: Governance Matters IV by KKM (2005) and Transparenting transparency by BK (2005). N. of countries: 190

# Corruption associated with soundness of financial sector



Source: Global Competitiveness Survey, 2001, KK Governance Indicators

# 300% Development Dividend from Good Governance

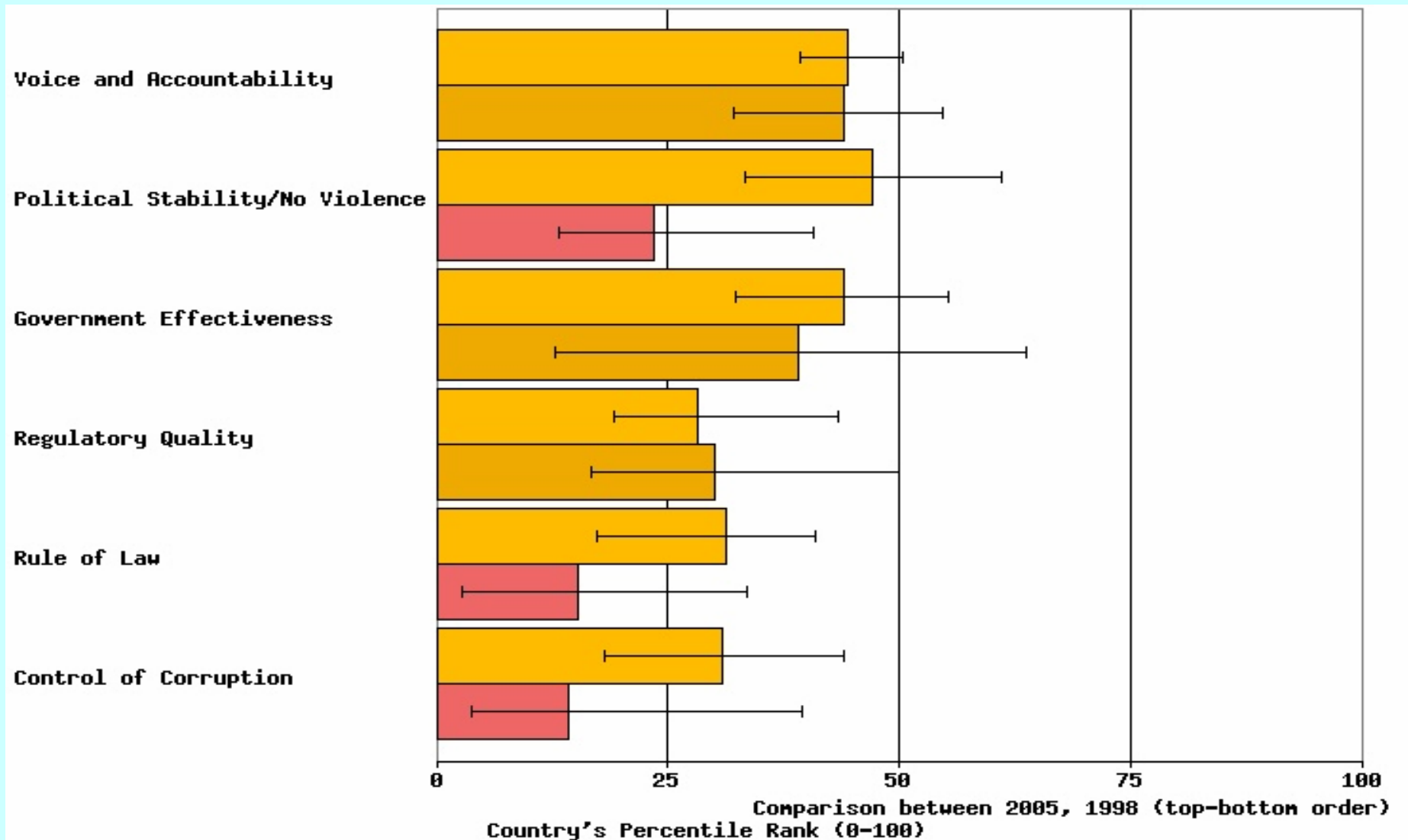


Data Source for calculations: KK 2004. Y-axis measures predicted GDP per capita on the basis of Instrumental Variable (IV) results for each of the 3 categories. Estimations based on various authors' studies, including Kaufmann and Kraay.

## **Countries can Improve in the Short Term**

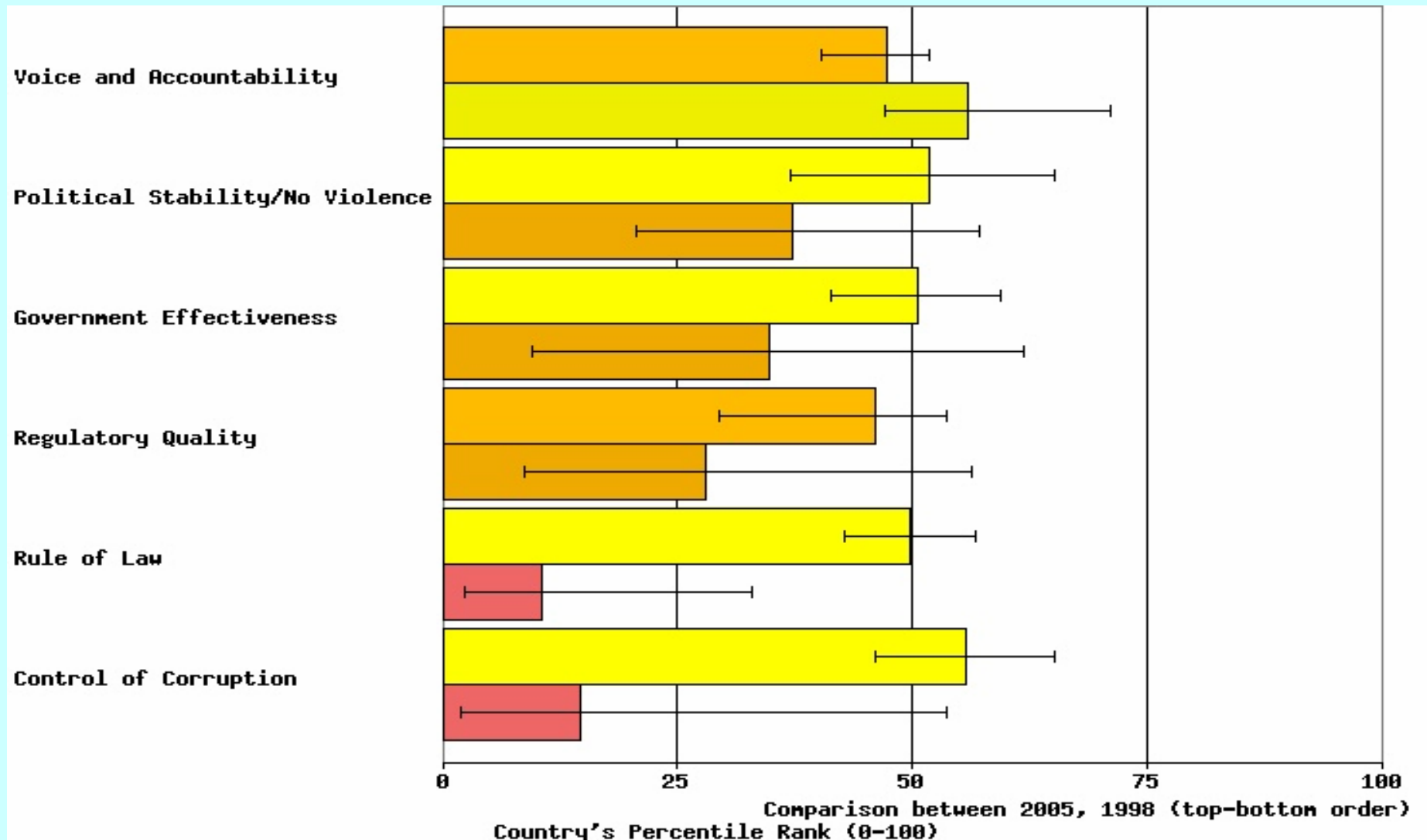
- **On average worldwide, not much of an improvement on governance and corruption control over the past decade**
- **But significant improvement in a number of countries – Eastern Europe, some in Africa, etc., challenging pessimism...it is possible**

# Governance Indicators for Mozambique, 1998-2005



Source for data: 'Governance Matters V: Governance Indicators for 1996-2005', by D. Kaufmann, A.Kraay and M. Mastruzzi, September 2006 - [www.govindicators.org](http://www.govindicators.org). Colors are assigned according to the following criteria: Dark Red: country is in the bottom 10<sup>th</sup> percentile rank ('governance crisis'); Light Red: between 10<sup>th</sup> and 25<sup>th</sup> percentile rank; Orange: between 25<sup>th</sup> and 50<sup>th</sup> percentile rank; Yellow, between 50<sup>th</sup> and 75<sup>th</sup>; Light Green between 75<sup>th</sup> and 90<sup>th</sup> percentile rank; and Dark Green: between 90<sup>th</sup> and 100<sup>th</sup> percentile (exemplary governance). Estimates subject to margins of error.

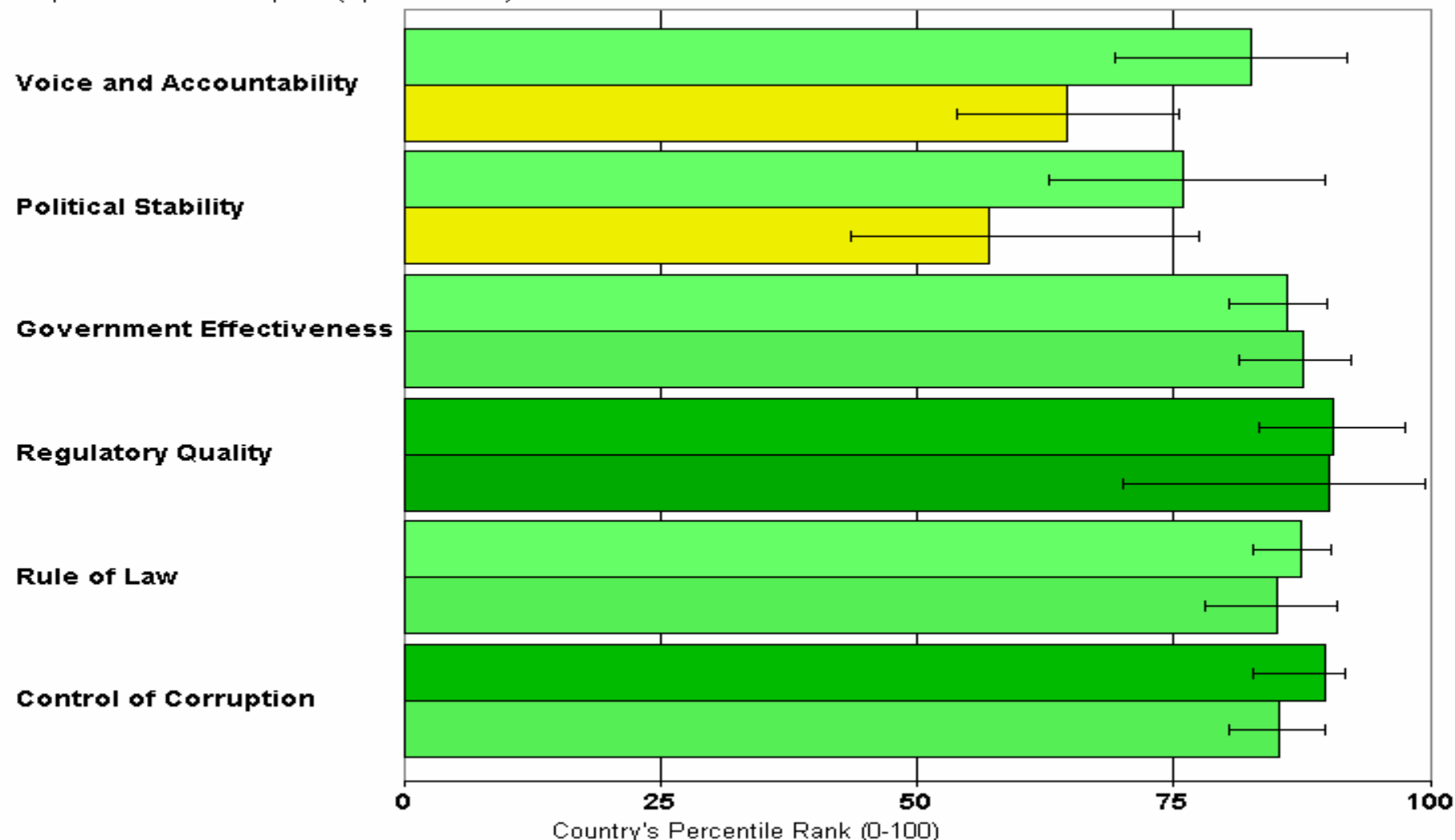
# Governance Indicators for Madagascar, 1998-2005



Source for data: 'Governance Matters V: Governance Indicators for 1996-2005', by D. Kaufmann, A. Kraay and M. Mastruzzi, September 2006 - [www.govindicators.org](http://www.govindicators.org). Colors are assigned according to the following criteria: Dark Red: country is in the bottom 10<sup>th</sup> percentile rank ('governance crisis'); Light Red: between 10<sup>th</sup> and 25<sup>th</sup> percentile rank; Orange: between 25<sup>th</sup> and 50<sup>th</sup> percentile rank; Yellow, between 50<sup>th</sup> and 75<sup>th</sup>; Light Green between 75<sup>th</sup> and 90<sup>th</sup> percentile rank; and Dark Green: between 90<sup>th</sup> and 100<sup>th</sup> percentile (exemplary governance). Estimates subject to margins of error.

# Governance Indicators for Chile, 1998-2005

Comparison between 2005, 1998 (top-bottom order)



Source for data: 'Governance Matters V: Governance Indicators for 1996-2005', by D. Kaufmann, A.Kraay and M. Mastruzzi, September 2006 - [www.govindicators.org](http://www.govindicators.org). Colors are assigned according to the following criteria: Dark Red: country is in the bottom 10<sup>th</sup> percentile rank ('governance crisis'); Light Red: between 10<sup>th</sup> and 25<sup>th</sup> percentile rank; Orange: between 25<sup>th</sup> and 50<sup>th</sup> percentile rank; Yellow, between 50<sup>th</sup> and 75<sup>th</sup>; Light Green between 75<sup>th</sup> and 90<sup>th</sup> percentile rank; and Dark Green: between 90<sup>th</sup> and 100<sup>th</sup> percentile (exemplary governance). Estimates subject to margins of error.

## **In Sum – some questions to ponder**

- 1. Anticorruption ought to be increasingly seen through good governance & capacity building:**
  - i) what is the appropriate combination between these, &**
  - ii) what are the respective roles of governments, civil society, donors, privates in supporting these?**
  
- 2. Government, Donor & Private Initiatives are key for good governance, but how to move beyond easy picks (e.g. redrafts of laws, codes, commissions) to the more difficult and often under-emphasized issues of:**
  - i) Political Finance Reform;**
  - ii) Financial Sector (incl. equity markets) & Deregulation;**
  - iii) Transparency (incl. e\*procurement) & Media Reforms (IT);**
  - iv) Raising the to the briber; e.g. Public Delisting of Implicated Firms; Asset Recovery**

# In Ending

- **Because of Uneven Progress, Time for Collective Action**
- **Corruption a \$1 trillion industry**
- **A major brake to development (300% development dividend of good governance & A-C)**
- **Mixed trends: some countries improved, others did not; should expect better results in the future**
- **How to Tailor to country specifics? -Led by country**
- **Much we don't know – *R&D & work with data...***

# A Governance Framework to Fight Corruption

*Transparency as cross-cutting theme*

