In recent years, the World Bank has led the international donor community in promoting governance and anti-corruption as a central component of its development strategy. In important respects this represents a dramatic and welcome shift in the Bank’s priorities. The international community’s willful avoidance of governance issues for the previous half-century of development lending undermined aid effectiveness, at best, and, at worst, supported authoritarian regimes which impoverished their countries and repressed their citizens. The end of the Cold War created the opportunity for the international community to finally address governance and anti-corruption. The long and disappointing empirical record of weak aid effectiveness in the absence of capable and accountable institutions provided the incentive. However, the Bank’s past record on governance and anti-corruption has badly damaged its credibility in the area; its empirical record in governance and anti-corruption over the last five years has been disappointing; and the goals and methods identified in its current strategy present few opportunities for improvement.

The mismatch between the rhetoric and reality in the Bank’s governance and anti-corruption strategy is striking. The Bank explicitly recognizes the distinction between governance and anti-corruption and acknowledges that fighting corruption is only the minimal condition for good governance. Moreover, the Bank recognizes the importance of strengthening the “demand side” of good governance and anti-corruption (through proactive civil society engagement) at the same time that it strengthens the supply side (by improving government capacity and accountability). However, operationally, if not rhetorically, the Bank’s strategy conflates governance with anti-corruption and relies almost exclusively on public administration reforms to limit the opportunities for corruption by limiting discretion in the policy-making process.

The Historical Record

The Bank’s narrow approach to governance and anti-corruption is perhaps understandable, if regrettable, given the current state of knowledge about the political economy of good governance and development. The relatively unexpected, rapid, and complete collapse of the communist bloc during the late 1980s and early 1990s, created an opening for rapid and radical institutional reforms that far surpassed existing expertise and experience. The initial approach to economic and political institution-building was formalistic, a-historic, and disappointing. The major thrust
of the first generation of reforms was to unleash markets and get the state out of the way. The policies and institutions favored by relatively well-governed and prosperous countries were simply exported to less developed countries and countries in transition. While this approach produced some successes there were at least as many disasters. Rapid and thoroughgoing economic liberalization in the absence of strong state regulatory capacity created a host of new incentives and opportunities for corruption and state capture.

The scholarship on the political economy of good governance is only just beginning to catch up to the policy agenda. It paints a much more complicated picture of the historical process and institutional underpinnings of both good governance and development. Historically, good governance, economic growth, and poverty reduction emerged haltingly, unevenly, and incompletely over a long period (and, indeed, remains incomplete even in relatively well-governed and prosperous countries); the historical context and sequencing of political and economic development followed no uniform pattern; nor do any particular institutional arrangements clearly favor good governance and anti-corruption over any other. In sum, the path to “good governance” appears to be long, complex, variable, and historically and culturally contingent. The relationship between good governance, growth, and poverty reduction is equally variable. In the absence of better theoretical and practical guidance about the ends, means, and path to good governance and economic development, the Bank naturally prefers the narrow anti-corruption approach with which it is familiar and practiced.

The Bank’s Governance and Anti-corruption Record

The Bank’s lending record over the last five years provides important insights into its approach to governance and anti-corruption. Most striking, the Bank’s lending for “Public Administration, Law, and Justice” reforms has been significant and growing. Indeed, between 2002 and 2006, the Bank devoted the largest share of its total lending to Public Administration, Law, and Justice. Within the Public Administration, Law, and Justice sector, lending for public administration reform has commanded the majority of the Bank’s investment in this sector, while the “law and justice” sub-sector has received only a small fraction of that total. While strong public administration is probably necessary to an effective governance and anti-corruption program, it is not sufficient if the goal is to promote accountable and responsive as well as capable government.

The empirical record from five years of significant investment in public administration reform has produced disappointing results. An unpublished and undated report by The World Bank’s Independent Evaluation Group (IEG) entitled “Governance and Anti-corruption: Ways to Enhance the Bank’s Impact” notes that “Despite great efforts over the past ten years, there are indications that corruption is showing no signs of improvement and could be worsening” (p. 2). In the World
Bank’s 2006 Annual Review of Development Effectiveness that EIG publicly admits that Bank “assistance has led to improvements in the quality of public sector management processes in some countries, but has not yet translated into improvements in the perceived quality of governance in most of these countries” (p. xiv). Even the softer wording in its public documents cannot disguise the manifest deficiencies of the Bank’s current approach to governance and anti-corruption.

The IEG faults, in part, the Bank’s one-sided approach to governance—which focuses primarily on the “supply-side” of governance—for the limited success of investment in Public Administration, Law, and Justice. Traditionally this has entailed efforts to strengthen the capacity of public sector administration while simultaneously constraining the discretionary authority of public officials. However, “top-down rules and regulations, and...[reforms of] systemic processes such as public expenditure management systems, civil service reform, anti-corruption commissions, etc. ...will be ineffective” the IEG report concludes, “unless demand for reform comes from more aware citizens within country. More active approaches are needed to encourage demand for change through greater transparency, encouragement of civil society, freedom of the press, and public information disclosure in close collaboration with local institutions” (World Bank, IEG, undated, p. 2).

Outside observers have arrived at similar conclusions. In a sweeping indictment of traditional approaches to development, former World Bank research economist William Easterly (2006), identifies the lack of feedback and accountability as the fatal flaw with existing aid delivery. Without feedback, governments and donors do not know if aid is producing the desired benefits. Without accountability, service providers have little incentive to respond to citizens and clients’ demands for better governance and anti-corruption. Unless and until the Bank consistently enhances transparency as well as “participation and oversight by civil society, media, and communities” at the project, country, and global levels, the Bank’s governance and anti-corruption initiatives are unlikely to deliver on their promise. Unfortunately, the Bank’s current strategy paper promises only more of the same.

The Bank’s Current Strategy Paper for Strengthening Governance and Anti-Corruption

The World Bank’s current strategy on “Strengthening Bank Group Engagement on Governance and Anti-Corruption” (2007) suffers from the same defects of its traditional approach: operationally, if not rhetorically, the Bank equates good governance with anti-corruption and seeks solutions in public administration reforms designed primarily to limit the opportunities for corruption by limiting discretion in the public sector. A “technocratic” approach to governance and anti-corruption strategy which seeks to narrow the opportunities for corruption through administrative reforms while leaving untouched the inequalities of power, resources, and access that
preserve opportunities for state capture and reproduce political exclusion will further undermine public confidence in public institutions and the Bank itself, as well as produce disappointing results.

The Bank’s Project-Level Strategy: A Public Administration Reform Agenda

At the project level, the Bank’s governance and anti-corruption strategy, the concrete proposals to “improve the integrity and development impact of Bank-funded projects” focus almost entirely on measures to limit opportunities for corruption and to penalize corrupt parties. Briefly, the Bank aims to: incorporate governance and anti-corruption measures into sectoral programs; to identify risky operations and include upstream risk mitigation measures and anti-corruption action plans in those projects; to undertake administrative reforms to increase “judiciarv quality control” in cooperation with governments; to establish anti-corruption teams to meet specific risks in specific projects; to improve design and supervision and oversight and monitoring; to strengthen the Banks capacity to investigate corruption in Bank-funded projects through the Department of Institutional Integrity (INT); to support country-level efforts to strengthen the investigation and prosecution of corruption; and to work with other international organizations and the private sector directly to weaken the demand-side of corruption. While not unimportant, narrowly defined anti-corruption measures and public administration reform have proven inadequate to the task of rooting out entrenched patterns of corruption and state capture in the past and they are unlikely to produce significant improvements in the future.

Comprehensive and sustained civil society involvement in Bank projects and operations seems to be a missing link in the system of checks and balances that supports good governance. The 2006 Global Monitoring Report recognizes that “Citizen engagement, underpinned by access to high-quality information, forms the outermost and possibly the most important element of a national system of checks and balances” (World Bank and IMF, p. 160). A strong and active civil society is an indispensable counterpart to a more capable, responsive, and accountable state as well as a stronger, more competitive, and more responsible private sector. In fact, particularly where states are vulnerable to “capture” by public and private-sector elites, it is difficult to imagine any other remedy.

While the Bank’s rhetorical commitment to civil society engagement has increased steadily over the intervening years, the results have been mixed. Case studies of participation in projects and country assistance strategies between 1994-1998, performed by the World Bank’s Operations Evaluation Department (OED) (2000), revealed a significant increase in the use of participatory approaches in Bank-assisted projects and country assistance strategies. However, the OED document also raised serious concerns about the quality of stakeholder participation.
Much participation was quite limited, to only small parts of projects, too rushed or superficial, or has been too ineffective to make much difference. Participation was uneven over phases of the project cycle. Only 12 percent of projects approved during fiscal 1994-1998 were participatory during project identification, raising issues as to whether the projects addressed the highest priority needs as defined by communities. Only 9 percent of projects included participatory monitoring and evaluation, weakening accountability of project implementers to project stakeholders. Many projects had only limited participation of women. The Bank and government agencies lacked sufficient understanding of what was needed to be done to organize communities so that they could contribute meaningfully to project design. They also lacked knowledge on how to build community institutions that represent a village’s diverse interest groups and have the capacity to be involved in the project implementation. (p. vi).

Likewise a 2002 evaluation of “Non-Governmental Organizations and Civil Society Engagement in World Bank Supported Projects” found a “gap between promise and performance” with respect to civil society engagement. To elaborate: “Comparison of information in the Bank’s NGO database with individual projects indicates that the language of NGO/CBO involvement in Bank-supported projects outstripped reality”; that “consultation with NGOs/CBOs remains tentative”; and that “NGO/CBO participation is not engaged throughout the project cycle” (pp.1-3).

Civil society organizations use much stronger language to express dissatisfaction with the quality and consistency of participatory processes in Bank-sponsored projects and operations:

Although Bank literature and policy statements are replete with testimonials to the importance of empowerment to achieving good development outcomes, the Bank has no required procedures for developing policy, and no clear minimum standards for soliciting or incorporating public inputs in its lending operations. Moreover, its internal incentive structures tend to subordinate participation to other considerations. As a result, public participation is usually ad hoc and discretionary, and the Bank generally only formalizes or requires it when forced to do so under external pressure (Herz and Ebrahim, p. 76).

By 2005, the Bank claimed that “nearly all operational staff spend some time on civil society engagement, as promoting partnerships and stakeholder participation have become part of the Bank’s business model” (p. 1, 34), but the quality and consistency of the Bank’s civil society engagement remains uneven at best. To be effective, the Bank’s rhetorical commitment to a participatory approach must be fully operationalized throughout the lending cycle. As the Bank reorients its assessment of Bank projects and operations toward “getting results” rather than simply completing projects and operations, it will have to engage the full variety of stakeholders whose support is crucial to effective and sustainable reforms. However, the Bank’s current governance and anti-corruption strategy includes no concrete proposal for increasing the quality and consistency of its participatory approach, although it promises to “review” its disclosure policies again in the near future.
The Bank’s Country-Level Strategy: More of the Same

Likewise, the Bank’s country-level strategy reaffirms the Bank’s commitment to “a broader and deeper engagement on governance and corruption” but relies on the same narrow definitions and the same limited tools. For example, it proposes to take a “systematic and disciplined approach…to the treatment of governance and corruption issues in the [Country Assistance Strategies] CASs;” vows to make use of “anti-corruption teams, field-based governance advisors, and anti-corruption action plans in projects, as appropriate;” and “in all countries where governance is a challenge,…focus on public financial management, procurement, auditing, judiciary, and legal reforms as well as a renewed engagement with governments on civil service, institutional and transparency reforms” (2007, pp. iv-v). The final bullet point (of nine) summarizing the Bank’s country-level strategy does directly address the concerns of civil society.

The Bank, within its mandate and in collaboration with other multilateral and bilateral organizations, will also support participatory and transparency initiatives, enabling citizens to access information and participate in the development of policies, spending priorities, and service provision; promote community participation to improve local governance; build media capacity; and broaden oversight over public procurement, asset declaration, and other dimensions of government performance. The Bank will revise its disclosure policy to improve the Bank’s own transparency.

The strategy paper that follows simply fails to identify the concrete mechanisms that will support these goals. In fact, despite the Bank’s rhetorical commitment to participatory approaches in country-level strategic planning processes, at the country level there is no institutionalized mechanism and no minimum standards governing CSO-Bank engagement and many disincentives in the Bank’s internal incentive structure. Thus the consistency, comprehensiveness and quality of participation in the production of both Poverty Reduction Strategies and Country Assistance Strategies varies widely.

However, the most glaring omission in the Bank’s country-level strategy is a clear explanation of how governance will be measured, by whom, and how these measures will be used by the Bank in its lending decisions. The Bank appears to favor the model provided by the Performance-Based Assessment system used by the International Development Agency (IDA) for allocating resources among the Bank’s poorest (IDA-eligible) member countries: the Country Policy and Institutional Assessments (CPIAs). The CPIA model is objectionable on several grounds. First, CPIA does not normally include stakeholder participation. Although “CPIA ratings are discussed with respective governments during preparation and after finalization” and there is no presumption of broad stakeholder consultation. Final assessments are made by Bank staff and reviewed by Bank staff. In addition, despite their importance in the IDA allocation system, CPIAs were not even published until 2005 and then only for the poorest (IDA-eligible) countries. The lack of both transparency and
stakeholder participation in the CPIAs provides a weak foundation for an effective and legitimate country-level governance and anti-corruption strategy.

A review of the “Uses and Abuses of Governance Indicators” by the OECD Development Centre Studies (2006) notes that “It is paradoxical, to say the least, for donors and investors to judge and sometimes punish developing countries for a perceived lack of transparent governance on the basis of such non-transparent indicators” (p. 92). The report concludes that “while there will never be one perfect governance indicator, the production and use of more transparent governance indicators will better serve the needs of both external users and developing countries seeking to improve the quality of local governance” (p. 89) Increasing transparency and participation in the development and refinement of governance indicators is central to a process of social learning and innovation as well as local capacity-building for good governance and anti-corruption.

**The Bank’s Global Strategy: A Glass Half Full**

The Bank’s global strategy for supporting good governance and anti-corruption includes a number of welcome elements. Its emphasis on “mutual accountability” rightly makes governance and anti-corruption the shared responsibility of developed countries and commercial actors as well as developing countries. The strategy includes support for a number of very important global initiatives to attack the “demand-side” of corruption. For example, the United Nations Convention Against Corruption and the OECD Anti-Bribery Convention both enlist developed countries’ aid in preventing, uncovering, and prosecuting corruption and in asset restitution. The strategy also briefly mentions the importance of enlisting private sector commercial interests in governance and anti-corruption but offers only the Bank Group’s weak Voluntary Disclosure Policy as an example. Civil society initiatives to increase transparency between the public and private sector actors—especially in the corruption-prone extractive sector—also get favorable mention by the Bank. Finally, the Bank recognizes the importance of coordination across the multilateral development banks and other donors in implementing an effective governance and anti-corruption strategy while minimizing the additional reporting burden on clients.

However, conspicuous by its absence is any mention of human rights in the Bank’s global governance and anti-corruption strategy. In deference to its Articles of Agreement as well as the sensitivities of its member states, the Bank has shied away from taking a proactive position on human rights. However, over time and especially since the end of the Cold War, thinking and practice in both the development and human rights fields have evolved considerably, as has the Bank’s own interpretation of its Articles of Agreement.

Growing evidence of a strong empirical connection between human rights protections and the Bank’s core interests in economic growth and poverty reduction underlies the
case for a proactive human rights stance in the Bank. The World Bank Institute’s resident expert on “governance,” Daniel Kaufman (2004), has argued that “first generation” human rights (political and civil rights) are critical for achieving “second generation” (socioeconomic) human rights and for advancing society’s long-term development. In fact, his research suggests that the “impact of civil liberties [on development project returns] is as empirically large as the better known impact of economic distortions” which are the common targets of loan conditionality.

A 2006 legal opinion attributed to outgoing Senior Vice President and Legal Counsel concerning “Human Rights and the Work of the World Bank” extends this line of reasoning to its logical conclusions (Legal opinion, 2006). Based on “research suggesting a correlation between respect for human rights and economic outcomes” like growth and poverty reduction, Counsel concludes, that “there are instances in which the Bank may take human rights into account...others in which it should...[and i]ndeed, there are some activities which the Bank cannot properly undertake without considering human rights” (p. 7). Especially where member states themselves have already achieved broad consensus—reflected in nearly universal support for a number of international human rights instruments— it is hard to imagine what principled case the Bank can make for taking a timid approach to human rights protection.

As the world’s preeminent development lender, the Bank has a unique opportunity for generating international standards for sustainable and inclusive development. By contrast, refusing to affirm that Bank-supported projects and policies are subject to standards already codified in widely accepted human rights agreements, deprives the Bank of an important opportunity to promote human rights and human development, along with its own governance and anti-corruption agenda (Herz, 2007, p. 6).

### Strengthening the Demand Side of Good Governance

The Bank cannot engineer “demand” for good governance any more than it can “supply” good governance through institutional reform. Indeed, the Bank could do more harm than good by trying to use conditionality to force states and societies to conform to some grand design for good governance that has no grounding the domestic political economy. However, even as the Bank takes a more modest approach to additional public administration reforms, it should move aggressively to create enabling environment for social learning and social innovation. The Bank can pursue this goal most effectively and expeditiously by promoting greater transparency and stronger civil society engagement in the identification, design, implementation, monitoring and evaluation of Bank-financed projects, decision-making processes, and operations.

The World Bank Participation Sourcebook (1996) highlights the advantages of a participatory approach by contrasting the traditional “external expert” approach toward community engagement to more substantive “participatory stance.” Traditionally, “participation” would consist of outside “experts” collecting information and opinions from stakeholders about a pre-selected development
strategy and then inviting community members to participate in (i.e., support) the implementation of the chosen development strategy. By contrast, a participatory approach allows communities to “influence and share control over development initiatives and the decisions and resources which affect them” (p. 8). Participatory approaches promote “social learning” in which “stakeholders generate and internalize [knowledge] during the participatory planning and/or implementation of a development activity.” In turn “social learning is followed by ‘social invention’….[in which] stakeholders invent new practices and institutional arrangements they are willing to adopt….as practical expedients to get things of value done” (p. 5).

In the absence of good theoretical guidance and practical experience in how to actually promote good governance and anti-corruption, the Bank can best serve this process by supporting international human rights protections which allows societies to mobilize and express their interests and by multiplying mechanisms for feedback and accountability throughout its own projects and operations. When the people who have the most to gain from good governance and anti-corruption are free to speak, assemble, and organize on behalf of their own interests they can become a potent and sustained force for reform. While there are no guarantees that reforms movements will be successful, historically there are few examples of successful reforms that were not supported by organized and vocal domestic constituencies.

Moreover, whatever its long-term consequences, an active “demand-side approach” to governance and anti-corruption offers a number of critical short-term benefits. First, the Bank can achieve many of the desired results by changing its own policies rather than waiting for long, complicated, and sometimes costly domestic-level reforms. In addition, transparent and participatory approaches can increase “country ownership” of reform. As the Bank has recognized, “There is significant evidence that participation can in many circumstances improve the quality, effectiveness, and sustainability of projects, and strengthen ownership and commitment of government and stakeholders.” (World Bank, 2005: 6). Finally, and perhaps most importantly, the opportunity to participate in decision-making processes is not only instrumentally important to getting better development results, but also intrinsically important to individual and community development. Surely human development is the ultimate goal and measure of the Bank’s work.

Summary

Recent scholarship on the political economy of governance and development suggests that there is no universal definition of, or path to, good governance. Historically, what people want and expect from government, what trade-offs they are willing to make when some public goods conflict with other public and private goods, what
institutional arrangements they prefer, and how they actually get from poor and/or weak governance to good governance has proven enormously variable. Operationally, if not rhetorically, the Bank’s governance and anti-corruption strategy has, in fact, conflated governance with anti-corruption and been reduced operationally to a public sector reform agenda. This approach simply has not produced the desired results. It is not clear that it has appreciably diminished opportunities for corruption or state capture, much less promoted good governance. Nor has it had a clearly positive impact on aid effectiveness.

Given the state of uncertainty regarding the ultimate ends, means, and path to good governance and disappointing results of ten years of Bank-supported public administration reform, the Bank can act most confidently to promote good governance and aid effectiveness by strengthening transparency, feedback, and accountability mechanisms in its own projects and operations.

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