

ANTICORRUPTION INITIATIVES

Reaffirming Commitment to a
Development Priority



WORLD BANK GROUP
Equitable Growth, Finance & Institutions





WORLD BANK GROUP
Equitable Growth, Finance & Institutions

December 20, 2019

"Today, growing challenges are raising the bar. State capture, self-dealing by political elites, and illicit financial flows derived from corruption are continuing to weaken economic outcomes and to spur inequality. These challenges call on us to think in new ways, create new tools, and harness new opportunities."

Ceyla Pazarbasioglu

VICE PRESIDENT
EQUITABLE GROWTH, FINANCE & INSTITUTIONS
WORLD BANK GROUP

Contents

I. Introduction	4
II. The Development Imperative for Addressing Corruption.....	7
Human Capital.....	7
Maximizing Finance for Development	9
Jobs	11
Gender Equality	11
Climate Change	12
Fragility, Conflict and Violence	12
III. The Changing Environment Calls for New Anticorruption Initiatives	13
The shifting nature of globalization	13
Technology.....	13
Renewed interest and commitment of the international community.....	14
Insights of social science research	14
Shifts in the Bank’s focal areas and portfolio	15
IV. Responding to the Changing Environment: Specific Anticorruption Initiatives.....	15
1. Global Standards and Monitoring.....	17
1.1.Support common standards	17
1.2.Monitor global progress on anticorruption.....	17
2. Power and Money: Understanding and Addressing State Capture.....	18
2.1.Understand the pathways and levers of capture in specific settings	18
2.2.Strengthen mechanisms and institutions of accountability.....	19
3. A Sector-Based Approach	20
3.1.Understand and address sector-level vulnerabilities and scale up interventions	20
3.2.Devolve anticorruption to the sub-national level	20
4. High Definition Transparency	21
4.1.Leverage new tools and technologies to manage risk	21
4.2.Promote data literacy	22
4.3.Improve effectiveness of national beneficial ownership frameworks.....	22
5. Addressing the Facilitators	23
5.1.Stop the getaway car - drawing attention to facilitation	23
5.2.Help citizens and firms to kick the habit	24
V. Putting it All Together: A Comprehensive Approach to Corruption	25
Diagnostics	25
Interventions.....	26

Partnerships	28
Toward a World Bank Anticorruption Action Plan	29
Annex 1. Types of Corruption: Enhancing the Standard Approaches	30
Annex 2. Key Milestones in the World Bank’s efforts to address corruption as a development challenge.....	33
Annex 3. Evolution of the Concept of “Corruption” in the Development Context.....	37
Annex 4. Measuring Corruption and Anticorruption.....	40
Annex 5. Analytical Work Plan	42

Figures

Figure 1. How Corruption Can Undermine the Development of Human Capital.....	9
Figure 2. Corruption and the Human Capital Index.....	10
Figure 3. Anticorruption: A Priority for Poverty Reduction by WBG Stakeholders	15
Figure 4. Strategies When There Is and Is Not Demand from Clients	27

Boxes

Box 1. What are the links between Illicit Financial Flows (IFFs) and corruption?	16
Box 2. Global Standards and Monitoring. Indicative set of activities.....	18
Box 3. Power and Money. Indicative set of activities.....	19
Box 4. Sector-Based Approach. Indicative set of activities.....	21
Box 5. High Definition Transparency. Indicative set of activities	23
Box 6. Addressing the Facilitators. Indicative set of activities.....	24
Box 7. Selected External Partnerships	29

I. Introduction¹

Corruption continues to have a disproportionate impact on the poor and most vulnerable, increasing the cost of, and reducing access to, health, education, justice, electricity and other basic services, thereby exacerbating inequality.² It reduces private investment as it increases risks for investors, with consequent effects on growth and jobs. It distorts public spending decisions and weakens the quality of public investments as substandard infrastructure gets built and the regulatory systems for quality control and safety are bypassed. It erodes public trust in governments, undermining their legitimacy and posing a threat to peace and stability.

Corruption, often defined as the abuse of public office for private gain, has many faces and covers a wide range of behaviors. Corruption covers bribery for the provision of basic services, such as health and education, and bribery to evade regulations such as environmental regulations and building codes, collusion, and other distortions to procurement, leading to excessively costly, poor quality, spending. Corruption includes theft of state resources, whether through wholesale embezzlement, or through the misallocation of rights related to land, water, forests, or minerals. Corruption on the revenue side of the budget, such as bribes to evade taxes and customs duties, weakens the revenue base for financing development. Corruption in the institutions of the state can be the most pernicious: Corruption can occur in the civil service, such as when hiring, firing, or promotion decisions are based on patronage, nepotism, or personal connections. Corruption can occur in the legislative process, when ties between business and politics are so close that regulations become twisted, at the cost of fairness and competition. And when bribes or undue influence over cases undermine the integrity of the judicial system, the ability to fight corruption is itself impaired. Although the traditional definition, with its focus on “public office” seems to suggest one-sided blame, the paying hand of the private sector or even citizens can also be considered corruption. Finally, money laundering, the effort to move or conceal money whose source is illegal, allows corruption to go undetected, and is itself a form of corruption. (Annex 1 elaborates on common forms of corruption.³)

¹ This note was prepared by an EFI Anticorruption Task Force consisting of James Anderson, David Bernstein, Jean Pierre Brun, Alexandra Habershon, Francesca Recanatini, Emile Van der Does de Willebois, and Stephen Zimmermann as Chair. It was prepared under the guidance of Deborah Wetzel, Senior Director (GGP), Edward Olowo-Okere, Director (GGP), Moustapha Ndiaye, Senior Advisor (GGP), and Ceyla Pazarbasioglu-Dutz, Vice President (EFI). It has benefitted from comments from Stefan Koeberle, Robert Saum, and staff from INT and OPCS, as well as comments on earlier drafts by Marcelo Estevo, Qimiao Fan, Vinay Sharma, Eduard Al-Dahdah, Izzah Akram, Pedro Arizti, Jurgen Blum, Deryck R. Brown, Klaus Decker, Yara Esquivel, Helene Grandvoinnet, Zahid Hasnain, Marco Larizza, Alberto Leyton, Yira Mascaro, Yasuhiko Matsuda, Bernard Myers, Amit Mukherjee, Rajat Narula, Gael Raballand, Ismail Radwan, Marcela Roza, Roby Senderowitsch, Joel Turkewitz, Cari Votava, and Anna Dravniec.

² The enormous literature on the costs of corruption will not be reviewed here. Some contributions that summarize this literature include the WBG [Governance and Anticorruption Strategy](#) (2007), and Sofia Wickberg (2013), “[Literature review on costs of corruption for the poor](#)”, U4 Expert Answer 382. The April 2019 *Fiscal Monitor* from the IMF examines the [fiscal costs of corruption](#).

³ The forms of “corruption” highlighted here and in Annex 3 are not necessarily legally defined as “corruption” in all jurisdictions. As noted in Annex 3, the legal definition of corruption can vary considerably across countries and institutions. The term is, therefore, used in its generic sense, rather than a legal sense, in this document. Many of these behaviors are not considered “corruption”, for example, as sanctionable practices by the World Bank’s rules.

Studies of corruption employ a range of terms to classify these disparate types of corruption, using labels such as “petty corruption” for basic services and “grand corruption” for kleptocracy or bribes for large procurement contracts; “administrative corruption” when the focus is on the implementation of laws, and “state capture” when corruption perverts the shape of the laws themselves. A single instance of corruption may be a one-off transaction, or it may be part of a broader network in which corruption is so systemic as to be a system in itself.

However defined, corruption is among the biggest threats to reducing poverty and promoting shared prosperity. This fact has long been recognized, at least since the 1996 “Cancer of Corruption” speech,⁴ which precipitated the Bank’s first strategy focused on helping countries prevent fraud and corruption in Bank-financed projects, developing new diagnostic tools, taking corruption explicitly into account in country assistance strategies, policy dialogue, and analytical work, and adding voice to the international efforts to reduce corruption.⁵

Our understanding of corruption, and the way that the Bank’s work with countries on their anticorruption institutions, has evolved; not in a continuous way, but in episodic bursts of energy. Ten years after the famous speech, in 2007, the Board approved the Governance and Anticorruption (GAC) Strategy. In the time since, new technologies have presented new opportunities and risks, globalization has taken on new dimensions, and science has brought about a greater understanding of human behavior. The Bank’s key priorities have evolved, and the international community has taken greater notice of the challenge of corruption. Now that another decade has passed, the time for a reassertion of the importance of anticorruption for the Bank’s twin goals, and a rethink on approaches to anticorruption, has come. (A timeline of key milestones is attached as Annex 2, and a description of the evolving understanding of the term “corruption” is provided in Annex 3.)

In the course of 20 years working on anticorruption, and supporting the institutions that help control corruption risks, the World Bank has made contributions to a better understanding of the nature of corruption, as well as mechanisms for the control of corruption risk around the world.⁶ These efforts have led to positive results in some areas, notably in expanding access to information, improving public financial management, and reducing administrative corruption.⁷ Even in places where there has been progress in reducing administrative corruption, the rate of change has been slow; and state capture continues to weaken

⁴ [Annual Meetings Address](#) by James D. Wolfensohn, President of the World Bank, October 1, 1996.

⁵ World Bank (1997), [Helping Countries Combat Corruption—The Role of the World Bank](#).

⁶ For example, IEG reviews found that [open data initiatives](#) (2017) contributed to improvements in fiscal transparency, and anticorruption measures related to [tax revenue mobilization](#) (2017) led to increased tax compliance.

⁷ The World Bank’s Enterprise Surveys suggest a global decline in bribery since 2006. Since the EBRD-World Bank Business Environment and Enterprise Performance Surveys (BEEPS) began in 1999, it has consistently shown overall patterns of declining administrative corruption. See World Bank (2006) [Anticorruption in Transition 3--Who is Succeeding ... And Why?](#) and World Bank (2011) [Trends in Corruption and Regulatory Burden in Eastern Europe and Central Asia](#).

economic outcomes and contribute to instability.⁸ Despite the attention that corruption received as a development challenge in the past, the imperative to reduce corruption is as strong as ever.⁹

A comprehensive stocktaking of the Bank's work on anticorruption in 2017 reviewed the various streams of activities developed at the project, country, and global levels. These included external activities such as efforts to measure the phenomena, to support national strategies to change policies and practices, and to help design implementation actions to prevent corruption, as well as internal efforts to strengthen sanctions and develop preventive mechanisms to address integrity risks in operations.¹⁰ The review highlighted three factors that were most closely associated with successful interventions. First, it found that Bank efforts are most likely to be successful when we effectively embed the fight against corruption within broader institutional strengthening approaches, as opposed to treating it as a standalone effort. Early efforts that focused on rules, with less attention to their implementation, ultimately gave way to bottom up approaches that rely on local leadership, implementation mechanisms for adaptation and iteration, and an ability to track intermediate outputs through feedback loops. Second, the review argued that progress in the fight against corruption came when we linked our knowledge of what works in state capability building within a broader approach that is able to effect changes in incentives and norms at the local level. The study noted, for example, that attempts to develop effective public sector organizations, train professionals, and build sound bureaucracies also need to develop interventions that strengthen norms and informal accountability structures. Third, the review argued that the Bank is better able to effect change on a large scale when the principles that inform our fiduciary and compliance efforts at the project level influence reforms within client governments. The study suggests that when projects introduce new processes, technologies, information systems, and platforms for engaging with communities and beneficiaries, such tools can similarly be used to strengthen governance, and control corruption, beyond the projects that were the original targets.

This paper draws on these lessons and proposes a new approach, both in terms of what we work on and how we work, focusing on initiatives to be led by the Bank's EFI vice presidency to reaffirm the Bank's commitment to anticorruption. The initiatives refresh approaches that are showing results, scale up those that are emerging and show promise, or experiment and innovate where fresh thinking is needed in our support to client countries to help them control corruption. In this note, corruption is seen as both a symptom of underlying governance challenges and a problem in and of itself. For practical purposes, and to keep the focus on corruption, the initiatives do not expound on the many aspects of governance that influence corruption. The paper also does not focus on efforts to control corruption risk in World Bank operations, but rather focus on the support that the EFI Vice Presidency will provide to countries in their efforts to control corruption.

⁸ As described below, sources document changing levels of corruption include the World Bank's [Enterprise Surveys](#) and the ECA-specific EBRD-World Bank Business Environment and Enterprise Performance Surveys ([BEEPS](#)). Sources such as the Bank's [Global Indicators of Regulatory Governance](#), Public Expenditure and Financial Accountability ([PEFA](#)), the [Global Right to Information Rating](#), and others document progress on improving the policies and institutions that help control corruption.

⁹ To reaffirm the Bank's leadership, former President Kim joined leaders from 40 countries at the 2016 Anti-Corruption Summit hosted by the United Kingdom, committing the Bank to a range of steps to confront corruption. And in 2018, Kristalina Georgieva, CEO, Ceyla Pazarbasioglu, Vice President for EFI, and Deborah Wetzel, Senior Director for the Governance GP, along with Pascale Dubois, Vice President for Integrity, participated in the International Anti-Corruption Conference (IACC) in Copenhagen and announced a new set of commitments. A task force with staff drawn from across the Equitable Growth, Finance and Institutions (EFI) vice presidency was tasked with developing this paper to develop plans for the anticorruption work across EFI.

¹⁰ "Confronting Corruption over Twenty Years: The World Bank and the Evolution of a Global Anti-Corruption Ecosystem." Internal draft, December 2017. Page 4.

Broadening the Bank's focus from developing countries to the financial centers in rich countries, taking on the politics of corruption more openly than before, harnessing new technologies to understand, address, and prevent corruption, and integrating the insights of behavioral social science will help refresh the Bank's approach to anticorruption for a rapidly changing world. And by systematically reasserting the rotting effect that corruption has on institutions and trust, by drawing attention to the crushing loss of livelihoods and dignity for poor people in the countries most affected by corruption, by highlighting the ineffectiveness of fiscal management when corruption is rampant, by making the link between corruption and poverty clear to the Bank's clients and partners, the new approach will reenergize the Bank's approach to corruption.

The outline of this paper is as follows. Section II illustrates the criticality of tackling corruption in client countries to the Bank's twin goals of reducing poverty and promoting shared prosperity. Section III summarizes the global, technological, and knowledge changes that demand a new approach to corruption. Section IV outlines a set of five specific initiatives selected to respond to the changing environment. Section V outlines a new comprehensive approach to anticorruption, one based on an analysis of the political and institutional opportunities and constraints faced on the ground, and one implemented with the appropriate interventions, leveraging partnerships both within the Bank and internationally.

II. The Development Imperative for Addressing Corruption

With the historic capital increase and IDA19 replenishment discussions completed, the Bank is well-placed to advance its goals of eliminating extreme poverty and promoting shared prosperity. The capital increase and IDA 19 will support critical priority areas, including climate change, fragility conflict and violence, gender and development, governance and institutions, jobs and economic transformation, and cross-cutting issues such as debt transparency and sustainability, human capital and technology, not to mention quality infrastructure and Maximizing Finance for Development.

While corruption is no doubt a distinct challenge of development, it also threatens to undermine success and prevent the World Bank from achieving the fullest potential of all these major initiatives. This section will illustrate the threats that corruption poses to World Bank Group priority areas such as the Human Capital Project, Maximizing Finance for Development, as well as the Jobs, Gender, and Climate Change agendas. Finally, the ways that corruption can contribute to the descent into fragility and conflict, and complicate efforts to establish peace and stability, will be noted.

Human Capital

The Human Capital Project rightly draws attention to the importance of human capital for a country's development and calls for more investment in learning-oriented education and healthcare. Yet, corruption can undermine this goal throughout a person's life. Some of the links are obvious: Corruption in the education system, manifested in teacher absenteeism, kickbacks for school meals contracts, nepotism and false degrees, could weaken the efficacy of learning-related spending, for example.¹¹ But corruption can

¹¹ As noted in the groundbreaking *The Many Faces of Corruption*, "in a surprisingly large number of countries in all regions of the world, corruption is pervasive at all levels of education, from primary schools through tertiary institutions. It can occur at any stage and among any group of actors from policy makers at the ministerial level to providers at the school level such as teachers and contractors to beneficiaries of education such as students and

undermine human capital development in many other ways. State capture can lead to a diversion of budgetary resources away from health and education, precisely because the rents are larger for infrastructure projects.¹² Even within the health sector, corruption in the procurement of pharmaceuticals or medical equipment can weaken survival rates and constrain the ability of children to learn. Corruption has been linked to problems as wide-ranging as antimicrobial resistance¹³ and HIV infection¹⁴, and to child mortality¹⁵ more generally.¹⁶ And corruption can keep thousands of ghost workers on the payroll diverting scarce public funds that could otherwise help poor people access education and health services.

Corruption beyond the social sectors can have important effects on human capital development. Road accidents are a leading cause of premature mortality, explaining more than 50% of both the adult survival rate and the probability a child survives to her or his 5th birthday, two components of the HCI. (Top left panel of Figure 2.) Road accidents, in turn, are exacerbated when corruption in infrastructure leads to poor quality roads, or when road safety enforcement is undermined by corruption. In fact, across countries, corruption in the police is highly correlated with road fatalities. (Top right panel of Figure 2.) Corruption in the police weakens enforcement of security, as well, meaning that such corruption can also contribute to premature deaths from other causes. The rate of bribes paid to the police, therefore, has an effect on the adult survival rate above and beyond its effect on road accidents. (Bottom left panel of Figure 2.)

Corruption to avoid environmental regulations, kickbacks in procurement, bribes to pass building inspections, state capture by interests in pharmaceutical companies, all undermine the development of human capital. The bottom right panel of Figure 2 shows the simple correlation between the fraction of the surveyed population that paid bribes and the overall Human Capital Index.¹⁷

parents. Corrupt practices in education can include bribes and illegal fees for admission and examination; academic fraud; withholding teacher salaries; preferential promotion and placement; charging students for “tutoring” sessions to cover the curriculum needed to pass mandatory examinations and that should have been taught in the classroom; teacher absenteeism; and illegal practices in textbook procurement, meal provision, and infrastructure contracting.” Harry Patrinos and Ruth Kagia, 2007, “Maximizing the Performance of Education Systems The Case of Teacher Absenteeism,” in J. Edgardo Campos and Sanjay Pradhan (eds), *The Many Faces of Corruption--Tracking Vulnerabilities at the Sector Level*. The World Bank.

¹² See, for example, Paolo Mauro, 1998. “Corruption and the Composition of Government Expenditure”. *Journal of Public Economics*, 69, pp. 263-279.

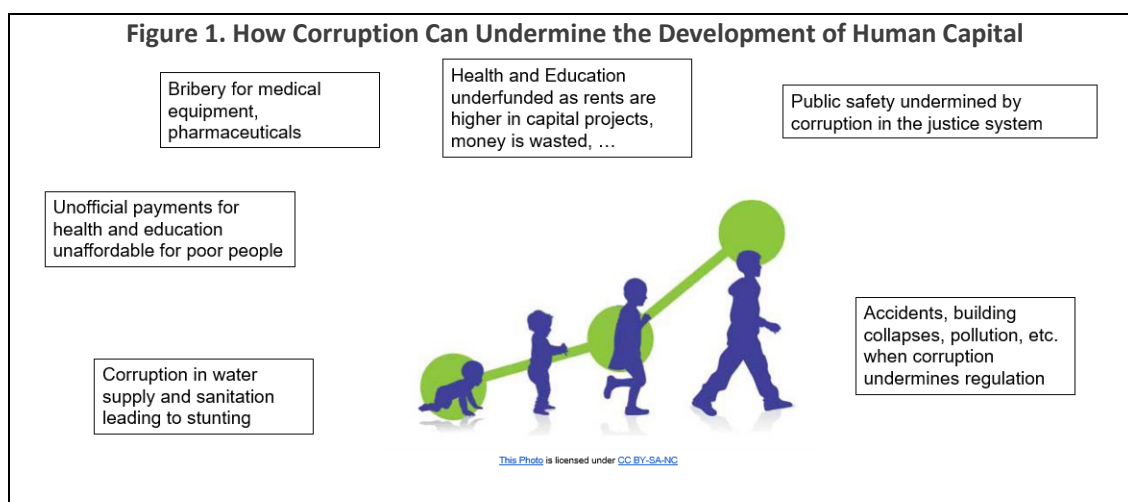
¹³ Collignon P, Athukorala P-c, Senanayake S, Khan F (2015) Antimicrobial Resistance: The Major Contribution of Poor Governance and Corruption to This Growing Problem. *PLoS ONE* 10(3): e0116746.

¹⁴ Goldstein, Markus, Joshua Graff Zivin, James Habyarimana, Cristian Pop-Eleches, and Harsha Thirumurthy. 2013. “The Effect of Absenteeism and Clinic Protocol on Health Outcomes: The Case of Mother-to-Child Transmission of HIV in Kenya.” *American Economic Journal: Applied Economics*, 5 (2): 58-85.

¹⁵ Hanf M, Van-Melle A, Fraisse F, Roger A, Carme B, Nacher M (2011) Corruption Kills: Estimating the Global Impact of Corruption on Children Deaths. *PLoS ONE* 6(11): e26990.

¹⁶ For a summary see Talha Burki (2019), “Corruption is an ‘ignored pandemic’”. *The Lancet*. Vol 19, p 471, May 2019. www.thelancet.com/infection

¹⁷ The corruption figures used in these charts are drawn from Transparency International’s Global Corruption Barometer, a survey about, among other things, people’s experiences with bribe payments for the police, for health and education, and others. These figures are for illustration only and come with all caveats appropriate for cross-country scatter plots. Sources in the footnotes of this paper generally take care to control for the complexity of these relationships. For those depicted in Figure 2, a simple regression controlling for GDP per capita was run to confirm that the patterns are not simply capturing income levels. Even after controlling for income, all of the relationships are highly statistically significant.



Maximizing Finance for Development

Recognizing that ODA alone will not be sufficient to achieve the SDGs, the Maximizing Finance for Development (MFD) agenda calls for crowding-in private investment, while improving the regulatory environment to help achieve that goal. MFD aims to systematically leverage all sources of finance, expertise, and innovations to support developing countries' sustainable growth. The approach is to improve the enabling environment, develop regulatory conditions, build capacity, put in place standards, finance first movers or innovators, and reduce risks. As the MFD agenda includes complementary efforts to cut red tape and streamline administrative processes, it could help reduce opportunities for corruption. Indeed, doing so would help reduce the risks that often deter foreign investors and support the goals of the MFD agenda.¹⁸ Yet, the approach to corruption must be much broader.

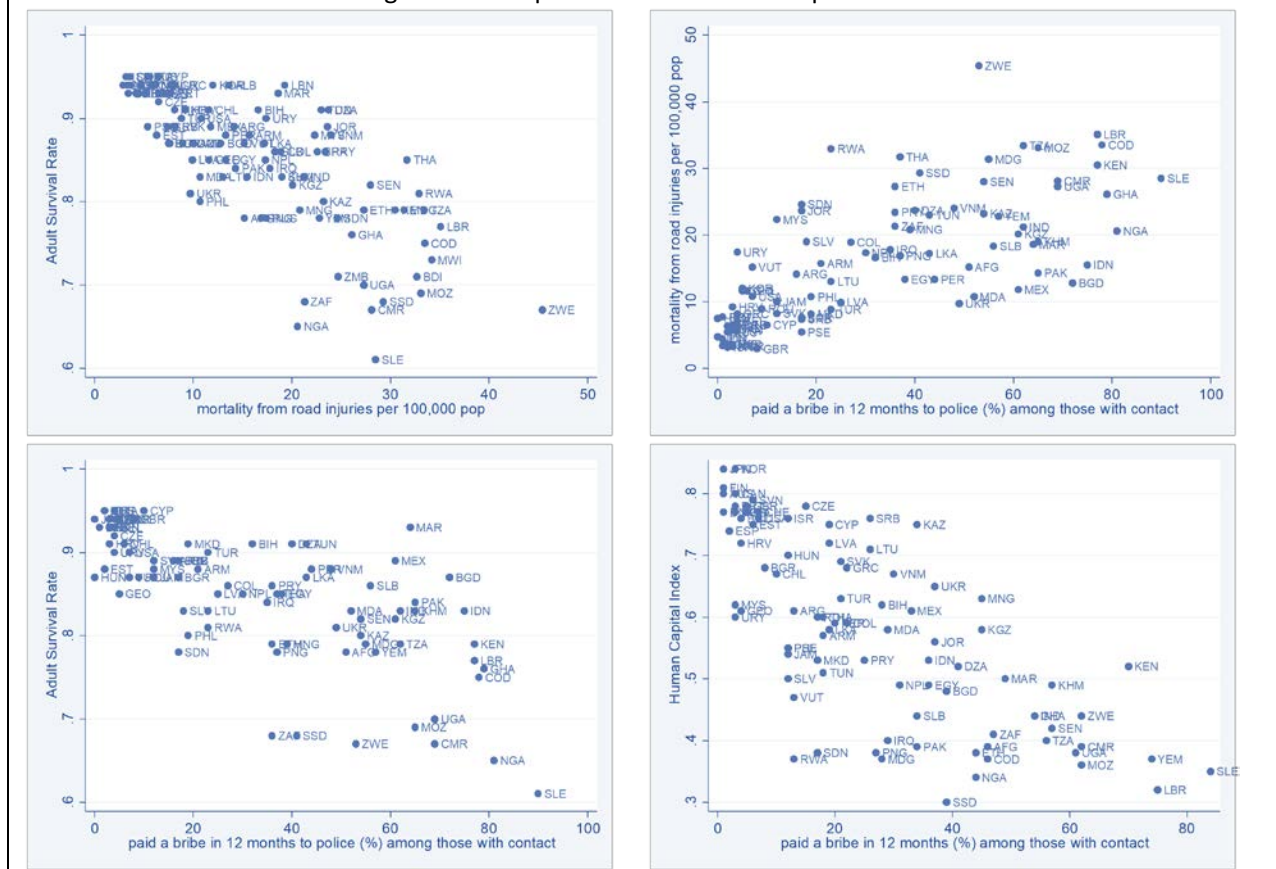
The MFD agenda could be rendered less successful by the presence of systemic corruption, much of it reaching beyond the transactional approach of business environment reforms. The literature is replete with studies showing the deterrent effect that corruption has on investment, and this is not surprising.¹⁹ Firms that undertake investment with long payoff horizons face greater risks where costs, including the costs of corruption, are less predictable.²⁰ Even within countries, studies have found that regions with more

¹⁸ Some argue that foreign investors could play a positive role by bringing higher standards of governance to host countries. Chuck C Y Kwok and Solomon Tadesse, 2006. "The MNC as an agent of change for host-country institutions: FDI and corruption." *Journal of International Business Studies*. November 2006, Volume 37, Issue 6, pp 767–785. At the same time, foreign owned firms many often instigate corruption, with fines for violating the Foreign Corrupt Practices Act sometimes running into the billions of dollars.

¹⁹ See, for example, Paolo Mauro, 1995. "Corruption and Growth". *The Quarterly Journal of Economics*, Volume 110, Issue 3, August 1995, Pages 681–712. Stephen Knack Philip Keefer, 1995. "Institutions and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures", *Economics and Politics*. Pierre-Guillaume Méon and Khalid Sekkat, 2005. "Does corruption grease or sand the wheels of growth?" *Public Choice*. January 2005, Volume 122, Issue 1–2, pp 69–97. Some studies have more nuanced findings, showing corruption to be more of a hindrance in some environments than others. Studies of corruption and growth are complicated by the fact that investors often invest in resource rich countries where rents can make corruption worse.

²⁰ J. Edgardo Campos, Donald Lien, Sanjay Pradhan. "The Impact of Corruption on Investment: Predictability Matters". *World Development*. Volume 27, Issue 6, June 1999, Pages 1059-1067.

Figure 2. Corruption and the Human Capital Index



corruption have lower investment, even after controlling for other factors.²¹ Internationally, firms from many countries are subject to their home country legislation on bribery of foreign officials, increasing further the risks associated with corruption. Indeed, many studies may underestimate the current deterrent effect of corruption, since much of the research came prior to the more recent vigorous enforcement of the USA's Foreign Corruption Practices Act (FCPA)²², the UK Bribery Act, and others.²³ The more vigorous enforcement of recent years has increased the deterrent effect that corruption has on foreign investment.

Many factors may deter investors, including access to finance, crime, shortage of skilled workers, etc., but among them is the risk that corruption poses to their investments and their bottom line.²⁴ In some cases foreign investment will not be deterred completely, for example when mineral or oil deposits are the primary reasons for wanting to invest in a particular country. But even in these cases, the costs of corruption, and

²¹ Nikita Zakharov, 2019. "Does corruption hinder investment? Evidence from Russian regions". *European Journal of Political Economy*. Volume 56, January 2019, Pages 39-61.

²² A convenient source for information on FCPA enforcement is the FCPA Blog: <http://www.fcpablog.com/>

²³ The OECD Anti-Bribery Convention establishes legally binding standards to criminalize bribery of foreign public officials in international business transactions.

²⁴ As noted in one oft-cited study, "an increase in the corruption level from that of Singapore to that of Mexico would have the same negative effect on inward FDI as raising the tax rate by fifty percentage points." Shang-Jin Wei, 2000. "How Taxing is Corruption on International Investors?" *Review of Economics and Statistics*. Volume 82 | Issue 1 | February 2000. p.1-11.

risks posed to the foreign investor, would lead them to require higher rates of return, to the detriment of the country's fiscal space. Finally, corruption can influence the quality of investment in a country, since less scrupulous investors may be the very ones willing to invest in such countries. To the extent that corruption would undermine environmental regulations, occupational health and safety regulations, building safety, lead to lower quality roads and water systems, etc., the quality of investment would suffer.

Jobs

The pernicious effect that corruption has on investment described in the previous section cascades into problems for job creation. In addition to the effect on investment, there are several other channels. First, as noted in the Bank's recent flagship study on jobs²⁵, public sector employment accounts for about 45 percent of all formal employment in low-income countries, and this is roughly true for both rural and urban areas as well as for both men and women. Corruption in public sector employment keeps those jobs from going to the most qualified and productive people, and instead allocates those jobs to those with connections or those willing to pay. Fraud in the form of ghost workers saps the payrolls needed for genuine, productive, public employment.

Second, better jobs depend on well-functioning labor markets, product markets, and financial markets, each of which can be skewed by state capture. Internal migration, which can help ensure job growth in places where it is most needed, may be hampered by restrictions that themselves are often the source of corruption, hurting the poorest in their quest for jobs and better lives. Finally, government programs designed to strengthen job growth, including through subsidized financing for SMEs, can be weakened by corruption. Around the world, firms typically select access to finance as their single biggest obstacle to growth. From Mongolia to Maryland, however, official government funds for the support of firms have been misdirected for private purposes.²⁶

Gender Equality

The relationship between corruption and gender has long been discussed, but the perspectives have shifted over time from a focus on suspected innate differences between men and women to a focus on differential impacts and the ways that corruption can undermine the goal of gender equality. The differential impacts have several sources. As corruption generally stems from power imbalances, with the less powerful party at a disadvantage, women can be left vulnerable to corruption in ways that men typically are not. In Latin America and the Caribbean²⁷, surveys show that one in five women had experienced "sextortion", demands for sex in exchange for services, or knew someone who had. Women are more likely to encounter corruption in healthcare, simply because they have more interaction with the system. Beyond its dehumanizing effect, sexual harassment in both public and private sectors, itself a form of corruption²⁸, can weaken labor market participation by women.

²⁵ Dino Merotto, Michael Weber, and Reyes Aterido (2018), *Pathways to Better Jobs in IDA Countries*, [World Bank](#), p. 25.

²⁶ Jennifer Barrios, Dan Morse and Lynh Bui (2018), "Montgomery official pleads guilty to charges related to embezzlement from county," [The Washington Post](#), November 16, 2018. Transparency International, "Using open data to expose corruption in Mongolia", [Medium](#), October 11, 2019.

²⁷ *Global Corruption Barometer (GCB) for Latin America and the Caribbean 2019*. [Transparency International](#), 2019, provides the surveys findings referenced in this section.

²⁸ *Sextortion: Undermining Gender Equality*, [Transparency International](#), March 7, 2016; and Sara Carnegie (2019), *Sextortion A Crime of Corruption and Sexual Exploitation*, [International Bar Association](#).

Power imbalances also water down the impact of certain anticorruption approaches. Most people believe that reports of corrupt behavior are less likely to be taken seriously if made by women. Power imbalances render accountability tools less effective, since women are less likely to trust the system. Women are less likely to think people can report corruption without fear of retaliation; less likely to think appropriate action will be taken once corruption is reported; and less likely to know about their right to request information from public institutions. Reducing corruption would help promote gender equality, and reducing gender disparities would similarly support the Bank's anticorruption goals. (The gender dimension of corruption is currently a priority focal area for Transparency International.)

Climate Change

The World Bank Group has stepped up its efforts to address climate change which threatens to push some 100 million more people into poverty by 2030.²⁹ The ability to implement the adaptation and mitigation strategies needed to address climate change risk being hampered by corruption. Low lying areas at risk of inundation need investments to mitigate the effects of a rising sea level. Even land-locked countries face climate effects that can lead to increasing desertification or, conversely, increased rainfall, with consequent risks of natural disasters. Corruption in those investments, in the case of the former, or in disaster risk response, in the case of the latter, undermines the effectiveness of climate change adaptation.

Efforts to stem the increases in temperatures could similarly face challenges due to corruption. Extractive industries are notorious for their corruption risks. While the focus is usually on the risk of rents being siphoned off by kleptocratic leaders and extractives companies, a further risk is that that corruption can be used to evade regulations and reclamation, with consequent environmental damage and overuse of the resource. Other mitigation strategies could similarly be weakened by corruption: sustainable forestry can be undermined by corruption in forestry, at customs, and in overseas markets. State capture by dominant carbon-based energy companies can make it more difficult for the development of climate-friendly energy sources to find a footing.³⁰

Fragility, Conflict and Violence

Finally, corruption can undermine the Bank's ability to address the complexities of fragility, conflict, and violence (FCV).³¹ Corruption is both a cause and a consequence of fragility, with corruption and fragility reinforcing each other. In FCV settings, power allocation is fluid and unstable, creating space for corruption and capture that, in turn, allows groups to extract rents and resources from the country and to create incentives for other groups to try to take power. In addition to the pernicious effect that corruption exerts directly, corrupt environments also make it extremely difficult to introduce any basic reforms to establish a functioning legal government that promotes accountability, inclusion, and equity.

At the same time, corruption and capture create fertile ground for greater fragility. The frustrations of ordinary people when faced with corruption in order to get simple services or sustain their means of livelihood increases the sense of disaffection and can boil over into protests or violence. More broadly, fragility and violence are often directly associated with, and bred by, highly exclusionary, predatory, or entrenched systems of governance. Extreme wealth inequality, itself often generated or perpetuated by

²⁹ *Action Plan on Climate Change Adaptation and Resilience: Managing Risks for a More Resilient Future*. [World Bank Group](#), 2019.

³⁰ See also "Earth Day: What's the EITI got to do with it?", [EITI Blog](#), April 21, 2017.

³¹ This section draws on a "Brief on Corruption in FCV States", October 5, 2018, prepared in advance of the IACC in Copenhagen.

corruption and capture, can fuel unrest. Controlling corruption and limiting the influence of vested interests must be seen as priorities for helping to prevent the degradation into unrest in the first place.

The institutions that help keep corruption in check may be particularly weak, ineffectual, or captured in FCV settings. This applies to both official elements of the anticorruption system, such as police and the courts, as well as civil society and the media. In many FCV settings, media and CSOs that dare to provide an effective check against vested interests do so at great risk.

As the Bank significantly increases its support under IDA 18 and IDA 19 to fragile and conflict-affected settings, where at least half of the world's poor will be living by 2030, the need for effective approaches to corruption could not be more urgent.

III. The Changing Environment Calls for New Anticorruption Initiatives

The development imperative outlined in the previous section makes the case that addressing corruption is essential for reducing poverty. In some sense, this motivation is not new. Yet, the changing environment calls for a realignment of approaches. The overall context for the fight against corruption has significantly evolved and become more complex since President's Wolfensohn "cancer of corruption" speech and in the decade since the 2007 GAC strategy. This section highlights several changes that drive the need to refresh the Bank's approach to anticorruption and how the changing environment calls for new thinking on anticorruption, thinking that will be embedded in the specific initiatives presented in the subsequent section and implemented through a comprehensive approach presented in the final section of this paper.

The shifting nature of globalization

Globalization has increased the level of overseas investment, but has also brought new challenges to the fight against corruption. Concomitant with globalization, the systems and opportunities for moving funds internationally have developed rapidly, facilitating international business, but also facilitating the hiding of the flows of illicit proceeds. Off-shore financial centers have long been available for those wishing to hide assets, but their use has expanded in recent decades, with the help of lawyers and bankers that specialize in such services. At the same time, stricter enforcement of laws against overseas bribery is increasing investors' risks when doing business abroad in countries with endemic corruption, with fines sometimes running into the billions of dollars. Foreign investors that wish to avoid corruption increasingly see the value of coalitions and collective action to stem the race to the bottom that arises when firms engage in corrupt practices to gain a competitive edge only to find that it is to their own collective detriment. (These changes motivate the initiative *Addressing the Facilitators*.)

Technology

The world is changing, with new technologies, tools, and opportunities emerging at a rapid pace: FinTech, GovTech, CivicTech, Big Data Analytics, artificial intelligence—all offer the potential of improved approaches to preventing and confronting corruption. The explosion of data and transparency also needs to be met with a massive expansion in data literacy if its potential is to be realized. At the same time, new technologies enable the rapid transfer of large amounts of money, and the hiding of stolen assets. (These changes motivate the initiative on *High Definition Transparency* and *Addressing the Facilitators*.)

Renewed interest and commitment of the international community

The Sustainable Development Goals explicitly recognize the importance of governance with SDG 16: “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels” and the SDG target 16.5 aims to “substantially reduce corruption and bribery in all their forms.”³² Anticorruption is the central theme at international fora such as the UK Anticorruption Summit 2016, the G20 ACWG, and others, and the IMF has begun to focus on corruption in their Article IV consultations. A central theme that is driving some of this renewed interest is, as highlighted by the Open Government Partnership, the rise of authoritarianism: “Today, challenges to democracy come less frequently from vote theft or military coups; they come from persistent threats to activists and journalists, the media, and the rule of law.” Arrests and murders of journalists undermines the ability of the media, long seen as key to successful anticorruption efforts, to play a more active role.³³ And as noted earlier, IDA 19 Deputies called for more action on Illicit Financial Flows and controlling corruption. (Partnerships will cut across all initiatives, but will also be addressed directly in the initiative *Global Standards and Monitoring*.)

In addition to growing concern about the problems posed by corruption, the Bank is specifically being called upon to do more. Among the 50 essays making up the Bretton Woods@75 Compendium is one that notes “the World Bank is better equipped than any other institution to launch a major multiyear campaign to address what is now an extraordinary crisis.”³⁴ The essay’s call is consistent with several of the initiatives outlined in this paper, including the need to address the rich-country facilitators, the need to address key sectors (infrastructure, law enforcement, reconstruction, natural resources, and state-owned enterprises), and the need for partnerships.

The imperative to address corruption is not lost on our clients. The FY18 Country Survey highlighted the importance that WBG stakeholders attach to both governance and anticorruption as development priorities and as contributors to poverty reduction. Both governance and anticorruption were among the top six priorities and contributors to poverty reduction out of more than 30 options. Indeed, the report noted the significant increase in the importance that stakeholders attach to anticorruption since the previous round of the survey three years earlier. (Figure 3.)

Insights of social science research

The *World Development Report 2015: Mind, Society, and Behavior* brings behavioral social science to development work, but the implications for anticorruption are just beginning to be explored.³⁵ The economic

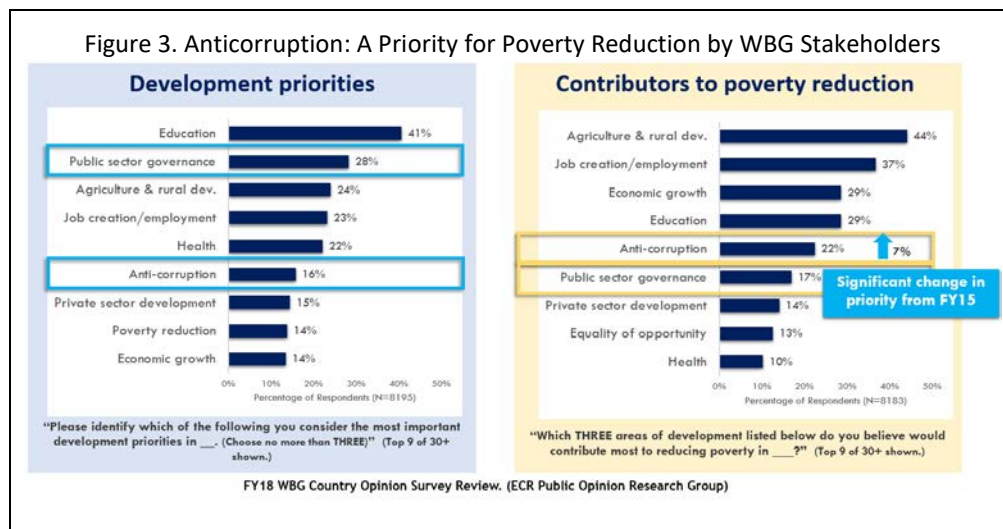
³² As argued in Section II, corruption undermines many development goals, and the need to control corruption will, therefore, be essential for progress on the whole SDG agenda.

³³ One study concluded that one reason for the decline of corruption in the USA during the progressive period was the rise of independent media. Edward L. Glaeser and Claudia Goldin, eds. 2006. “Corruption and Reform: Lessons from America’s Economic History.” NBER.

³⁴ Frank Vogl and William R. Rhodes, 2019, “Bank-Fund: Facing the Rising Challenge of Corruption.” in [Revitalizing the Spirit of Bretton Woods: 50 Perspectives on the Future of the Global Economic System](#).

³⁵ See Cheyanne Scharbatke-Church and Diana Chigas (2019). [“Understanding Social Norms: A Reference Guide for Policy and Practice.”](#) The Henry J. Leir Institute of Human Security. The Fletcher School of Law and Diplomacy, Tufts University, 2019.

literature has increasingly focused on the damaging effects of power and money on a country's economy,³⁶ and, as mentioned earlier in this note, *World Development Report 2017: Governance and the Law* highlighted the role of power dynamics in defining the corruption landscape. Fully harnessing these ideas for the purpose of anticorruption requires a fresh approach and experimentation. (These advances in our understanding help motivate the initiatives *Power and Money: Understanding and Addressing State Capture* and *Addressing the Facilitators*.)



Shifts in the Bank's focal areas and portfolio

Geographically, the Bank is paying increasing attention to IDA and FCV countries, where urgent but different approaches to anticorruption are needed. Thematically, other agendas call for sharpened tools and approaches. As noted above, the MFD agenda, the Human Capital Project, and other high-profile agenda items for the Bank could be undermined by corruption. As the Bank scales up its work in infrastructure and other high-risk sectors, the need for control of corruption ratchets upward. At the same time, the sector-specific nature of corruption calls for sector specific approaches. (These changes motivate the initiative *A Sector-Based Approach*.)

IV. Responding to the Changing Environment: Specific Anticorruption Initiatives

Taking this effort forward requires a renewal of the Bank's approach to corruption at the country and global levels, with due attention to the particulars of individual sectors and the typologies of corruption in the

³⁶ Bussolo, Commander and Poupakis (2018) studies the network dimension of seven central European economies and find that business and politicians' interaction is pervasive and damaging. Moreover, political connections can undermine innovation (Ufuk Akcigit, Salomé Baslandze, and Francesca Lotti, 2018, “Connecting to Power: Political Connections, Innovation, and Firm Dynamics”, NBER Working Paper No. 25136); distort market structure (Rijkers, Freund and Nucifora, 2014; and Francis et al 2018), and allow multinational companies to evade taxes and erode domestic tax bases challenging the welfare state financing (social contracts) (Zucman, 2019).

country context. The initiatives outlined below will provide a platform for reaffirming and reenergizing our commitment to anticorruption work as part of the broader development agenda. The initiatives respond to the new drivers and opportunities in the anticorruption arena described in the previous section. The five initiatives represent distinct but intertwined programs of work. Where demand or appropriate entry points exist, the initiatives will be embedded in a selection of country programs, as discussed later in the document.

While corruption can be seen as a symptom of poor governance, the initiatives are centered on specific, tractable activities designed to address corruption as a development challenge. Transparency, a foundation of the anticorruption ecosystem, will be further strengthened by leveraging technological innovations and a greater focus on data literacy. The limited progress in reducing state capture in many places will be addressed through a focus on the drivers of capture and the tailoring of reform approaches to the specifics of each context. The Bank's increasing attention to critical sectors for development, such as human capital and infrastructure, also calls for deepening our understanding of, and more targeted technical and policy responses to, corruption in these sectors. The need for more coordinated global responses to the pernicious effects of corruption calls for global leadership and standards. Advances in transparency have drawn attention to the professional facilitators of corruption (bankers, accountants, lawyers, off-shore havens). And behavioral science holds promise for the design of interventions that can change the behavior of individuals and firms who participate in paying and receiving bribes.

The activities will both push frontiers to focus on innovations and build on existing foundations, scaling up work that has proven to be valuable and successful. Recognizing that Illicit Financial Flows (IFFs)— which includes the movement of proceeds of corruption or other misconduct out of one jurisdiction into another— is inextricably intertwined with many pieces of the anticorruption agenda, the Bank will address IFFs through its anticorruption work. (Box 1 highlights the cross-cutting, but often misunderstood, nature of IFFs.) Finally, several activities focus on diagnostics and analytics, recognizing that this work provides the foundation on

Box 1. What are the links between Illicit Financial Flows (IFFs) and corruption?

Illicit Financial Flows are the movement of funds either illegally earned or used and/or illegally moved or diverted. Thus, the funds in question must either be the proceeds of crime or their movement must be against the law. IFF does not include the legal movement of funds which may be morally questionable but were not illegally generated or moved. For example, tax evasion may involve the illegal movement of legally earned funds to evade paying taxes and thus create IFFs. However, moving legally earned money for a legal tax arrangement does not create an illicit financial flow, as the term is used in this paper. (Tax policy itself is, for both equity and revenue purposes, an important area of work for the World Bank, but is not covered in this paper which focuses on corruption.)

There is a strong link between IFFs and the goals of eradicating poverty and sharing prosperity. Both the diversion of resources from legitimate purposes to illegitimate purposes (depriving, say, healthcare as the proceeds of crime are used to finance houses or yachts) and the underlying criminal activity (corruption, tax evasion, embezzlement, organized crime) hamper development and can contribute to poverty and unequal growth.

When the proceeds of corruption cross a border, they always result in illicit financial flows, but IFFs may also involve criminal activity other than corruption. A bribe payment to a public official which is then laundered or hidden by that official in a foreign or domestic bank account is an IFF. The proceeds of a public contract paid to a company that won it through a corrupt arrangement is an IFF. The inflated payments to a contractor generated through fraudulent invoices is an IFF, as are the bribe payments to the government official to approve the fraudulent payments. Money moved to illegally evade taxes would create an IFF but may not involve corruption.

Reducing the harmful impact of IFFs requires a multipronged approach that includes: 1) detecting and measuring the size of the illicit flow or illicit funds at country and regional levels; 2) preventing and deterring the underlying corruption or other misconduct that gives rise to IFFs; and 3) developing and implementing legal frameworks and norms that can help countries stop the movement or laundering of the illicit funds and/or secure their return.

which the Bank's anticorruption work is built. An undercurrent of many interventions is to strengthen civil society by empowering national actors with information and tools to push for change themselves.

At the conclusion of the summary of each of the five initiatives, a set of concrete activities is listed. The lists are indicative, subject to endorsement by management and funding availability.

To succeed, a coordinated approach to anticorruption across EFI, as well as in collaboration with the Global Practices, Regions, and other relevant units in the Bank Group, will be needed. Senior management leadership will be critical to the successful implementation of the new initiatives.

1. Global Standards and Monitoring

Advances in technology, the nature of globalization, and renewed interest of the international community all motivate this initiative. As the largest multilateral development bank, and the one with global reach, the World Bank brings a depth of local knowledge and a convening authority that cannot be rivaled by any other international organization. Indeed, the Bank has a long history supporting standards including the new procurement policy, PEFA, and the standards of Integrity Compliance Office in INT. The Bank works with standard-setting bodies and initiatives such as International Organization of Supreme Audit Institutions, the OECD, as well as the Open Government Partnership, EITI, CoST, and others. The Bank will harness this experience and expertise to support collective action as well as push select global standards and best practices in multilateral fora, including the G20 Anticorruption Working Group, the UNCAC Conference of State Parties, the Financial Action Task Force, Open Government Partnership, and the OECD's international and regional anticorruption groups, where these efforts can help reduce corruption in developing countries and push for evolution of norms and standards.

1.1. Support common standards

The Bank will support adoption of common standards and best practices and develop tools for their adoption and implementation in a range of developing countries. Support to common standards, including those referenced in Paragraph 1.2 related to beneficial ownership, may also cover topical issues such as conflict of interest prevention and management, and illicit enrichment and unexplained wealth order procedures as tools for deterrence.³⁷

1.2. Monitor global progress on anticorruption

Although difficult to measure due to the unreported nature of corruption, being able to assess trends in a robust way is essential for policy making. Popular perceptions that corruption is not declining, often backed up by inappropriate data if any at all, lead many to believe that fighting corruption is futile. Such a perception, if wrong, is dangerous since approaches that could be working could be dropped. Moreover, some argue that donors' attention to corruption hinders aid since the perception that aid is squandered to corruption undermines political support in donor countries.³⁸ This activity will support more systematic and broader coverage of surveys on the extent and depth of various forms of corruption while strengthening collaboration with other teams of the World Bank Group.

³⁷ These tools enable national authorities to identify and seize or confiscate proceeds of corruption or other crimes when politically exposed persons are unable to explain the origin of assets in their possession.

³⁸ Charles Kenny (2017), [Results, Not Receipts: Counting the Right Things in Aid and Corruption](#), Center for Global Development. Rega Jha and Ben Smith (2014), ["How Bill Gates Learned to Stop Worrying about Corruption,"](#) BuzzFeed News.

As noted earlier, there is no need for the Bank to reinvent the wheel. If some organizations are already measuring different aspects of corruption and there is no gap in the information, we will draw on the available information. If there are gaps, however, we will engage with and support them to fill the gaps. Indeed, drawing on these external and independent measurements and rankings in our engagements, with due understanding of their methodologies and limitations, can be powerful. At the same time, we can strengthen the measurements that we are currently responsible for and seek to systematize those that need improvement, in cooperation with other partners.

Box 2. Global Standards and Monitoring. Indicative set of activities

Supporting common standards

- Through the promulgation of High Level Principles, work with the G20 ACWG to set standards on topics such as conflict of interest, use of technology to address corruption, and whistle-blower protection.
- Partnering with B20 on “Clean Banking” “Transparency Compact” to establish and disseminate standards on Beneficial Ownership under projects 4 and 5.
- Actively support the implementation of AML-CFT standards that are key to combating IFFs.
- Collaborate with EITI, Open Government Partnership, and others to develop best practices on effective beneficial ownership disclosure requirements.

Monitoring global progress through evidence-based approaches

- Collect data on recoveries and returns of proceeds of corruption globally in a systematic way to monitor and analyze progress on international asset recovery efforts related to corruption. Such data does not exist at a global level in a comparable format, and there is substantial demand for it to create an evidence base and measure progress towards achieving target 16.4 of the 2030 Agenda for Sustainable Development.
- Consider enhanced corruption coverage in the context of the Enterprise Surveys, and, in collaboration with the Poverty Global Practice and DEC, instituting corruption questions in regular household surveys, including crime victimization surveys, such as those that have been used in Italy, Mexico, and Peru.

2. Power and Money: Understanding and Addressing State Capture

The advancements in social science research, notably the sharpened understanding of power dynamics, calls for an update to the Bank’s approach to state capture which continues to be a fundamental challenge in the fight against corruption and for development more broadly. In many countries, particularly in low-income and FCV environments, a small group of interests can control and influence the private sector, public resources, and policymaking processes for personal and political gain. These corrupt environments are characterized by legal and regulatory corruption and extensive nepotism and favoritism. Such environments, where elite networks exploit public and state resources with impunity, are often hostile to anticorruption reforms or not able to attack corruption issues head-on. These same interests, however, undermine countries’ efforts to achieve their development objectives. Uneven allocation and distribution of power can also undermine efforts to move from fragility to sustainable and inclusive growth, or even push a country back into conflict.

2.1. Understand the pathways and levers of capture in specific settings

We will scale up tailored actionable diagnostics to identify the policies and processes that support corrupt networks and permit these networks to capture public resources and policymaking processes, and the potential reforms to address these deficiencies. These new diagnostic tools will build on the existing

foundation of knowledge derived from the Bank's staff and fiduciary work across all sectors.³⁹ Activities may include scaling up actionable assessments for policymaking in captured environments, similar to the multi-sector work carried out in MENA as part of the "Privilege-Resistant Policies" approach,⁴⁰ enhanced efforts to measure the impact of capture on economies and sectors,⁴¹ and identify corruption risks related to nepotism and patronage in cooperation with the Bank's innovative Bureaucracy Lab.⁴²

To address state capture the Bank would need to be bold in undertaking the relevant analysis and engaging with the government through policy dialogue and strengthening of state institutions. This is especially true for regulatory and oversight institutions that regulate the interface between public and private sector organizations. Indeed, the role of the private sector, as both a potential ally in collective action and as a sometimes contributor to the problem of corruption, needs to be well understood. We cannot effectively tackle corruption in a country without dealing with the private sector dimension.

2.2. Strengthen mechanisms and institutions of accountability

The Bank will develop or scale up tools to strengthen institutions of accountability as well as stem illicit financial flows. These tools, designed to support both prevention and deterrence of corrupt activities, include asset declarations and conflict of interest systems, justice reforms, immunity protection, whistleblower protections and ethics training, and others as appropriate. Institutions such as independent supreme audit institutions, the justice sector, and anticorruption agencies can also be targets for technical assistance and capacity building. Similarly, where demand for direct anticorruption assistance at the national level is lacking, the Bank will identify opportunities for sectoral or sub-national activities that can strengthen transparency and accountability to limit areas for capture.

Box 3. Power and Money. Indicative set of activities

Understanding the pathways and levers of capture in specific settings

- In collaboration with FCI and DECRG (and possibly EBRD), development of modules measuring extent and impact of state capture to be used in firm surveys and BEEPS.
- In collaboration with the Bureaucracy Lab, development of questions and module for civil servant questionnaire to measure "revolving doors" policies and other public sector regulations for civil servants and politicians that can hinder or foster state capture.
- In collaboration with DECRG, explore the link between elections, procurement awards and exclusion to public services at the local level. Look more systematically at beneficial ownership, campaign and party financing, as they relate to state capture.

Strengthening mechanisms and institutions of accountability

- Support electronic asset declaration systems (e-filing, verification, publication, disclosure form and system design) and strengthen institutions that use asset declarations to enhance transparency, combat conflicts of interest and sanction illicit enrichment, money laundering and illicit financial flows.
- Advise on the effective, fair and inclusive implementation of conflict of interest, whistleblower protection, and access to information regulations.
- Analyze and identify policy tools that can increase transparency and accountability of SOEs in collaboration with FCI.
- Broaden access to justice systems, including administrative dispute resolution processes, to increase contestability and create pathways for citizens and businesses to challenge government policies and actions.

³⁹ Approaches to measuring state capture were recently surveyed in Andreas Fiebelkorn (2019) *State Capture Analysis: How to Quantitatively Analyze the Regulatory Abuse by Business-State Relationships*. World Bank Governance Global Practice Discussion Paper No. 2, 2019.

⁴⁰ [Privilege-Resistant Policies in the Middle East and North Africa: Measurement and Operational Implications](#).

⁴¹ Resources on the [BEEPS can be found here](#). Resources on select [Governance and Anticorruption Diagnostics can be found here](#).

⁴² Resources related to the [Bureaucracy Lab can be found here](#).

3. A Sector-Based Approach

Shifts in the Bank's focal areas and portfolio and the corruption risks in some sectors that are important for development motivate the need to prioritize anticorruption in certain sectors. Every sector is different, and the forms of corruption may vary: the distortion of public investments decisions that undermines the utility and quality of public works, for example. High-risk sectors require thinking "out of the box" to confront corruption, either by identifying alternative entry points, focusing on strengthening a range of institutions and governance systems and taking advantage of openings where the Bank can engage. These interventions require tailored tools and approaches that can address the integrity risks that undermine human capital, fair service delivery, and the creation of public goods. This necessitates a more targeted understanding of sector-specific risks to identify the best path forward to both prevent and deter corruption. Indeed, it may be possible to make inroads at the sector level even when broader country engagements are stuck.

3.1. Understand and address sector-level vulnerabilities and scale up interventions

Working across the Bank, EFI will work with other GPs to refresh our understanding of, and approach to, corruption in key sectors. Building on the work launched in 2007 (*The Many Faces of Corruption*⁴³), this will include analytics to understand specific vulnerabilities and scale up innovations to address them. Examples, to be explored in cooperation with the relevant GPs, include infrastructure and human capital, both of which were introduced at the outset of this paper as examples of how corruption can undermine the Bank's objectives, as well as the justice sector, state-owned enterprises, and extractives. Understanding the drivers of corruption in one sector may also inform others.

3.2. Devolve anticorruption to the sub-national level

The Bank will work to strengthen indicators that cover public sector institutions, regulatory governance and citizen engagement at the subnational level, and will identify opportunities to promote transparency and accountability in key provinces or municipalities where local demand may exist. Work done for the European Commission (DG-Region) focused on identifying institutional weaknesses and typologies and costs of sub-national corruption will be scaled up. The results of these assessments will be used to develop tools to help clients, as well as donors and local policymakers, to design policy solutions to address corruption from the bottom-up and at the local level.

⁴³ Ed Campos and Sanjay Pradhan (2007), [The Many Faces of Corruption: Tracking Vulnerabilities at the Sector Level](#). Washington, DC: World Bank.

Box 4. Sector-Based Approach. Indicative set of activities

Understanding and addressing sector-level vulnerabilities and scaling up interventions

- Develop a conceptual framework for scaling up GovTech innovations that are showing impacts in confronting corruption in particular sectors, particularly administrative corruption. This will include (i) reviewing recent practices in beneficiary feedback and biometric technologies; (ii) framing the development rationale and ‘business case’ for mainstreaming their adoption in different contexts; (iii) and proposing a roadmap for scaling up their use, including as part of broader digital inclusion and e-government strategies.
- Support the dissemination of the “G20 Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development” and the translation of these practices into policy design in Bank client countries with large infrastructure and PPP pipelines; develop a framework for embedding integrity concerns in infrastructure governance as an integral part of quality and value for money in infrastructure investments, including through integrity principles, or contractual mechanisms; support the adoption of oversight and assurance, and due diligence processes, such as the CoST⁴⁴ initiative in infrastructure and PPP projects, including in Bank operations.

Devolving anticorruption to the sub-national level

- Work with national statistical agencies and subnational partners (local government, academia, CSOs) to develop new data analytics and measurement techniques for assessing the impact of corruption and /or anticorruption interventions at the local and sector levels (this will include collaborating with initiatives by the OGP and OCP to enhance the quality and publication of procurement and spending data at the local level).
- Based on the analytical work carried out under 3.1, identify specific policy tools that can help support greater transparency and accountability for the management of public resources (human and financial) at the local level and within local governments.
- Support the introduction and implementation of policy measures that promote citizen participation at the local level with a special focus on marginalized and excluded groups of citizens.

4. High Definition Transparency

Advances in technology and the changing nature of globalization both motivate this initiative. Transparency plays a critical role in preventing and deterring corruption by shining a light on activities that may otherwise go unseen. Transparency is also key to accountability, and can help orient interventions toward risk management. To this end, the Bank will continue to support the adoption of e-procurement, open contracting data standards, and open government systems. In doing so we will build on transparency as a tool for access to information and work to ensure that it also provides a means for acting on information as a way to ensure greater accountability. Technological solutions will be supported and developed so that the ever-increasing amount of data can be employed to identify, understand and mitigate corruption risks. Building data literacy among stakeholder groups and supporting further innovation and adoption of GovTech solutions is essential to ensuring transparency initiatives achieve their full potential. Transparency is not only an end in itself, but is also a means for preventing corruption and building trust in institutions. We will support the full disclosure and use of beneficial ownership information as a critical tool in confronting corruption and addressing illicit financial flows.

4.1. Leverage new tools and technologies to manage risk

New technological innovations, including artificial intelligence (AI) and smart fiduciary tools, can help to improve detection and prevention of corruption. These technologies hold the promise of significantly improving the early detection of potential risks in public procurement processes, as well as among potential

⁴⁴ The [Infrastructure Transparency Initiative](#) is the leading global initiative improving transparency and accountability in public infrastructure. Originally called the Construction Sector Transparency Initiative, CoST works with government, industry and civil society to promote the disclosure, validation and interpretation of data from infrastructure projects.

counterparts, particularly in FCV environments where information is not easily accessible. Data analytics tools will be developed in coordination with Bank operations working in e-procurement and open government and working with select FCV countries where integrity risks are particularly significant.

4.2. Promote data literacy

As the Open Government agenda evolves from making data available to supporting its use by stakeholder groups to confront corruption, greater attention is needed to understanding capacity gaps and what kinds of engagement will have the most impact. The Bank will strengthen data literacy across civil society, media, and government actors, and support collective action for accountability using state of the art data analytics. This activity will include diagnostics to assess the readiness, capacity and data literacy of stakeholder groups to engage in the Open Government agenda in specific contexts, training and education tools for end users (civil society, media, business community and government), and peer to peer learning events. Government agencies will be engaged in this agenda to support the co-creation of methodologies and tools.

4.3. Improve effectiveness of national beneficial ownership frameworks

The importance of the availability and access to beneficial ownership information in helping prevent corruption, financial crime, and illicit financial flows, as well as the need to hold the ultimate beneficiaries of corruption accountable, are recognized by global standard setters. The World Bank is already contributing to this momentum by requiring firms to disclose beneficial ownership information when bidding on high value contracts supported by Bank funds. The Bank will work with both the public and private sectors to support the development and adoption of global norms for the collection and publication of beneficial ownership information and will support the analysis of emerging practices and constraints. The Bank will also support efforts to identify a range of mechanisms to bring greater disclosure of beneficial ownership information in client countries, among international organizations and within the private sector. This work will target linking the disclosure of beneficial ownership information with financial disclosure systems and other related data systems, as well as efforts to identify the control and ownership of entities involved in the movement of illicit proceeds.

Box 5. High Definition Transparency. Indicative set of activities

Leveraging tools and technologies

- Develop big data analytics and AI tools to leverage new sources of data, including: (i) working with donor partners and academia to develop a Procurement Risk Global Artificial Intelligence Tool (PRAIT) to enhance the detection and prevention of corruption risks in procurement, and disseminate this tool and its technology as a global public good; (ii) work with clients to develop tools and build their institutional capacity to use data mining and data analytics to better detect, understand and address integrity risks in public procurement and audit functions.

Promoting Data Literacy

- Work with Bank partners (DEC, others) and CSOs active in this arena to catalyze the use and re-use of open data by government and civil society for anticorruption, and accountability. This will include : working with partners to develop and deliver training curricula on data analytics for government actors and civil society; supporting peer to peer learning events to leverage existing data skills and applications at the national level and internationally; defining a theory of change to support data literacy interventions based on local readiness and capacity for different purposes, such as building accountability through civil society advocacy and/or designing data driven policies or decision making in government.

Improve effectiveness of national beneficial ownership frameworks

- Conduct a study to analyze effectiveness of different beneficial ownership frameworks in achieving availability and accuracy of beneficial ownership information to combat criminal abuse of legal entities (notably comparing beneficial ownership registries, notarial databases and gatekeeper systems) and tailor assistance based upon this study.
- Develop a tool for risk assessment of legal persons to assist countries in identifying most vulnerable legal entities and drawing up mitigation plans.
- Require collection and availability of beneficial ownership information in line with FATF standards and G20 Principles (without a preference for a particular framework) as a condition for World Bank lending projects in high-priority “secrecy” jurisdictions.
- Provide technical assistance to clients as part of the operationalization of recommendations produced under National Risks Assessments to scale up the use of beneficial ownership information to combat corruption and money laundering; collaborate with initiatives by the UK Government, the Open Government Partnership, EITI and others to raise awareness about policy solutions and technical tools to support the use and publication of beneficial ownership information; serve as a global platform and convener to help change global norms around beneficial ownership transparency.

5. Addressing the Facilitators

The changing nature of globalization, advances in technology, and new insights from social science research help motivate this initiative which recognizes that an act of corruption requires different actors: bribe payers, bribe takers, and, where significant sums are involved, professional service providers to move or conceal illicit funds and assets. While much attention has been focused on public officials and public sector institutions, this initiative will work to shine a spotlight on the role of others in facilitating corruption—on the aiders and abettors critical to wrongdoing. The Bank will examine the often-stubborn behavioral norms that influence those who offer large sums of money to obtain public favors, e.g., a contract for public works, as well as those who, in the course of their daily life, offer smaller payments or other bribes to obtain a public service. We will also examine the intermediary role played by banks as well as trust and company service providers in handling proceeds of corruption and illicit financial flows.

5.1. Stop the getaway car - drawing attention to facilitation

As noted earlier, the private sector often plays an active role in generating corruption, and they may also be complicit in facilitating corruption. Recent cases have demonstrated the involvement of banks, lawyers, management consultants and other high-end service providers in enabling corruption and state capture. The Bank will analyze the role played by service providers across all countries, as well as large multinationals, in enabling corruption to thrive, and the links between corruption in developing countries and service providers

in wealthier jurisdictions. We will include this topic on the agenda of international fora and will bring relevant private sector actors into the discussion. This activity will include reviewing grand corruption cases for the involvement of service providers and their mode of operation; conducting a mystery shopping exercise to expose negligent business practices; engagement with the private sector and industry bodies (e.g., a compact on clean banking with leading banks or support for broader disclosure of beneficial ownership information as part of a clean business initiative); and advocacy at the global level to highlight the complicity of service providers and what must be done to prevent and deter their misconduct. Depending on country buy-in, in some countries it may include review of business incorporation practices by trust and company service providers.

5.2. Help citizens and firms to kick the habit

Efforts to control corruption are often hampered by the habits and behaviors of both business people and citizens. Business people in search of a competitive edge seek to influence officials through bribery or other corrupt means, and even those not otherwise inclined to do so often rationalize their behavior as necessary since their competitors do so. The result is a race to the bottom in which everyone, except the corrupt official, loses. Similarly, citizens seeking services sometimes offer bribes unilaterally simply to speed processes along, to get better quality services, or to improperly get services they are not otherwise entitled to. While the underlying governance weaknesses that lead to these situations include factors beyond their control, such as weak accountability, red tape, and poorly behaved public officials, bribe-paying habits make reducing corruption an even more intractable challenge. This activity will focus on communicating and educating to break these habits. Partnerships with the media will be especially important for this initiative.

Box 6. Addressing the Facilitators. Indicative set of activities

Stopping the Getaway Car

- Conduct a new study of grand corruption cases as a follow-up to the 2011 StAR *Puppet Masters* report which analyzed corruption mechanisms, types of corporate vehicles abused for criminal purposes, types of professional intermediaries involved, and systematically tracks favored jurisdictions of incorporation and financial services for the cases under review.
- Collaborate with the IBA, bankers' associations, and other partners to develop best practices and recommendations on the involvement of legal and financial professionals in corruption schemes and help prevent abuse of legal privilege and professional secrecy for corrupt purposes.
- Luxury Assets. A range of professional intermediaries are needed to benefit from proceeds of corruption through acquisition of real estate, cars, yachts, jewelry and other luxury assets. The World Bank could convene relevant professional associations to assist in the development of industry codes of conduct and sharing of best practices; support implementation, development, and technological enhancements of land and asset registries; and develop and deliver training modules on detection and prevention of corruption in the acquisition of luxury assets.

Kicking the Habit

- Communicating and training: Working with academic institutions, CSOs, and the media, the Bank will develop curricula, public information campaigns, and training aimed at changing behavior of individuals with an investment in youth. Drawing on the insights of behavioral social science, the Bank will develop and publicize alternative strategies for changing incentives and behaviors and responding to bureaucratic obstacles that facilitate corruption.
- Convening: The Bank will support activities, such as conferences, that bring together the private and public sectors to examine the viability of bureaucratic reforms based on behavioral science, and contractual and collective action tools such as integrity pacts.

V. Putting it All Together: A Comprehensive Approach to Corruption

Without a comprehensive and systematic approach, the Bank's interventions to help countries control corruption could be as effective as treating only a fever fueled by a serious infection while the underlying infection continues to fester.⁴⁵ Treating the symptoms may provide relief for the fever for some time, but the illness would persist if the underlying infection is not treated. This section outlines an enhanced approach of diagnostics, interventions, and partnerships commensurate with the sense of urgency in dealing with the threat that corruption poses to development efforts. An indicative list of activities to support the implementation of this approach is attached as Annex 5. This list will be continuously updated to ensure alignment and relevance. Ultimately, the sustainability of anticorruption efforts in the Bank requires that we successfully embed this work in country programs. As the challenges facing one country will be very different from those of another, the initiatives for a particular country will be selected judiciously. A more rigorous approach at the country level will help identify and focus on the most critical drivers of corruption and impactful interventions. And given the web of drivers of corruption, the Bank will have to support, and be supported by, partners.

Diagnostics

Any credible approach to corruption must rest on a solid understanding of both the locus of corruption and underlying drivers of corruption in a particular country and sector, as well as an understanding of the political-economy of reform. Such analysis is even more important for anticorruption efforts than for most of the bank's areas of engagement, since corruption can undermine progress in all areas. Moreover, the policy measures required to reduce the corruption risk may be threatening to the very leaders whose support would be needed to enact them, making the need for a thorough understanding even more compelling.

To inform the needed understanding, the Bank will conduct diagnostics focusing on the root causes and drivers of corruption, the institutional weaknesses that are fueling the problem, and the impact on poverty reduction. Such diagnostics would pay due consideration to both the public and private sector dimensions.

In the first instance, diagnostics can help identify priorities in a particular country or sector. For example, corruption around infrastructure may be of greater concern than in other sectors due to the large amount of money spent and risk of poor quality. In a country with an entrenched governing family or political elite, nepotism may be the greatest challenge. But in a neighboring country the obligation to make corrupt payments to obtain public services or the corruption of the public procurement process may be the highest priority. Each country has a different set of political, institutional and cultural conditions and constraints, with different resources, actors and stakeholders available to confront corruption at home and abroad.⁴⁶ The

⁴⁵ Such a metaphor is helpful in this instance, but not without risks. Whereas illnesses, or even "cancer", can be cured, corruption would tend to lend itself to being controlled/reduced, rather than eradicated.

⁴⁶ Francesca Recanatini (2013) "Tackling corruption and promoting better governance: the road ahead." In *Anti-corruption Policy*, edited by Susan Rose-Ackerman and Paul Carrington.

need to recognize the importance of confronting power asymmetries⁴⁷ and misaligned incentives as fundamental causes of corruption suggests a fresh approach to diagnostics, as well.

An additional facet of anticorruption diagnosis warrants mention: Robust indicators and measurements are needed to fully understand the root causes and impacts of corruption, design a range of solutions and monitor progress to correct course. And robust measurement is also needed to learn about the impacts of reforms. The challenges of diagnosing and measuring corruption, however, are significant as corruption is hidden by design, and the gap between perception and fact poses an additional challenge. Without reinventing the wheel, it is time to take stock of what is systematically available, support the measures that need improvement, and fill gaps to the extent possible. Although any work on new indicators should be undertaken with eyes open to the risks of doing so, the ability to robustly track progress must be a key part of the anticorruption agenda going forward, as described in section 4.3, above. (Annex 4 provides a more detailed examination of the pros and cons of existing indicators.)

The diagnostics themselves could be modular, focusing on priorities as needed. In addition, implementing diagnostics would require a mechanism for prioritizing which countries to focus upon. This would be a challenging exercise that warrants more discussion than can be done here. Measures such as the CPIA can help point to countries that the Bank has already determined to have the largest challenges. Combined with the existing literature on corruption, a shortlist of countries for which corruption is threatening development outcomes and poverty reduction could provide the starting point for discussions with regional and country management teams. Finally, such diagnostics would feed naturally into the Bank's Systematic Country Diagnostics (SCDs) and help inform Country Partnership Frameworks (CPFs).

Interventions

On the basis of the diagnostics highlighted above, a set of instruments and approaches must be identified. The need for a sustained and long-term engagement is often undermined by political cycles and changing government priorities forcing the Bank to think about anticorruption reforms and measures in a piecemeal way, albeit within a broader, long-term vision. Explicit attention to corruption, and the context of reforms, needs to be given in the preparation of all SCDs, and CPFs should outline the instruments the Bank will use to assist the client in controlling corruption. The instruments to be chosen for different contexts will depend on the nature of the problem and the political economy of reform. For any environment, the focus must be on pragmatism and long-term engagement, identifying sectors or areas where reform is possible within the existing political environment, while building the foundations for more systematic institutional reforms as the political situation allows it. (Figure 4 provides a visualization highlighting the different approaches described in this section.)

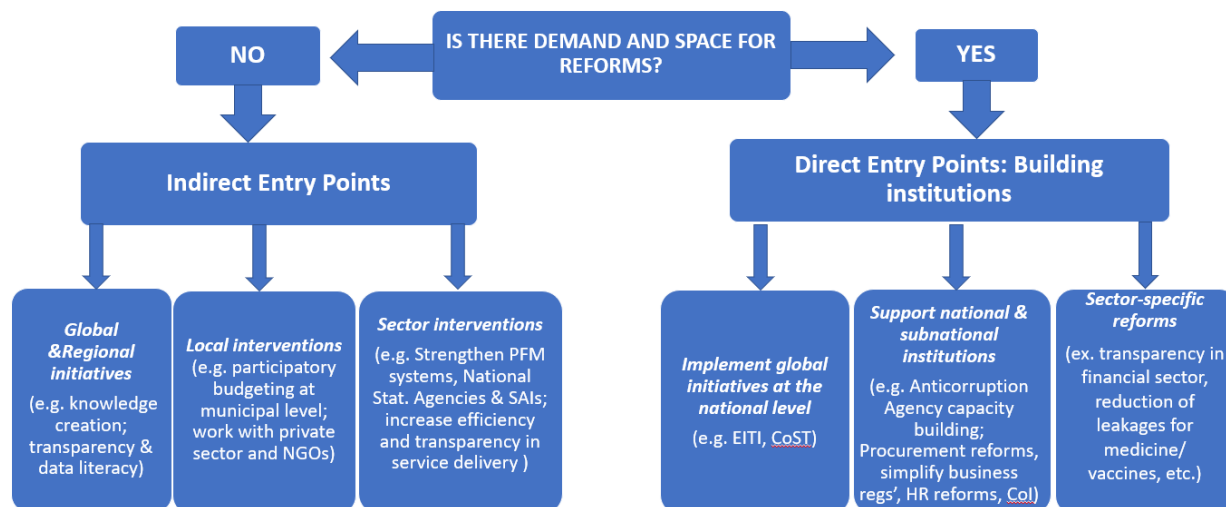
Where demand for reform is strong and supported by the leadership and the key stakeholders in the country,⁴⁸ the Bank has the opportunity to help articulate a comprehensive anticorruption reform. Such efforts would involve different parts and groups of society, with medium- and long-term visions for implementation that focus on building transparent, inclusive, and accountable institutions. They would also

⁴⁷ For a discussion of power asymmetries and the need to revisit the approach to measurement, see Francis Fukuyama and Francesca Recanatini (2018). "[Beyond Measurement: What is Needed for Effective Governance and Anti-Corruption Reforms?](#)", in Helmut K. Anheier, Matthias Haber, and Mark A. Kayser (2018), *Governance Indicators: Approaches, Progress, Promise*. Oxford Scholarship Online.

⁴⁸ Such situations are only likely to exist in certain settings, for example when the political environment has recently changed, or a crisis has occurred.

identify sector-specific opportunities to address institutional weaknesses within each sector while supporting global and international initiatives for greater transparency and accountability.⁴⁹ When such opportunities arise, a range of potential interventions with a broad range of stakeholders (state actors, civil society, private sector) must be considered and fostered.⁵⁰

Figure 4. Strategies When There Is and Is Not Demand from Clients



Where demand for comprehensive reforms is lacking or weak, indirect interventions focused on strengthening governance systems within sectors or at different levels of government may provide better paths to strengthen governance and address some forms of corruption. Additionally, in some circumstances the Bank can focus on creation and dissemination of knowledge on specific aspects of the corruption and governance challenges that can help create a more conducive space for dialogue on reforms with reluctant governments.⁵¹ Such efforts could include focusing on specific sectors, on certain types of administrative corruption, particularly in service delivery, at the subnational level to improve accountability, or to enhance the integrity of institutions such as the judiciary, or to support systems for transparency in procurement and budgetary process.

Limited space for reform also requires the use of a different set of tools and a greater focus on partnerships with practitioners from all parts of the World Bank Group and other international agencies. Collaboration, for example, with sector colleagues on the design and implementation of sector-specific projects can offer an entry point to begin to raise the issue of corruption while promoting institution building within a sector

⁴⁹ The program implemented in Georgia starting in 2003 is a well-known example. More recently, Argentina has developed a new national strategy in 2018, with support from the Bank.

⁵⁰ Useful resources include: Brian Levy (2014), *Working with the Grain: Integrating Governance and Growth in Development Strategies*, Oxford University Press. Verena Fritz, Kai Kaiser, Brian Levy (2009). *Problem-Driven Governance and Political Economy Analysis: Good Practice Framework*. World Bank, Washington, DC. *Problem-Driven Iterative Adaptation (PDIA) Toolkit*, Harvard University. *Thinking and Working Politically* Community of Practice.

⁵¹ The on-going work supported in Ukraine on income and asset disclosure, the work done in Peru in specific sectors and supporting selected agencies of the public administration and knowledge work completed in MENA on privilege resistant policies are illustrations of such typology of engagement.

through the implementation of a sector-specific program. For all environments, active and robust engagement with civil society can ensure that reform momentum continues in the right direction.

Notwithstanding the need to devise appropriate approaches for all countries, the level of effort should be concentrated in the sub-set of countries for which corruption has a significant dampening effect on the poverty reduction efforts. For these countries, the Bank will, through the CPF process, bring active policy dialogue and robust technical assistance and lending to address the corruption issue. The Bank's interventions must also reflect the learning of the stocktaking summarized in the introduction, by ensuring anticorruption efforts be effectively embedded within broader institutional strengthening approaches, rather than as standalone efforts, that our approach to state capability building be oriented to effecting changes in incentives and norms at the local level, and that the principles that inform our fiduciary and compliance efforts at the project level influence reforms within client governments.

Partnerships

As the largest multilateral development institutions, and as the first one to address the challenge of corruption as a development problem, the World Bank has long been a leader in the anticorruption agenda. Implementing this comprehensive approach, however, will require partnerships; partnerships within the Bank, with other multilateral bodies, and with INGOs, the media, and civil society.

Within the Bank, an Anticorruption Community of Practice provides a forum for sharing information widely across the Bank, gathering information on current and proposed anticorruption operations, and exchanging knowledge products. A range of other communities of practice, as well as other ongoing programs, such as the Open Government Partnership (OGP) and the Global Partnership for Social Accountability (GPSA), will also provide platforms for knowledge sharing and collaboration. Leveraging country teams will also be a valuable resource to ensure coordination with operational colleagues.

Externally, partnerships such as those with the IMF and other multilateral bodies, as well as with bilateral partners that also provide intellectual leadership on governance, will need to be strengthened. The Fund and the Bank routinely collaborate on macroeconomic policy dialogue, helping governments to make policy decisions that, while difficult, help stave off severe economic and social problems that would result from macroeconomic mismanagement or unfortunate external conditions. Now that the Fund is openly embracing corruption as a problem within its mandate (if deemed to be "macro-critical") there is potential for a similarly effective collaboration in reducing corruption. A shortlist of key external partners is provided in Box 7.

Finally, we need to think beyond client countries since policies in rich countries may affect corruption outcomes in poorer countries. The reluctance by some countries to criminalize and then prosecute overseas bribery, lax enforcement of anti-money laundering laws, and secrecy of corporate ownership have made it easy for corrupt officials to move and then conceal the illicit financial proceeds of their crimes abroad. Despite global progress in these areas, the need for consensus and coordinated efforts—and for translating that consensus into meaningful change—remains. Partnerships are more important than ever.

Box 7. Selected External Partnerships

- *Civil Society Organizations.* Partnerships with organizations such as Transparency International will help maximize the impact of the Bank's work, and the Bank's work would also benefit from the expertise and external viewpoint provided by civil society, particularly at the national and local levels where Bank knowledge may be weakest.
- *IMF.* Advice and dialogue on corruption and anticorruption for Article IVs and the Fund's deeper analyses of corruption at the country level. Possible cooperation on initiatives on innovation and joint training.
- *MDBs and regional initiatives.* Join more regularly regional initiatives such as the Anticorruption Network for Transition Economies, the ADB-OECD Anticorruption Initiative for Asia and the Pacific.
- *G20 Anticorruption Working Group.* The Bank is one of three international organizations supporting the G20-AWG, together with OECD and UNODC. Work as well with the B20, as noted below.
- *OECD Anticorruption Task Team (ACTT).* Co-Chair the ACTT, a donor group that meets twice a year with representation from all major donors.
- *Bilateral Partners.* Globally, the United Kingdom and other countries are leading efforts to strengthen beneficial ownership transparency. At the country level, we often work closely with bilateral partners on shared agendas.
- *Group of International Financial Centre Supervisors (GIFCS)* which includes most offshore centers and who are focused on AML/CFT supervision on "stopping safe havens for stolen assets".
- *Financial Action Task Force (FATF) and FSRBs (FATF Regional Bodies):* The Bank is actively supporting the implementation of AML-CFT standards that are key to combatting IFFs Regional fora and issued by FATF. The Bank will support FATF style regional bodies that ensure dialogue and implementation of these standards in the regions.
- *International Anticorruption Conference (IACC).* The Bank's Senior Management has expressed an interest in sponsoring the IACC to be held in Korea next year.
- *Other multilateral institutions,* such as Open Government Partnership (OGP), Extractive Industries Transparency Initiative (EITI), Open Contracting, the Infrastructure Transparency Initiative (CoST).

Toward a World Bank Anticorruption Action Plan

The Anticorruption Initiatives outlined in this note aim to reinvigorate the Bank's approach to helping countries to build their own institutional frameworks for confronting corruption, focusing on the work of the World Bank's EFI Vice Presidency. To operationalize the initiatives, and to broaden the focus toward a coordinated approach with other operational parts units, a World Bank Anticorruption Action Plan will be developed in the first half of calendar year 2020.

Annex 1. Types of Corruption: Enhancing the Standard Approaches

Corruption comes in many forms. This table is not meant to be exhaustive, nor are the various types of corruption described below mutually exclusive. Rather, the purpose is to highlight in concrete terms some of the forms of corruption that hinder development. The “standard approaches” are not standard for every country or environment, but rather are informed by the country’s situation and by the political-economy analyses described in this paper. The Anticorruption Initiatives described in this paper would enhance, but not replace the standard approaches.

Type of Corruption (not exhaustive or mutually exclusive)	Standard Approaches		Initiative that Would Enhance
<i>Bribery for services</i> involves the payments for services typically provided by state-funded organizations. Such services typically include healthcare, education at varying levels, agricultural extension services, etc. The bribes may be paid for special treatment (better services in hospital, enrolment of child in out-of-area school, faster service for vehicle inspections) or for treatment that the payer is lawfully entitled to.	Clarifying rules to reduce discretion and increase accountability; transparency of rights and rules; governance of service delivery, focusing on financing (especially in healthcare), aligning financing systems with incentives; use of technology to cut the middleman and reduce opportunities for corruption.	(Cross-cutting approaches that help control all forms of corruption are listed in this column) - Anticorruption strategies and monitoring; - Legal framework for anticorruption;	Sector-Based Approach Addressing the Facilitators
<i>Bribery for particular regulatory treatment</i> includes payments by violators to evade regulations, such as bribery by polluters to avoid sanctions, as well as payments for fair treatment, such as when firms or citizens are extorted by inspectors, the traffic police, or other officials with discretionary power.	Clarifying rules to reduce discretion and increase accountability; use of technology to reduce ambiguity about the existence of infractions (e.g., traffic and body cameras); transparency of rights and rules; sector-specific approaches, such as streamlining processes and regulations; income and asset declarations and conflict of interest management for regulators.	- Access to information regimes; - Independent and active civil society; - Public financial management systems; - Open government, open data; - Whistle-blower protection systems; - Conflict of interest of interest management systems;	Sector-Based Approach Addressing the Facilitators
<i>Corruption in public procurement</i> allows businesses willing and able to pay to influence the public procurement process leading to contract awards based on influence rather than merit. This type of corruption inevitably leads to an uneven playing field	Transparency of procurement outcomes and of procurement responsibilities and roles, including for participants (e.g., disclosures of beneficial ownership); strengthen related public financial management systems and	- Independent and vigorous enforcement of anticorruption laws;	High Definition Transparency

for the private sector. It can include, for example, “pay to play”, where companies must hire specific firms that serve as conduits to senior government officials just to qualify for a bid process. It also inevitably implicates both the supply side, i.e., bribe payers, as well as the demand side, i.e., bribe recipients.	capacity; conflict of interest management and income and asset declarations for those involved in procurement decisions; E-procurement for better tracking and to reduce direct interface between entities; Audit of Procurement activities by SAIs.	(Cross-cutting approaches that help control all forms of corruption are listed in this column)	
<i>Corruption in revenue management</i> reduces the resources available for productive use by the state, and skews the playing field in favor of those who break the rules. Examples include bribery by unscrupulous firms to reduce tax or customs burden, bribery in response to extortion by tax or customs authorities, tax fraud by private companies.	Clarify rules to reduce discretion and increase accountability; strengthen public financial management systems and capacity; conflict of interest management and income and asset declarations; information technology to speed processes, reduce the interaction with tax officials, and the help identify tax fraud; regulation of beneficial ownership information.	- Anticorruption strategies and monitoring; - Legal framework for anticorruption; - Access to information regimes; - Independent and active civil society; - Public financial management systems;	Sector-Based Approach Global Standards and Monitoring
<i>Misallocation of state resources</i> involves the embezzlement or diversion of public resources. Examples include ghost workers, self-dealing in the provision of subsidies, looting of SOEs, and outright theft from the treasury. Misuse of non-pecuniary resources, such as land, water, and subterranean assets, can also take place, for example when there is a corrupt decision on award of water rights, land rights, or extractive licenses. This type of corruption not only drains the availability of resources for development, but undercuts trust in government when citizens see the misallocation of public resources for reasons of personal interests.	Strengthening internal and external auditing; internal control procedures; transparency of budgetary processes and outcomes; strengthen related public financial management systems and capacity; parliamentary oversight; conflict of interest management and income and asset declarations; corporate governance especially of SOEs; transparent and competitive processes for the allocation of rights and licenses; IT approaches, such as biometrics and feedback mechanisms to control ghost workers.	- Open government, open data; - Whistle-blower protection systems; - Conflict of interest of interest management systems; - Independent and vigorous enforcement of anticorruption laws;	Power and Money Addressing the Facilitators Sector-Based Approach
<i>Corruption in personnel management</i> leads to nepotism and the elimination of meritocracy through the purchase of public positions and promotions or cronyism in favor of political allies, friends, or relatives. This type of corruption also can lead to	Civil service reforms aimed at strengthening merit-orientation; income and asset declarations and conflict of interest management for those involved in personnel decisions.		Power and Money High Definition Transparency

entrenchment of corrupt actors, by perpetuating patronage systems. Officials that are beholden to their benefactors, and with short time horizons, are less likely to deliver performance for the public good during their tenure.		(Cross-cutting approaches that help control all forms of corruption are listed in this column)	
<i>Corruption in the legislative processes</i> can skew the legal and regulatory frameworks to the benefit of certain firms, industries, or other interests. Such corruption is a key element of <i>state capture</i> , the use of corruption to shape the legal environment to give unfair advantages to certain groups. State capture can be among the most destructive types of corruption and can also be the most difficult to detect as the corrupt acts are often engaged in what may appear to be a legitimate legislative or public process.	Transparency of party and campaign financing; competition policy encouraging entry; income and asset declarations and conflict of interest management for political positions and for those involved in legislative drafting; transparency and regulation of lobbying and other business-state interactions; competition policy to prohibit legislated monopolies or concentrations of power.	<ul style="list-style-type: none"> - Anticorruption strategies and monitoring; - Legal framework for anticorruption; - Access to information regimes; - Independent and active civil society; - Public financial management systems; - Open government, open data; 	Power and Money
<i>Corruption in the judicial system</i> can include bribery or undue political or personal influence over cases. As this form of corruption could potentially undermine confidence in all anticorruption activities, it can be particularly pernicious.	Strengthening of judicial accountability systems, such as judicial councils; technical governance reforms such as random assignment of cases; use of technology to enhance transparency and speed processes; strict conflict of interest rules and systems for adjudication.	<ul style="list-style-type: none"> - Whistle-blower protection systems; - Conflict of interest of interest management systems; - Independent and vigorous enforcement of anticorruption laws; 	Power and Money Sector-Based Approach
<i>Money laundering</i> enables and facilitates all of the other forms of corruption described above. Often transboundary in nature, detection and prosecution of money laundering often requires international cooperation to an extent that other forms of corruption do not. Money laundering is a primary source of Illicit Financial Flows.	Legal framework and capacity for anti-money laundering; financial sector regulations and capacity for identifying suspicious transactions; due diligence on politically exposed persons; regulation of beneficial ownership information; international mutual legal assistance.		Power and Money Addressing the Facilitators Global Standards and Monitoring
Many sources have similar descriptions of types of corruption. Some useful sources include Francis Fukuyama, and Francesca Recanatini (2018), “What is Needed for Effective Governance and Anti-Corruption Reforms?” , in <i>Governance Indicators: Approaches, Progress, Promise</i> , Anheier, Haber and Kayser eds. , Oxford University Press; and Arvind K. Jain, (2001), “Corruption: A Review” , <i>Journal of Economic Surveys</i> , Vol. 15, No. 1.			

Annex 2. Key Milestones in the World Bank's efforts to address corruption as a development challenge

This Annex highlights some key milestones in the World Bank's efforts to address corruption. The list is not exhaustive, nor does it give a sense of the volume of activity, or budgetary or political space to work on anticorruption, at different points in time. Nevertheless, it highlights the evolving approach to corruption as a development issue within the Bank. To provide some context, a small number of other milestones in anticorruption, beyond the World Bank, are also provided.

Prior to the "C" word

1766:	Sweden's Freedom of the Press Act is passed. Often called the world's first Access to Information Law.
-------	--

1977:	US Foreign Corrupt Practices Act
-------	----------------------------------

1985: World Bank issues first instructions to staff on information disclosure, called the "Directive on Disclosure of Information", establishing a "presumption in favor of disclosure" in absence of compelling reasons not to disclose. It divided information into 3 categories: published, available to specific audiences, or restricted, and listed the information that could be disclosed through a "Positive list".

1991: The Bank issues a Discussion Paper to its Board providing the first formal policy statement on broadening analytical and lending activities on public sector management to include governance issues.

1991: The 1991 *World Development Report: The Challenge of Development* discusses corruption extensively, focusing in the role of state intervention in generating corruption: "Excessive intervention breeds corruption. Again, the problem is by no means confined to governments, or to the developing countries. In some countries, it has grown to alarming and destructive proportions. Corruption weakens a government's ability to carry out its functions efficiently. Bribery, nepotism, and venality can cripple administration and dilute equity from the provision of government services and thus also undermine social cohesiveness."

1992: *Governance and Development* is published. Among the issues discussed is corruption: "Pervasive corruption is particularly damaging to development. Corruption occurs in all countries and in many different forms. It tends to thrive when resources are scarce, and governments, rather than markets, allocate them; when civil servants are underpaid; when rules are unreasonable or unclear; when controls are pervasive, and regulations are excessive; and when disclosure and punishment are unlikely. Although there have been isolated instances of governments being both corrupt and successful at promoting development, in general, corruption weakens the ability of governments to carry out their functions efficiently."

1993:	Founding of Transparency International.
-------	---

1996 - 2005: Beginning to Understand and Address the Cancer of Corruption

- 1996: Then-President of the World Bank James Wolfensohn delivered what is now known as the “Cancer of Corruption” speech. Although the Bank had as early as 1991 begun to broaden analytical and lending activities on public sector management to include governance issues, the 1996 speech marked the first time the President of an international institution openly and formally discussed corruption and its consequences.
- 1996: The first Public Expenditure Tracking Survey (PETS) was undertaken in Uganda, provided empirical evidence of leakages to an education capitation grant program, and highlighted the corrective power of information campaigns.
- 1997: *World Development Report 1997: The State in a Changing World* mentions “corruption” more than 200 times.
- 1997: *Helping Countries Combat Corruption: The Role of the World Bank* is published. The report outlines four directions for work: (1) Preventing fraud and corruption within Bank-financed projects. (2) Helping countries that request Bank support in their efforts to reduce corruption. (3) Taking corruption more explicitly into account in country assistance strategies, country lending considerations, the policy dialogue, analytical work, and the choice and design of projects. (4) Adding voice and support to international efforts to reduce corruption.
- 1997: The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is signed. It enters into force in 1999.
- 1998: The first *Diagnostic Surveys on Corruption* were conducted in Albania, Latvia, and Georgia. The surveys of citizens, public officials, and enterprises were deepened and expanded by WBI and ECA-PREM and eventually carried out in more than 30 countries.
- 1999: All Country Assistance Strategies (CAS) produced after January 1999 were required to diagnose the state of governance and the risk that corruption posed to Bank projects.
- 1999: The first round of the Business Environment and Enterprise Performance Surveys (BEEPS) were conducted in cooperation with EBRD. The survey would be repeated every three years in ECA. Other enterprise surveys, such as the Productivity and Investment Climate Surveys, were also undertaken. All are now folded into the Enterprise Surveys.
- 2000: The World Bank begins to openly discuss “state capture” in *Anticorruption in Transition: A Contribution to the Policy Debate*, produced for the Annual Meetings in Prague, and in the academic publication *Seize the State, Seize the Day*.
- 2000: *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy* is published.
- 2001: To strengthen accountability regarding corruption in World Bank-funded projects, the Department of Institutional Integrity (INT) was created.
- 2001: Board of Executive Directors approved major revisions to information disclosure policy, agreed to disclose a greater number of Board and program-related documents and use a more systematic approach to access historical information in the World Bank Archives.
- 2001: The Public Expenditure and Financial Accountability (PEFA) tool began as a means to harmonize country level assessment of public financial management (PFM) across the organizations that established the program, and they have now been done in 150 countries.
- 2003: The United Nations Convention Against Corruption (UNCAC) formalizes international commitments to criminalize corruption and actively enforce the law.

- 2004: INT's first annual report. The number of sanctioned firms had reached 236.
- 2004: The *World Development Report Making Services Work for Poor People* becomes a landmark study on the relationship between people and service providers and mechanisms of accountability.
- 2004: The World Bank establishes the first multi-donor trust fund for the Extractives Industries Transparency Initiative (EITI).
- 2004: The first Doing Business study provides assessments of the actual laws and policies for a hypothetical standard firm, providing an innovative complement to the standard survey approach. This and similar approaches developed in years since are used to assess aspects of the policy and institutional environment that, among other things, facilitates or hinders corruption.
- 2005: Executive Directors approve disclosure of more World Bank documents, simplified clearance procedures for disclosing information not on "positive list," and proposed to pilot disclosure of Board drafts before Board deliberation ("simultaneous disclosure").

2006 to 2014: Formalizing the Approach

- 2006: The Bank's Anti-Corruption Guidelines are adopted creating an affirmative responsibility on the part of borrowers to act on allegations of corruption. Prominent among these policies was establishing affirmative responsibilities to address the challenge, embracing transparency in internal rules and policies, and translating these principles into practice at the country, sector, and project levels, linking anticorruption goals and lending more closely.
- 2007: *Strengthening World Bank Group Engagement on Governance and Anticorruption* was adopted by the Board. This became known as the Governance and Anticorruption (GAC) Strategy and was the first formal strategy related specifically to corruption to be approved by the Board.
- 2007: The World Bank publishes *The Many Faces of Corruption*, a groundbreaking diagnosis of corruption vulnerabilities and corresponding warning signals, along with proposed remedial measures tailored to particular sectors.
- 2007: The Stolen Asset Recovery Initiative (StAR) is created as a joint effort of the World Bank and the UN Office on Drugs and Crime (UNODC) to help ensure that there are no havens for the proceeds of corruption.
- 2008: INT is elevated to a Vice Presidency.
- 2010: The World Bank and four other multilateral development banks sign a Cross Debarment Agreement obliging each MDB to recognize and enforce the sanctions imposed by all signatories.
- 2009: The WBG Board approves a new Access to Information policy, providing for disclosure of unprecedented amount of information. Interested stakeholders will be able to follow projects step by step through each stage of a project lifecycle. The new Policy includes clear procedures for making information available to the public and provides an appeal process in case access is denied to certain information. The World Bank's Policy on Access to Information became effective in 2010.
- 2010: The first gathering of the International Corruption Hunters Alliance is held at the World Bank headquarters in Washington, DC. More than 200 professionals from 134 countries gathered to create an international enforcement regime to track and resolve bribery and fraud cases that reach beyond borders to affect more than one country.
- 2011: The Open Government Partnership (OGP) is launched to provide an international platform for domestic reformers committed to making their governments more open, accountable, and responsive to citizens. A formal relationship with the World Bank is established in 2013.

- 2012: The WBG Board establishes the Global Partnership for Social Accountability (GPSA) to expand opportunities for civil society organizations to work together with their governments to solve governance problems, especially in the delivery of services, and to improve development outcomes using social accountability mechanisms including citizen feedback.
- 2012: The Construction Sector Transparency Initiative (CoST) is launched as a global initiative with the support of the World Bank.

2014 to 2017: Politics and Power

- 2014: The *World Bank Strategic Framework for Mainstreaming Citizen Engagement in Operations* is developed to more systematically mainstream citizen engagement through including beneficiary feedback in WBG-supported operations. The Strategic Framework defines citizen engagement as the two-way interaction between citizens and governments or the private sector within the scope of WBG interventions. This approach gives citizens a stake in decision-making in order to improve the intermediate and final development outcomes.
- 2014: The *Global Indicators of Regulatory Governance* project, focused on transparency and accountability in government actions, and specifically citizen engagement in the rulemaking process, is rolled out.
- 2014: *Problem-Driven Political Economy Analysis* systematically takes stock of what the World Bank has learned from its efforts to mainstream Political Economy Analysis (PEA).
- 2014: The WBG is reorganized into global practices and cross-cutting solutions areas. The Governance Global Practice brings together procurement and financial management professionals with the World Bank's public sector management units to form the largest of the WBG's global practices.

2015: The Panama Papers are leaked.

- 2016: The World Bank helps organize UK Anti-Corruption Summit. President Jim Yong Kim attends and delivers a keynote speech: "Corruption is, quite simply, stealing from the poor."
- 2016: The World Bank's new Procurement Framework becomes effective, helping countries make the best use of their public spending and enhancing the strategic role of procurement in development effectiveness.
- 2017: The World Development Report 2017 Governance and the Law is published. The WDR addresses fundamental questions at the heart of development, looking at the complex political and social settings in which policy making and policy implementation take place.

2018 to present: Reaffirming the World Bank's Commitment to Confronting Corruption

- 2018: International Anti-Corruption Conference (IACC), Copenhagen, Denmark, includes high level representation by Kristalina Georgieva (CEO of the World Bank), Ceyla Pazarbasioglu-Dutz (VP Equitable Growth, Finance, and Institutions), Pascale Dubois (VP Integrity), and Deborah Wetzel (Senior Director of the Governance Global Practice).
- 2019: The World Bank hosts Ending the Shell Game: A New Global Norm for Beneficial Ownership Transparency, shining a spotlight on the abuse of anonymous company structures and tax havens to conceal illicit wealth by individuals, groups, and corporations. A coalition of governments led by the UK commits to a global norm on beneficial ownership transparency.

Annex 3. Evolution of the Concept of “Corruption” in the Development Context

“Corruption” is a term which is widely used but not always with the same interpretation. In application to the workings of an economy or a political system, the legal definitions of “corruption” vary depending on the laws of the country. Similarly, in application to World Bank projects, there are specific legal definitions embodied in the Anticorruption Guidelines.⁵² The United Nations Conventions Against Corruption⁵³ (UNCAC), which entered into force in 2005, does not employ a definition of “corruption”, since the legal definition would vary according to the laws of the signatory countries. It does, however, cover many different forms of corruption as behaviors to be controlled, such as bribery, trading in influence, abuse of functions, and various acts of corruption in the private sector.

When it comes to support for clients’ efforts to control corruption, the World Bank Group focuses on the impact of corruption on development objectives, and thus does not employ legal definitions, per se. In 1991, the World Development Report *The Challenge of Development* described it this way: “Corruption weakens a government’s ability to carry out its functions efficiently. Bribery, nepotism, and venality can cripple administration and dilute equity from the provision of government services and thus also undermine social cohesiveness.”

From both an analytical perspective, and for operational purposes, some sort of common definition is useful. The World Bank Group has long used some variant on the memorable definition that *corruption is the misuse of public office for private gain*. Following Wolfensohn’s “Cancer of Corruption” speech in 1996, the Bank focused on public officials and public office, explaining it this way: “Public office is abused for private gain when an official accepts, solicits, or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets, or the diversion of state budget or revenues. ... Bribery occurs in the private sector, but bribery in the public sector, offered or extracted, should be the Bank’s main concern, since the Bank lends primarily to governments and supports government policies, programs, and projects.”⁵⁴

In the years since, the concept of corruption employed by the Bank has been nuanced, and the ramifications of different types of corruption have been explored. In 2000, the Bank published landmark studies⁵⁵ that drew the distinction between *administrative corruption*, defined as corruption in the implementation of laws, and *state capture*, defined as corruption in the shaping of the laws themselves. Administrative corruption refers to practices such as bribery to speed a shipment of expired food through customs, while state capture

⁵² Guidelines on Preventing and [Combating Fraud and Corruption](#) in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016).

⁵³ Information on the UNCAC can be found at the website of the United Nations Office on Drugs and Crime ([UNODC](#)).

⁵⁴ World Bank (1997), [Helping Countries Combat Corruption—The Role of the World Bank](#). (pp. 8-9). It should be pointed out that bribes do not have to be in the form of cash; a bribe can be an exchange of favors, a vacation, support for getting a child into university, etc.

⁵⁵ Joel Hellman, Geraint Jones, and Daniel Kaufmann (2000), [“Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition”](#), World Bank Policy Research Working Paper No. 2444; and World Bank (2000), [Anticorruption in Transition—A Contribution to the Policy Debate](#).

refers to practices such as influencing and bribing politicians to skew the legal framework to one's own advantage. Both can have pernicious effects, but state capture can entrench a skewed playing field leading to even more concentrated power, knotting ties between business and politics and undermining the foundations of inclusive state institutions.⁵⁶

Although discussed for many years, the idea that corruption is both the outcome of poor governance and a problem in itself was firmly established with the 2007 Governance and Anticorruption Strategy.⁵⁷ Using the familiar definition of corruption as “the abuse of public office for private gain”, the Strategy also defines governance as “the manner in which public officials and public institutions acquire and exercise the authority to provide public goods and services, including the delivery of basic services, infrastructure, and a sound investment climate” and make it clear that “corruption is one outcome of weak governance.” (Strengthening World Bank Group Engagement on Governance and Anticorruption, 2007, p. 67)

The 2017 World Development Report *Governance and the Law* went further in emphasizing power and politics in its definitions of governance and corruption⁵⁸: “For the purpose of this Report, governance is the process through which state and nonstate actors interact to design and implement policies within a given set of formal and informal rules that shape and are shaped by power. This Report defines power as the ability of groups and individuals to make others act in the interest of those groups and individuals and to bring about specific outcomes.” (p. 3) “Corruption is often defined as the use of public office for private gain. In the framework of this Report, corruption is a deals-based way to sustain agreements among certain individuals or groups.” (p. 77) Note that this definition calls for an approach to corruption that is based on a careful understanding of power dynamics, recognizing the limited application of technical solutions.

Beyond the World Bank, many other typologies and definitions are used. Terms such as “petty corruption” and “grand corruption” are used to distinguish between, for example, paying off a traffic policeman and taking a bribe for a major military contract.⁵⁹ Similarly, “bureaucratic corruption” and “political corruption” bring some features of the dichotomy between administrative corruption and state capture. A focus on “public office” is viewed by some as too narrow: Transparency International defines corruption as the misuse of *entrusted power* for private gain⁶⁰, thus capturing, for example, private doctors receiving kickbacks from private pharmaceutical companies, and the college admissions scandal in the USA. Summary definitions of corruption that focus on abuse of public office or abuse of entrusted power also have the shortcoming of implying that bribe payers not to blame, although this is usually clarified in legal definitions of corruption.

The purpose of this note is not to introduce a new definition of corruption, nor to get bogged down in definitional debates, but rather to focus on the pernicious effects of practices which are universally viewed as

⁵⁶ In 2007, another of the Bank's seminal volumes, [The Many Faces of Corruption](#), defined corruption as “the use of public office for private gain,” but also added patronage and nepotism as distinct from administrative corruption and state capture.

⁵⁷ World Bank (2007), [Strengthening World Bank Group Engagement on Governance and Anticorruption](#).

⁵⁸ World Development Report 2017: [Governance and the Law](#).

⁵⁹ Academics employ similar definitions. Robert Klitgaard (1988), *Controlling Corruption*: “I will not spend much time on definitions. Corruption exists when an individual illicitly puts personal interests above those of the people and ideals he or she is pledged to serve.” (p. xi). Susan Rose-Ackerman (2004), *The Challenge of Poor Governance and Corruption*: “‘Corruption’ is a term whose meaning shifts with the speaker. ... I use the common definition of corruption as the ‘misuse of public power for private or political gain,’ recognizing that ‘misuse’ must be defined in terms of some standard. ... [O]ne of the most important debates turns on the issue of ‘state capture’ or the problem of creating open democratic/market societies in states.”

⁶⁰ [Transparency International](#).

“corruption,” and to propose initiatives to update the World Bank’s approach to corruption to address growing challenges and opportunities.

Annex 4. Measuring Corruption and Anticorruption

The most readily available indicators of corruption levels are perception-based, derived from assessments by experts. The World Bank's Country Policy and Institutional Assessment (CPIA) is an example. Created as part of the International Development Association's (IDA's) resource allocation system, the CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. Within the latter cluster there are specific assessments of both institutions that constrain corruption, such as quality of public administration and quality of budgetary and financial management, as well as assessments of severity of corruption and state capture. The CPIA assessments are qualitative, but benchmarked against specific criteria,⁶¹ with regional and central oversight to ensure consistent application.⁶² As these are our own staff members' assessments, some regions use them actively in dialogue with clients. They have also proven useful for studies of the impact of World Bank development policy lending.⁶³

Measures that are based on perceptions of corruption, however, may have limited usefulness in tracking actual levels of corruption over time. First, they may be biased by other perceived correlates, such as poverty or form of political system. Second, they may adjust only slowly to changing realities. The efforts described in the previous paragraph to provide a consistent framework for the CPIA and central review mitigate these concerns, but nevertheless the limitations should be noted.

For these reasons, corruption is often approximated by survey data about the actual experiences of firms and citizens in their dealings with public officials. The World Bank broke ground with this approach in the World Business Environment Survey used for the preparation of the *World Development Report 1997—The State in a Changing World*. This led to an ECA-specific survey, with larger samples and more robust sampling, called the Business Environment and Enterprise Performance Survey (BEEPS), a joint initiative of the European Bank for Reconstruction and Development (EBRD) and the World Bank. Presently, the Enterprise Analysis Unit of the World Bank manages the World Bank's Enterprise Surveys, maintaining quality control and a consistent methodology.⁶⁴ Certain cross-country surveys of individuals, such as the Life in Transition Survey in ECA, and Transparency International's Global Corruption Barometer, help assess levels of corruption as experienced by citizens, as well as perceptions of higher-level corruption. Regional surveys such as Afrobarometer and Latinobarometer, similarly collect information on experiences with public services and the need to make unofficial payments. Surveys on corruption experiences have been subject to criticism for the fact that some people do not participate honestly, leading to underestimations of the extent of corruption.⁶⁵

⁶¹ [CPIA Criteria](#).

⁶² Stephen Knack (2013), "[It's Only Words : Validating the CPIA Governance Assessments](#)," *Policy Research Working Paper*; No. 6526. World Bank, Washington, DC.

⁶³ Lodewijk Smets and Stephen Knack (2016), "[World Bank Lending and the Quality of Economic Policy](#)", *The Journal of Development Studies*, 52:1, 72-91.

⁶⁴ In the 1990s and 2000s, other enterprise-level surveys using similar, but not identical methodologies, such as the Productivity and Investment Climate Surveys, were employed. These have generally been rolled into what is now simply referred to as the enterprise surveys. Further information on the enterprise surveys can be found at <http://www.enterprisesurveys.org>.

⁶⁵ See, for example, Omar Azfar and Peter Murrell, (2009), "Identifying Reticent Respondents: Assessing the Quality of Survey Data on Corruption and Values," [Economic Development and Cultural Change](#) 57, no. 2 (January 2009):

Given the large number of expert opinion indicators and surveys, some researchers prefer to use aggregates that do not depend on any one indicator. The most well-known of these are Transparency International's Corruption Perceptions Index⁶⁶ (TI-CPI), and the Control of Corruption measure in the Worldwide Governance Indicators⁶⁷ (WGI-CC) produced by researchers at the World Bank. Both combine available information to arrive at aggregate measures. While the TI-CPI continues to be influential in raising awareness about corruption, and the WGI-CC is often used for statistical analysis given its long time series and broad country coverage, neither is well-suited for tracking progress at the country level or internationally. Several reasons have been cited⁶⁸, including the conceptual fog generated from mixing various indicators in different measure in each country and over time, and the fact that the WGI-CC is rescaled to have a mean of zero each year. All indicators are imperfect, and the TI-CPI and WGI-CC may usefully be employed as explanatory variables in statistical analyses, but they do not robustly track changes in corruption over time.

The World Bank has also supported many efforts to track progress on the implementation of policies and institutions that would reduce the space for corruption. These include the Public Expenditure and Financial Accountability (PEFA) assessments which track, among other things, transparency of public finances, and the Global Indicators of Regulatory Governance which explores how governments interact with the public when shaping regulations that affect businesses, professional associations, civic groups, and foreign investors. Since corruption often arises from onerous red tape, the Doing Business indicators, which track the business environment as it exists in law, can also be seen as measures of the policy and institutional environment in which corruption exists. A basic measure of transparency, the existence of a Right to Information Law, shows improvement over time, although implementation is not guaranteed. A frontier area of measurement is to make use of big data analytics, as highlighted in the Analytical Work Plan.

387-411; and Aart Kraay and Peter Murrell (2013), "Misunderestimating Corruption", [World Bank Policy Research Working Paper](#) 6488.

⁶⁶ [Corruption Perceptions Index](#).

⁶⁷ [Worldwide Governance Indicators](#).

⁶⁸ Stephen Knack (2006), "Measuring Corruption in Eastern Europe and Central Asia : [A Critique of the Cross-Country Indicators](#)." Policy Research Working Paper; No. 3968. World Bank. Christiane Arndt and Charles Oman (2006), [Uses and Abuses of Governance Indicators](#), Development Centre Studies, OECD Publishing, Paris. James Anderson (2009), "[A Review of Governance and Anticorruption Indicators](#) in East Asia and Pacific". World Bank.

Annex 5. Analytical Work Plan

As corruption and anticorruption constantly evolve, the work program needs to remain flexible. The activities identified here, drawn from the main body of the text, constitute an agenda for bringing the anticorruption initiatives to life. This will be a “live” document, with activities added or subtracted as we continue to learn about their successes and shortcomings, to be elaborated upon in the Anticorruption Action Plan described in the text.

	Diagnostics	Interventions	Partnerships
Global Standards and Monitoring	<p>Collect data on recoveries and returns of proceeds of corruption globally in a systematic way to monitor and analyze progress on international asset recovery efforts related to corruption. Such data does not exist at a global level in a comparable format, and there is substantial demand for it to create an evidence base and measure progress towards achieving target 16.4 of the 2030 Agenda for Sustainable Development.</p> <p>Consider enhanced corruption coverage in the context of the Enterprise Surveys, and, in collaboration with the Poverty Global Practice and DEC, instituting corruption questions in regular household surveys, including crime victimization surveys, such as those that have been used in Italy, Mexico, and Peru.</p>		<p>Through the promulgation of High Level Principles, work with the G20 ACWG to set standards on topics such as conflict of interest, use of technology to address corruption, and whistle-blower protection.</p> <p>Partnering with B20 on “Clean Banking” “Transparency Compact” to establish and disseminate standards on Beneficial Ownership under projects 4 and 5.</p> <p>Actively support the implementation of AML-CFT standards that are key to combating IFFs.</p> <p>Collaborate with EITI, Open Government Partnership, and others to develop best practices on effective beneficial ownership disclosure requirements.</p>
Power and Money	<p>In collaboration with FCI and DECRG (and possibly EBRD), development of modules measuring extent and impact of state capture to be used in firm surveys and BEEPS.</p> <p>In collaboration with the Bureaucracy Lab, development of questions and module for civil servant questionnaire to measure “revolving doors” policies and other public sector regulations</p>	Support electronic asset declaration systems (e-filing, verification, publication, disclosure form and system design) and strengthen institutions that use asset declarations to enhance transparency, combat conflicts of interest and sanction illicit	

	<p>for civil servants and politicians that can hinder or foster state capture.</p> <p>In collaboration with DECRG, explore the link between elections, procurement awards and exclusion to public services at the local level.</p>	<p>enrichment, money laundering and illicit financial flows.</p> <p>Advise on the effective, fair and inclusive implementation of conflict of interest and whistleblower protection regulations. Analyze and identify policy tools that can increase transparency and accountability of SOEs in collaboration with FCI.</p> <p>Broaden access to justice systems, including administrative dispute resolution processes, to increase contestability and create pathways for citizens and businesses to challenge government policies and actions.</p>	
Sector-Based Approach	<p>Develop a conceptual framework for scaling up GovTech innovations that are showing impacts in confronting corruption in particular sectors, particularly administrative corruption. This will include (i) reviewing recent practices in beneficiary feedback and biometric technologies; (ii) framing the development rationale and ‘business case’ for mainstreaming their adoption in different contexts; (iii) and proposing a roadmap for scaling up their use, including as part of broader digital inclusion and e-government strategies.</p>	<p>Work with national statistical agencies and subnational partners (local government, academia, CSOs) to develop new data analytics and measurement techniques for assessing the impact of corruption and /or anticorruption interventions at the local and sector levels (this will include collaborating with initiatives by the OGP and OCP to enhance the quality and publication of procurement and spending data at the local level). Based on sectoral diagnostics, identify specific policy tools that can help support greater</p>	<p>Support the dissemination of the “G20 Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development” and their translation into policy design in Bank client countries with large infrastructure and PPP pipelines; develop a framework for embedding integrity concerns in infrastructure governance as an integral part of quality and value for money in infrastructure investments, including through integrity principles, or contractual mechanisms; support the adoption of oversight and assurance, and due diligence processes, such as the CoST initiative in infrastructure and PPP projects, including in Bank operations.</p>

		transparency and accountability for the management of public resources (human and financial) at the local level and within local governments.	
High Definition Transparency	<p>Develop big data analytics and AI tools to leverage new sources of data, including: (i) working with donor partners and academia to develop a Procurement Risk Global Artificial Intelligence Tool (PRAIT) to enhance the detection and prevention of corruption risks in procurement, and disseminate this tool and its technology as a global public good; (ii) work with clients to develop tools and build their institutional capacity to use data mining and data analytics to better detect, understand and address integrity risks in public procurement and audit functions.</p> <p>Study to analyze effectiveness of different beneficial ownership frameworks in achieving availability and accuracy of beneficial ownership information to combat criminal abuse of legal entities (notably comparing beneficial ownership registries, notarial databases and gatekeeper systems) and tailor assistance based upon this study.</p>	Deliver TA to clients as part of the operationalization of recommendations produced under National Risks Assessments to scale up the use of beneficial ownership information to combat corruption and money laundering.	Collaborate with initiatives by the UK Government, the Open Government Partnership, EITI and others to raise awareness about policy solutions and technical tools to support the use and publication of beneficial ownership information. (December 9, Anticorruption Day)
Addressing the Facilitators	Conduct a new study of grand corruption cases as a follow-up to the 2011 StAR Puppet Masters report which analyzed corruption mechanisms, types of corporate vehicles abused for criminal purposes, types of professional intermediaries involved, and systematically tracks favored jurisdictions of incorporation and financial services for the cases under review.	Luxury Assets. A range of professional intermediaries are needed to benefit from proceeds of corruption through acquisition of real estate, cars, yachts, jewelry and other luxury assets. The World Bank could convene relevant professional associations to assist in the development of	Collaborate with the IBA, bankers' associations, and other partners to develop best practices and recommendations on the involvement of legal and financial professionals in corruption schemes and help prevent abuse of legal privilege and professional secrecy for corrupt purposes.

		<p>industry codes of conduct and sharing of best practices; support implementation, development, and technological enhancements of land and asset registries; and develop & deliver training modules on detection and prevention of corruption in the acquisition of luxury assets.</p> <p>Communicating and training: Working with academic institutions, CSOs, and the media, the Bank will develop curricula, public information campaigns, and training aimed at changing behavior of individuals with an investment in youth. Draw on the insights of behavioral social science to develop and publicize alternative strategies for changing incentives and behaviors and responding to bureaucratic obstacles that facilitate corruption.</p>	
--	--	---	--