

Partnership Between Public and Private Sectors In Fighting Corruption

Lebanese Association of Certified
Public Accountants in
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WORLD BANK GROUP

The Challenge of Corruption World-Wide

- ❑ **Who is Most Impacted:** Empirical studies consistently demonstrate that the poor pay the highest price.
- ❑ **Access to Services:** Corruption discourages the poor from accessing vital social, health and education services and is shown to impact outcomes such as infant mortality.
- ❑ **Economic Implications:** Corruption operates as a strong disincentive to foreign investment.

Some Research Results:

- ✓ *Estimated \$1 trillion is paid in bribes each year and total estimated economic cost is many times that number;*
- ✓ *In Paraguay estimates indicate that whereas the poor pay 12.6% of their income in bribes, high income households pay 6.4%;*
- ✓ *Recent research suggests there is a 300 percent dividend for improving governance from weak to strong.*

The World Bank Group Approach

- ❑ **Significance and Approach:** Corruption is a major challenge to the World Bank Group's twin goals of poverty reduction and shared prosperity. Reducing corruption is key to the sustainable development goals. The WBG works at country, regional and global level to build capable, transparent and accountable institutions and design and implement anti-corruption programs.
- ❑ **At the global level** this includes WBG engagement in leading international anti-corruption forums such as G20 Anti-Corruption Working Group, Financial Accountability Task Force and the OECD Anti-Corruption Task Team.
- ❑ **At the Project Level:** Zero tolerance.
 - In design: in collaboration with clients - identifying risks and mitigation methods, including through public complaint mechanisms.
 - During operations: The Bank's Integrity Vice Presidency is responsible for investigating fraud and corruption allegations related to World Bank projects.

Last year investigations prevented some \$138 million from being awarded to companies that had attempted to engage in misconduct. In past 7 years, 368 firms and individuals have been debarred.
- ❑ **Ongoing “Flagship” Analysis:** Regional analytical work has looked at the impact of policy capture on private investment/job creation. Corruption is a strong disincentive to investment.
- ❑ **Promoting Global Measures and Methods:** This is reflected in the World Bank support for initiatives such as the “EITI” (Extractive Industries Transparency Initiative), “Publish What You Pay”, “Fisheries Transparency” and “Anti-Money Laundering” rules.

Some Key Lessons Learned

- ❑ **Successful anti-corruption efforts require collective action within countries:** This requires committed partnerships and action by politicians and senior government officials, the private sector, and by citizens, communities, and CSOs. Increasingly, addressing corruption will require the concerted attention of governments and businesses in the developed world.

Much of the world's highest-value corruption could not happen without institutions in wealthy nations: The firms that give large bribes, the financial institutions that accept laundered money, and the lawyers and accountants who facilitate corrupt transactions. Data on international financial flows shows that money is moving from poor to wealthy countries in ways that fundamentally undermine development.

- ❑ **No free-riding in the fight against corruption – success requires collective action across the international community:** Governments, the private sector, civil society groups, the international media, international organizations need to live up to their commitments. Solutions to be sustainable must be collectively agreed at a multilateral level by all jurisdictions.

Tackling Policy Capture:

A new operational diagnostic tool

Work underway to develop a new operational tool to conduct country diagnostics in order to identify and tackle privilege, discretion and arbitrariness in several policy areas relevant to private sector.

Policy areas include: trade and customs, access to finance, access to land, access to public procurement, competition policy, investment incentives, business regulation as well as private sector engagement in policy making and public accountability mechanisms (conflict of interest, asset disclosure and access to information).



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- The operational tool aims at identifying gaps and recommend reforms that can make the policy regimes **privilege-resistant and more conducive to competitive private sector growth.**
- It can also **inform WB operations' design** by choosing the areas that will catalyze investment without being captured or without leading to a more uneven playing field.

Private sector policy-making: an organizing framework

Shielding government interventions and policy-making from discretion, capture and privileged treatment...

...in the process of policy design...

Transparency, openness, inclusion and evidence-based policy-making

- * *Transparency, inclusion and consultation in the process of policy making*
- * *Access to information and constraints to evidence-based policy-making*

... in identifying, revealing and correcting anti-competitive activities

Corrective mechanisms

- * *Business to government feedback loops*
- * *Public accountability mechanisms*
- * *Competition and anti-trust policy and enforcement*
- * *Access to information and data; Open Business*

Delivery of government policies, interventions, and regulatory services

- * *Regulatory policies, services delivery and compliance enforcement*
- * *Government interventions, incentives and support to businesses*
- * *Regulatory barriers to competition*

...in the delivery of government policies, interventions and regulatory services ...

Broader macro framework within which this private sector policy making framework is embedded: political system, separation of powers, public governance, freedom of the media, etc.

Measuring Policy Resistance to Capture: Examples of country diagnostics dashboards

Color code	Characterization of the sub-policy area
●	Very prone to privilege
●	Prone to privilege
●	Moderately prone to privilege
●	Rather privilege proof



Doing Business and Recent Collaboration in Lebanon

The e-Platform for Business registration

- ❑ **Doing Business Indicators:** The World Bank issues annually the Doing Business Report that provides key information on country performance across 10 indicators relevant to public-private engagement. Lebanon overall ranks 126 out of 190 countries and has a “Distance to Frontier” score of 55.9% at country.
- ❑ **The e-Platform for Business Registration:** Lead by the Minister of State for Administrative Reform (OMSAR) the objective is to put in place an e-platform to govern all G2B and G2C government services, initially through the OSS business registration process that will link all direct and indirect stakeholders via a unique ID and e-payment facilities.
- ❑ **Implications for the Private Sector:** This will significantly improve current business registration ranking (139) and importantly foster greater transparency and accountability to a process that world-wide is often subject to corruption.