

# Anti-Corruption, Governance and Procurement

13th Procurement, Integrity, Management and Openness (PRIMO) forum  
on “Curbing corruption in public procurement”  
May 23-25, 2017 – Kiev, Ukraine

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**Governance Global Practice**



# Procurement, Integrity, Management and Openness Forum



# The costs and impact of corruption

## Indonesian corruption investigator attacked with chemical

AP

JAKARTA - Police said an anti-corruption commission investigator leading a probe into a scandal that threatens to implicate high-profile Indonesian

## Brazil judge targets dozens of politicians for 'corruption'

12 April 2017 | Latin America & Caribbean

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Brazil political crisis



## Nigeria's anti-corruption unit finds \$43 million cash in Lagos apartment

ADR 11 By Yemisi Adegoke, CNN

e v f t ...

## Indian Railways tops in corruption list; 67% jump in graft complaints



PTI News Agency

Apr 14, 2017

Corrupti  
in 2016  
received  
In its an  
-660.8%

In its annual report tabled in Parliament recently, CVC said it received a total of 49,847 complaints in 2016, as against 29,838 in 2015.

52  
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## Nepotism, corruption and farce taint French elections

Colin Randall

March 27, 2017 Updated: March 27, 2017 04:55 PM

t f g+ in e

## Macau Billionaire's Aide Pleads Guilty In U.N. Bribe Case

month before French voters begin to choose their next president, the election campaign has degenerated into a litany of scandals combining elements of nepotism, corruption and farce.

Attention is focused on alleged impropriety involving two of the main contenders — the conservative Francois Fillon and far-right leader Marine Le Pen — that four electors in 10 are still undecided, leaving the race open to one poll.

USD 2 Trillion Worldwide  
EUR 120 Billion in the EU

4

Corruption

State Functions

Fiscal

Market  
Regulation

Monetary  
Policy

Financial  
Sector  
Oversight

Public Order &  
Enforcement

Macro  
Financial  
Stability

- Banking crises
- External sector imbalances
- Inflation
- Fiscal unsustainability
- Financial Inclusion

Public & Private  
Physical Capital

- Inefficient public investment
- Costly investment and production
- Distorted composition of projects
- Uncertainty
- Distorted asset prices

Human  
Capital

- Insufficient spending on education/health
- Poverty and inequality
- Disincentives for skills acquisition

Total Factor  
Productivity

- Insufficient investment in research and development
- Inefficiency
- Distorted capital allocation
- Skills mismatch

Political  
Instability  
and Conflict

Potential Inclusive  
Growth

# The costs and impact of corruption – the example of Nigeria



- Nigeria's tax revenues amount to 8% of GDP
- Problematic sector: Oil sector
  - \$9.8 billion in outstanding recoverable revenues from 1999 to 2008
- Corruption in Nigeria could cost up to 37% of GDP by 2030

# The costs and impact of corruption – the example of the health sector



## Sector very vulnerable to corruption

- Complex sector, large number of actors, different sources of funding etc.
- Pharmaceutical/Medical equipment sectors particularly sensitive



## Corruption can have a tremendous impact in various ways

- 6%, of annual global health expenditure being lost to corruption and errors
- Distortion of the prices and the market, decreased quality of health, restriction of access to health etc.

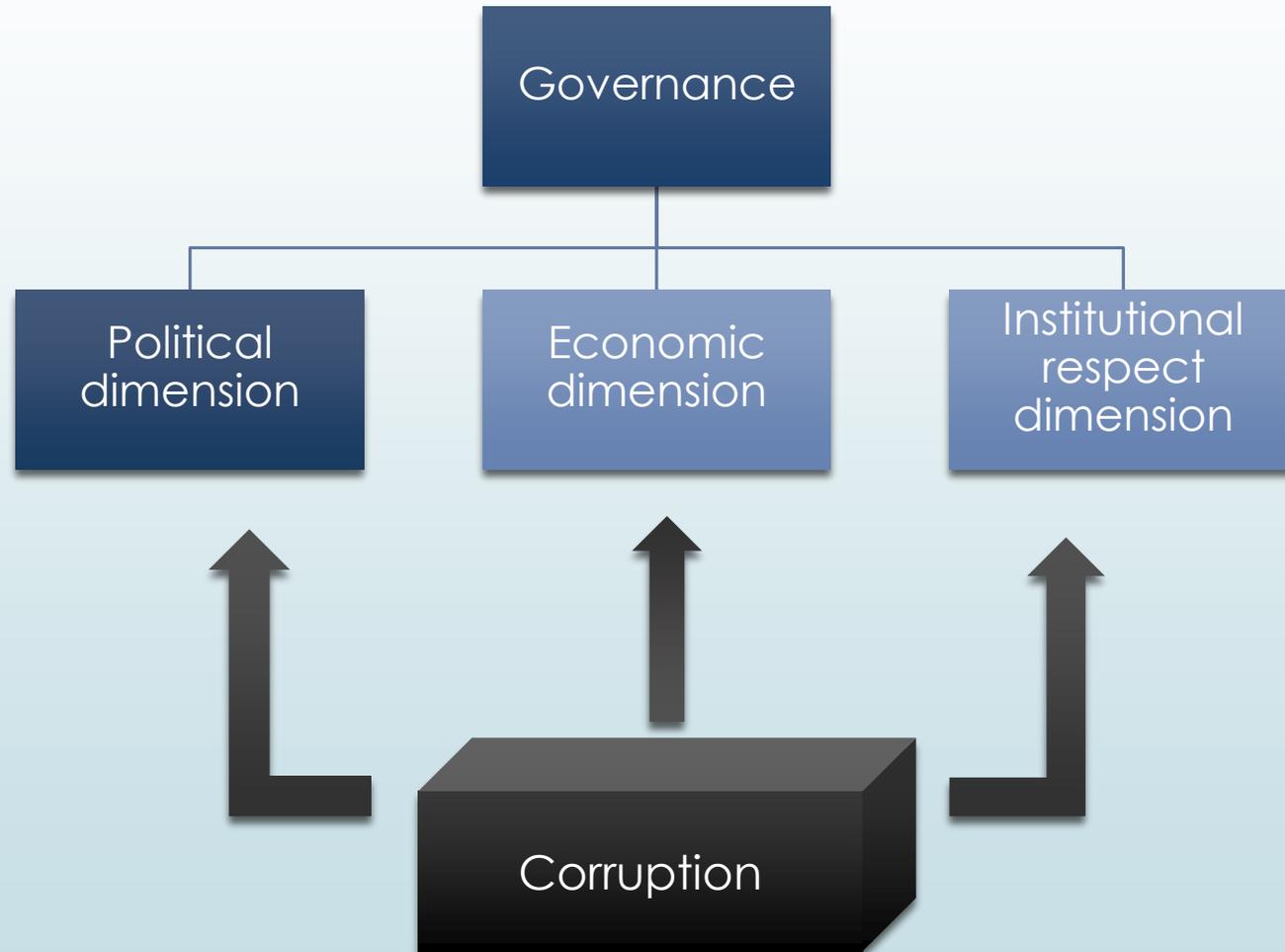


## Various corruptive practices used

- Bribes, bid collusions, favoritism, kickbacks...
- Example: Since 1991, the health industry has paid US\$30 billion in criminal fines in the US for various corruptive practices.



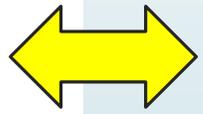
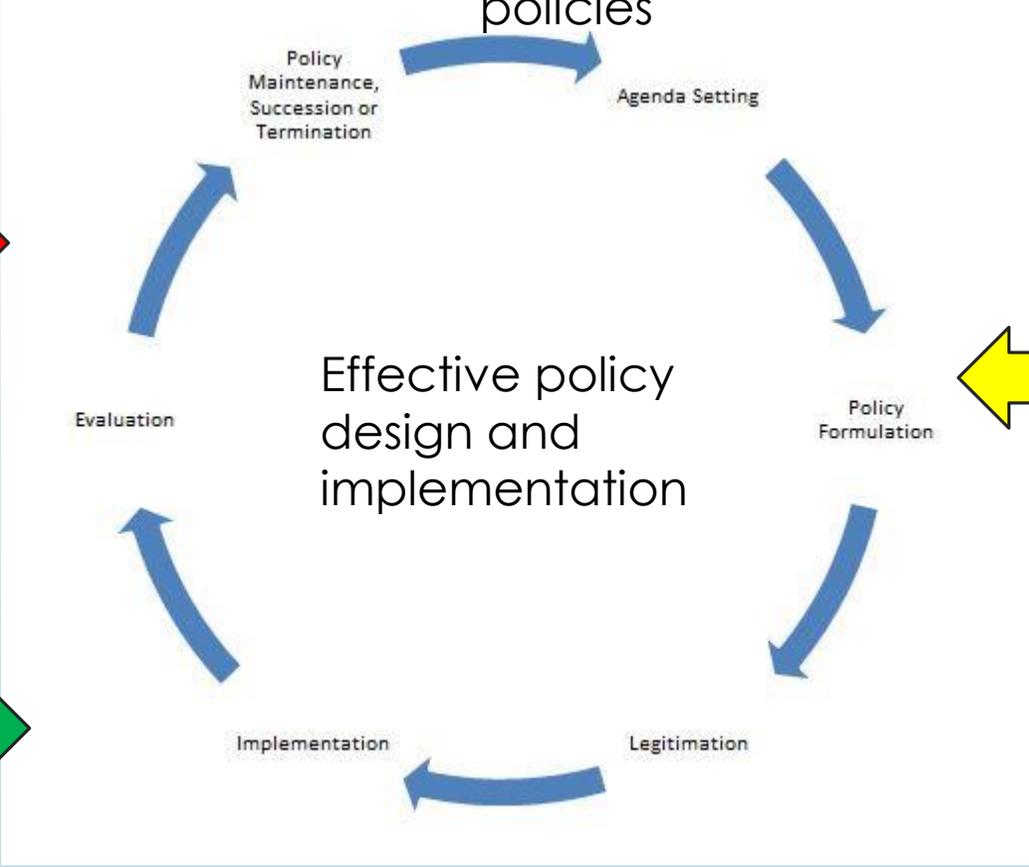
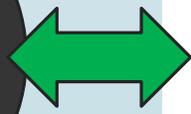
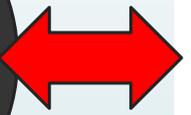
# How corruption impacts governance?



# How does Governance contribute to the Bank's goals?

First, Assessing the underpinnings of governance malfunctions and enablers

Second, design and implementation of public policies



WB supports government enhance transparency and reduce corruption

1. Building a sound legal framework, including procurement and anti-corruption policies
2. Strengthening institutions to deliver their mandates
3. Capacity building and engaging civil society
4. Operational requirement under WB operations

# Corruption and Procurement – A Negative impact



**“Good” procurement:  
Average 5% losses**

Source: OLAF study,  
[https://ec.europa.eu/anti-fraud/sites/antifraud/files/docs/body/pwc\\_olaf\\_study\\_en.pdf](https://ec.europa.eu/anti-fraud/sites/antifraud/files/docs/body/pwc_olaf_study_en.pdf)

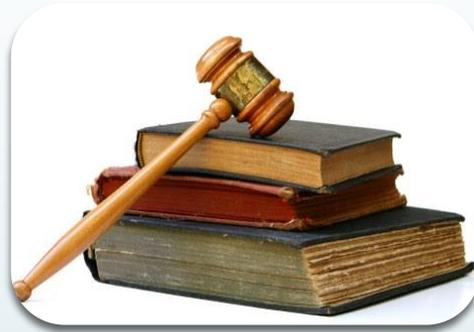


**Corrupted/Grey  
procurement: 11  
Average 18% losses**

# Mechanisms to curb corruption – Preventive measures



Transparent and Accountable system



Clear legal framework



Professionalization



Red flags

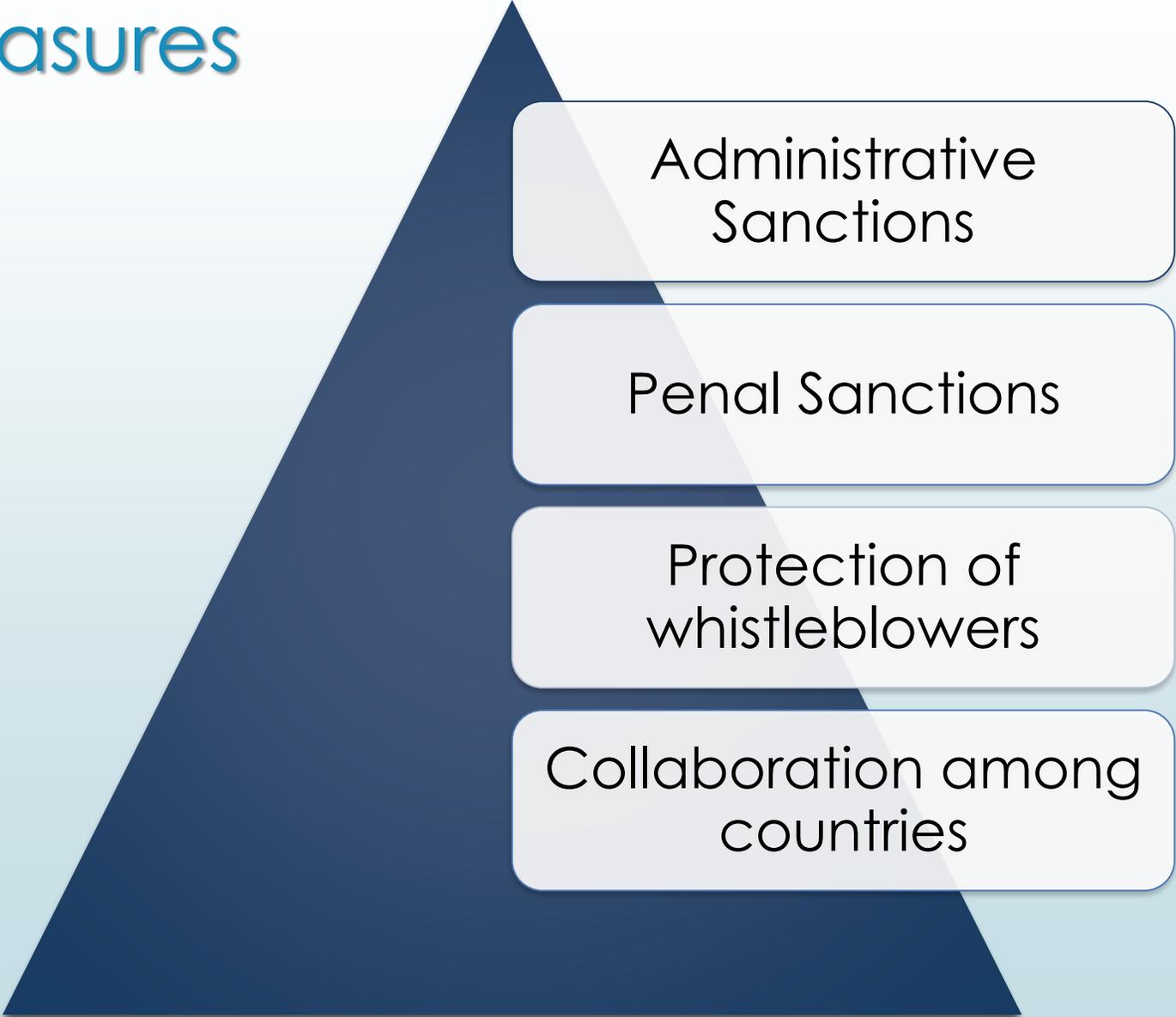


Code of Conduct



Protecting sensitive sectors

# Mechanisms to curb corruption – Punitive measures



Administrative Sanctions

Penal Sanctions

Protection of whistleblowers

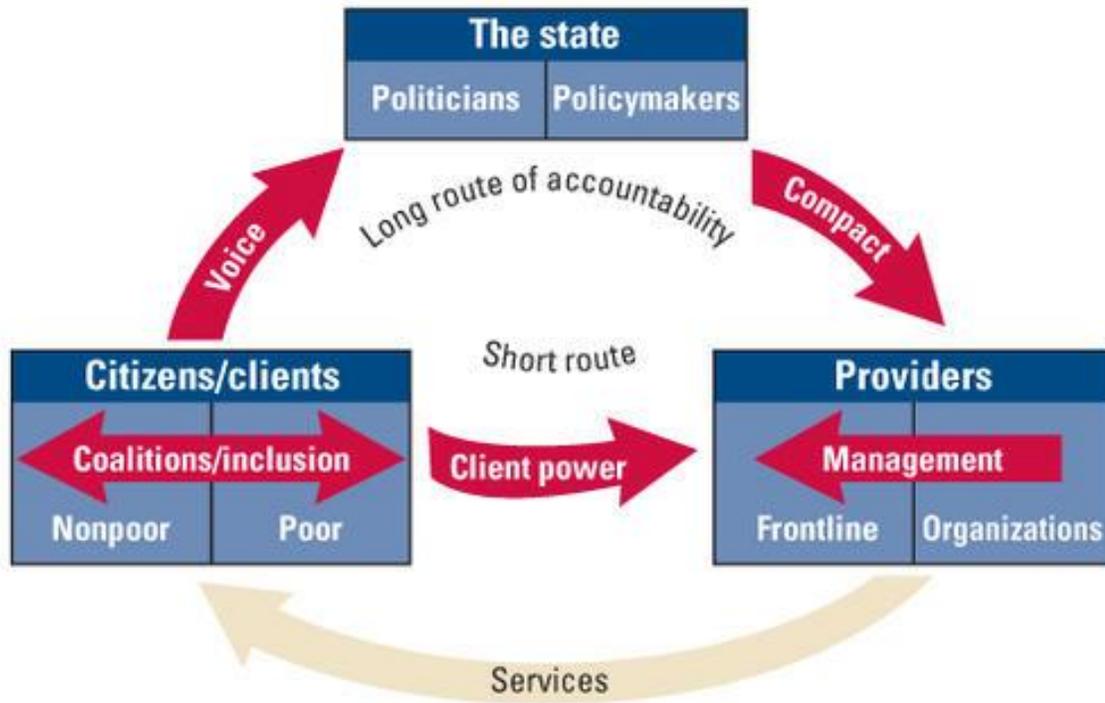
Collaboration among countries

# Mechanisms to curb corruption – Close scrutiny by various actors



# Governance continued to be a key theme

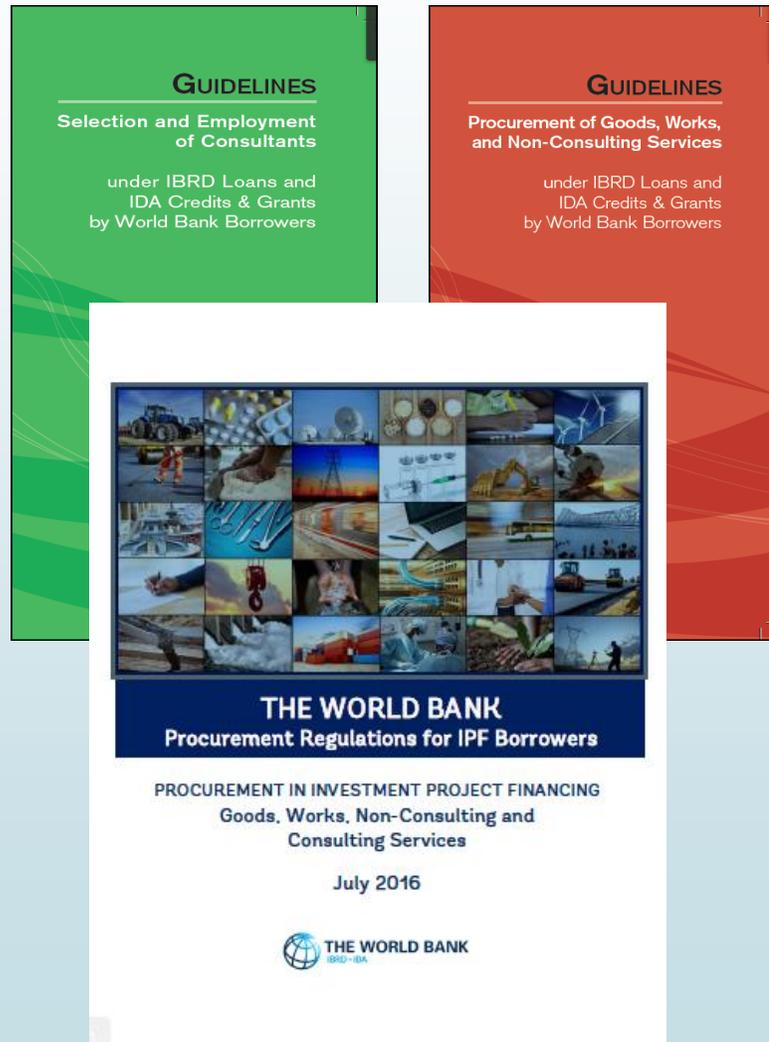
WDR 2004 focused on the short and long routes of accountability for service delivery



The Governance and Anti-corruption (GAC) Strategy looked at how Governance could address corruption inside and outside the Bank



# Fraud and Corruption – The World Bank experience



# Procurement in the World Bank

## Before 1998

WB Articles of Agreement (Art. III, Section 5 (b); and IDA V 1 (g) )

ICB gradually introduced, starting in 1951, as default method

Alternative methods emerge during the '80s (NCB, Shopping)

Ex-post review and model documents introduced during the same time

CPAR also introduced in mid '80s, mandatory in 2002 (not currently)

By FY05 all borrower have had at least one CPAR

SBDs become mandatory in 1993

Progressively detailed Guidelines ('61; '64; '77; 97; 99; '04; etc.)

Wapenhans Report in 1992 identifies procurement as one of the core services that needs improvement

1997 strategic compact almost doubles number of procurement specialists

Staff is progressively decentralized (in FY13, 225 staff in 68 COs)

Plan is adopted in '98 to balance approach between fiduciary function and development objectives of procurement

## 1998-2000

Corruption definition introduced in 1996, as cause for misprocurement - AC emerged as key theme after "cancer of development" '96 JDW speech and subsequent establishment of INT

Procurement Roundtable, and successors (Procurement JV, and Procurement Task Force, led by the WB, produce several good practice papers and MAPS, as a work stream under the Paris Declaration System)

Unsuccessful Country Systems Pilot (FY09/10) – key reasons are "equivalency" requirement and too complex

PforR approved in October 2012, moves focus on performance and outcomes

Procurement Companion Piece to GAC update in 2013 proposes a principle and performance-based approach, and fit-for-purpose as enabler for value for money

## 2001-2017

Between Paris, Accra, and Busan role of procurement evolves from aid effectiveness, to development effectiveness, to critical contribution to effective institutions

More than 5,000 people and 100 countries visited over two years of consultations

In February 2014, IAD Efficiency Review recommends sharper risk and strategic focus for prior reviews

Phase I "A proposed new Framework" approved in 2013; the **Procurement Framework in Approved in July 2015**, and becomes effective on July 1, 2016.

GGP-SIP Strategy; transformational engagements; MDTF in FY17

MAPS updated (aligned with modern approaches, consistent with Framework, and including modules on topics such as agency level assessment, sustainable procurement, professionalization, etc.)

On to implementation and moving the "frontier" faster to help solve complex operational issues and link more strategically to the Bank's key objectives and agendas

# Corruption and Procurement – Affecting Different Steps



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS

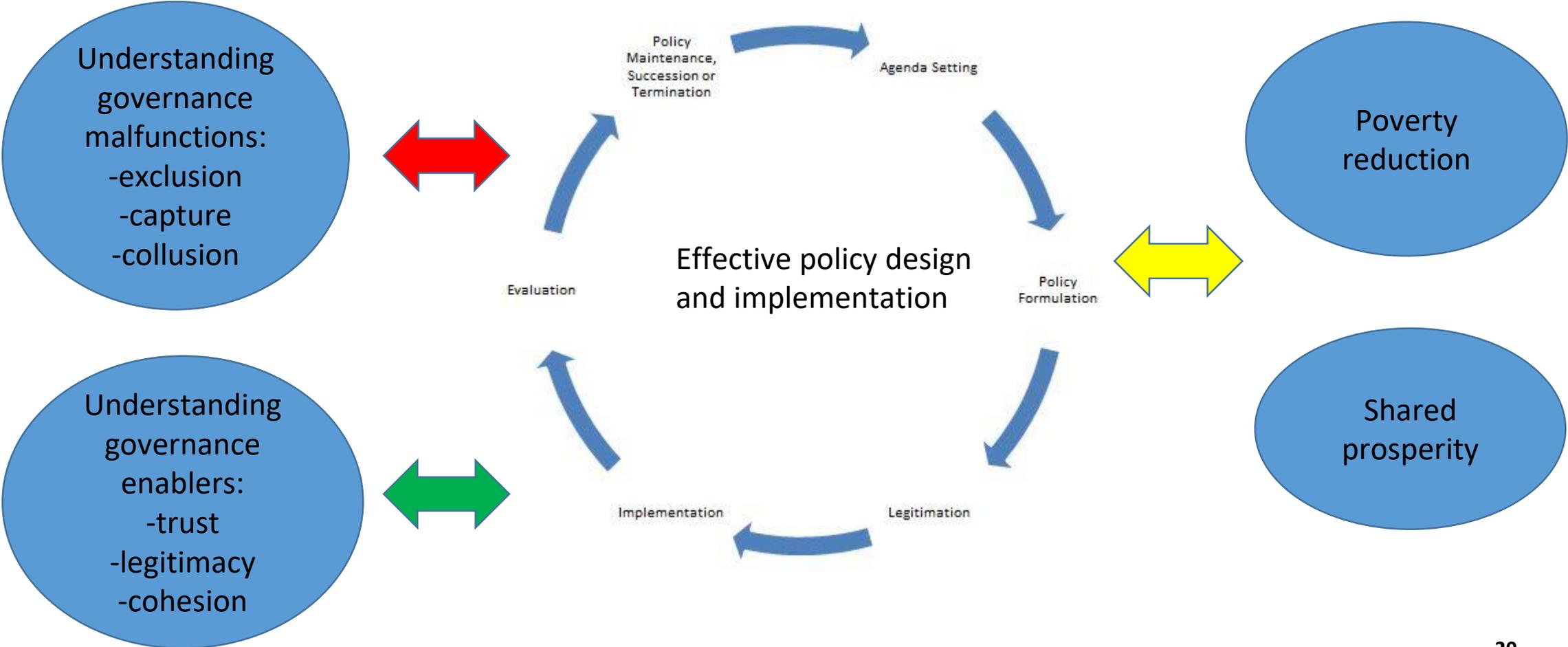


  
SUSTAINABLE  
DEVELOPMENT  
GOALS

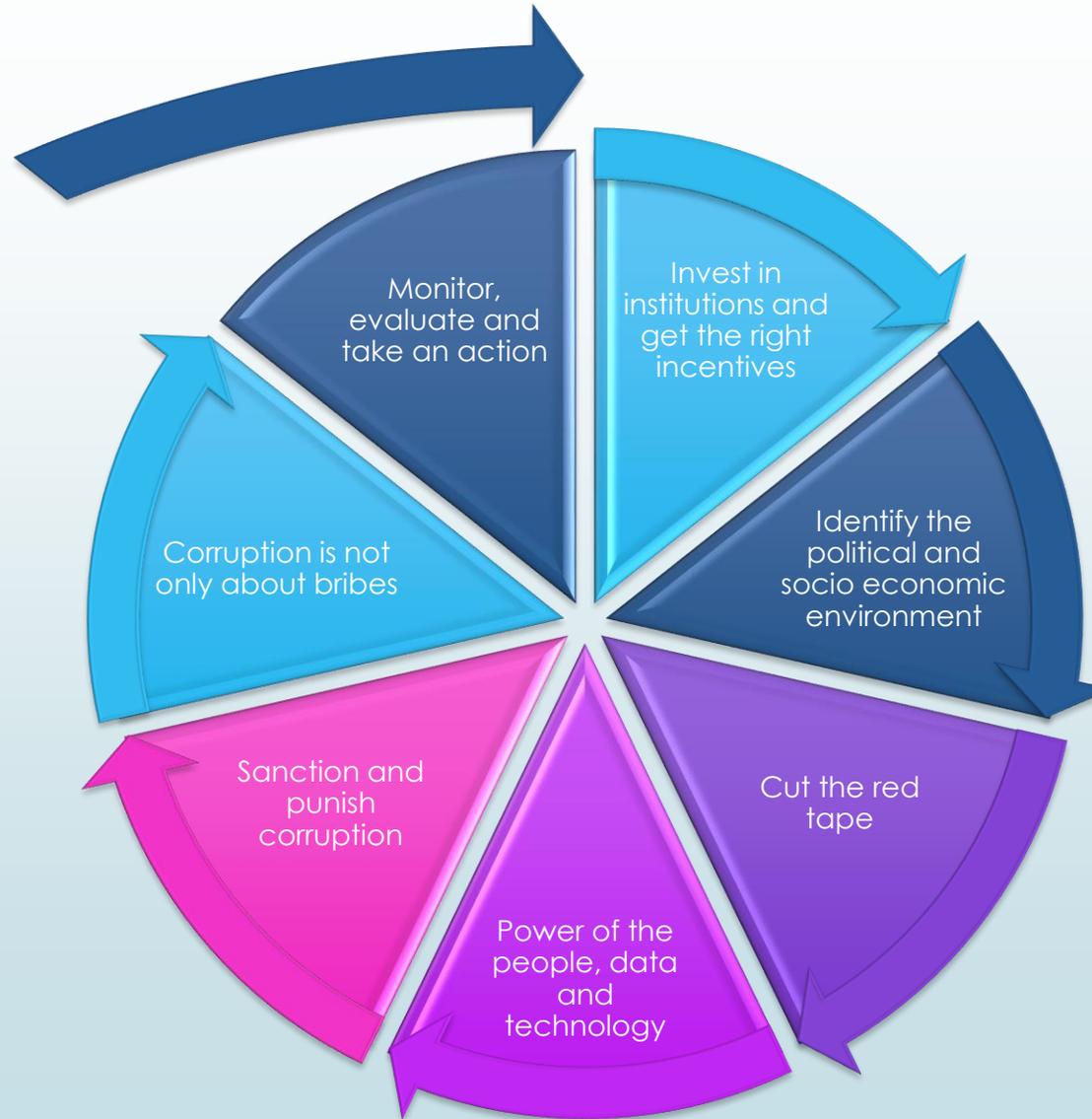
# How does Governance contribute to the Bank's goals?

First, Assessing the underpinnings of governance malfunctions and enablers

Second, design and implementation of public policies



# Systemic action and evaluation



A close-up photograph of a red plastic bottle cap. The cap is held by a person's fingers, visible at the top and bottom edges. The center of the cap is white and features a circular embossed area. Inside this area, the word "integrity" is printed in a bold, black, sans-serif font. Below it, the definition "is doing the right thing when no one is watching" is printed in a smaller, black, sans-serif font, arranged in four lines. The background is a dark, out-of-focus surface.

**integrity**  
is doing the  
right thing when  
no one is  
watching

A hand holding a red marker is writing the question "Who Is Accountable?" on a whiteboard. The text is written in a large, black, cursive font. A red oval is drawn around the text. The background is a bright blue sky with white clouds.

Who Is  
Accountable?

A woman in a blue top and black leggings floats on the left, arms outstretched. A man in a light blue tank top and black pants floats on the right, also with arms outstretched. The word "Trust" is centered in a white serif font. The background is a deep blue gradient with a bright starburst light in the bottom right corner.

Trust

# Enforcement







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