World Bank Group President
Jim Yong Kim Speech on Anti-Corruption at the Center for Strategic and International Studies

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World Bank Group President Jim Yong Kim
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“Anti-corruption Efforts in a Global Environment: A Commitment to Act”

Colleagues, Friends and Development Partners:

It is apt that we meet here at CSIS, where since 1962 the Center has pushed boundaries to find practical solutions to the major, intractable problems of the times. Among these, perhaps none has been more ubiquitous or enduring than the problem of corruption, which is on our agenda for today. Not long ago, it was accepted in many development circles that little could be done about the problem. In the 1990s, such attitudes started to change in response to many factors, including the end of the Cold War and the growth of global NGOs, such as Transparency International.

During this period, a growing body of evidence began underscoring that corruption exacts a pernicious toll on development. Research by the Bank and others has demonstrated that there is a negative association between growth and corruption. Corruption acts as a regressive tax, penalizing poorer citizens and smaller firms. It restricts access to services for the more vulnerable citizens and is associated with a lower quality of public services. It is
a significant cost for business. By one estimate $20 to $40 billion are stolen from developing countries each year.

The World Bank has played an important role in the evolution of the global integrity and good governance agenda ever since Jim Wolfensohn’s “Cancer of Corruption” speech at the Bank’s annual meeting in 1996. For me, Jim’s original words resonate every bit as strongly today as when they were first uttered 16 years ago.

Jim said: “Corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures and deters foreign investors…it is a major barrier to sound and equitable development.”

I am privileged to have this opportunity to spell out my thoughts as to how the Bank will address issues of anticorruption during my tenure. Let me begin with two caveats.

The first is that the anticorruption agenda is an important subset of the broader good governance movement and needs to be viewed within this setting. Few issues are more important for development and shared growth than good governance. Public institutions deliver vital services such as health and education, upon which the poor are particularly dependent. Corruption subverts and undermines all these functions and as such serves as a major impediment to development. It is in this context that combating corruption both has been and will continue to remain one of the Bank’s top priorities.

Second, as our recent Governance and Anticorruption Strategy Update notes, much of the Bank’s work on this agenda is about managing—and not avoiding—risk. We need to be engaged in settings and contexts that do not rank highly on global indices of good governance. We need to be fighting poverty in areas where the legal framework for combating corrupt and illicit behavior is imperfect and institutions of public accountability may not function well, or even exist at all. We need to be encouraging staff to take risks and innovate in the service of development, as long as the risks are carefully thought through up front and managed during implementation. Our response must be swift and decisive when problems emerge—as they inevitably will.

Enforcement is important. To give you a sense of the problem, last week we took stock of the World Bank’s investigations into misconduct in its projects. This exercise revealed that we had closed 609 investigations and generated 205 debarments over the past four and a half years. I have asked the relevant units in the Bank to sift through this body of evidence,
distill the lessons so that we can better modulate risk to ensure that those insights guide future business decisions.

Our willingness to work in difficult situations and an appetite for measured risk should never be confused with a willingness to tolerate corruption in Bank projects and activities. Let me say it loud and clear: When corruption is discovered in our projects and activities, we have zero tolerance for it within the World Bank Group.

So where does this leave us? Should we shy away from high-risk interventions and forgo the potentially massive benefits to the poor or should we rather take a calculated risk, design appropriate safeguards and move forward with them? My answer is that we need to take risks for development results but we have to do so with our eyes open and try to mitigate those risks as much as we can. However, sometimes things go wrong and then we need to stand firm. This is what happened in the case of the Padma Bridge Project where insufficient response by the authorities to the evidence of corruption at the time made us terminate a $1.2 billion credit in June last year.

I have no intention to preempt things, as legal and other processes have to run their course. Until certain conditions are met to heighten oversight in the project and give assurance that a complete and fair criminal investigation is under way, we cannot consider financing the bridge. I say this knowing how much this bridge means to the people and economy in the southwest of Bangladesh. It is a steel lifeline linking them to opportunity.

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World Bank Group President

But we have remained engaged in Bangladesh. Our current portfolio includes over 30 projects with commitments of about $4.3 billion. Our lack of tolerance for corruption does not mean that we ignore the larger development picture.
Good institutions have systems, checks and rigor to prevent bad things before they happen. The World Bank’s Integrity Vice Presidency trains both World Bank staff and client country counterparts on detecting red flags in public procurement, and we’re in the process of developing software that will help automate these processes. In 2010, the Bank launched the International Corruption Hunters Alliance, with the goal of bringing together the heads of national level anticorruption agencies, prosecutors and auditors so that they could learn from and draw moral support from each other.

Senator Leahy addressed the Alliance members at the time, and very pointedly outlined the consequences of failing to stop corruption. He said if we turn a blind eye—in any country—we fail our own citizens, we fail the people of the countries we want to help, we undermine the rule of law domestically and internationally, and we damage our long-term interests.

We should learn from governments’ enforcement and prevention measures – Brazil has made some radical interventions to turn drug-infested favelas into safer neighborhoods; in Italy the tax authorities are using an unorthodox approach called Redditometro to expose tax dodgers; in India the government is grappling with an anti-corruption bill.

These anticorruption efforts, and the work of Leonard and our Integrity Vice Presidency, are a critical link in a broader chain contributing to good government, integrity and development effectiveness. More broadly, our recent Governance and Anticorruption Strategy, endorsed by the Board unanimously in March 2012, emphasizes six pillars for combating corruption and advancing the cause of good governance. They include:

1. Integrate governance issues more systematically within these instruments;

2. Support capable, transparent country institutions;

3. Focus more sharply on results;

4. Aim to more effectively management of risk;

5. Improve global governance, including ongoing support for important discussions at the level of the G-8 and G-20, as well as initiatives such as the Stolen Assets Recovery (StAR) and Extractive Industry Transparency (EITI) initiatives; and finally

6. Facilitate the implementation of the governance agenda across the scope of Bank operations.
Our governance and anticorruption practice needs to be carefully informed by robust data and analysis—capturing more of the “science of delivery” that I have spoken about on many occasions. Our team needs to do a better job of capturing tacit and implicit knowledge about how to conduct governance and public sector reform—particularly in difficult circumstances such as those involving Fragile and Conflict Afflicted States—along with disseminating this knowledge more effectively to our staff and development partners. We need to be focused more upon solving real-world problems than the traditional “best practice” model of institutional development.

Let me tell you one short story. I was in Haiti late last year and one of my meetings was with a group of private sector leaders. I know the history of Haiti well, having worked there for many years through an NGO that I co-founded, Partners in Health. In Haiti, there is a long history of crony capitalism, where just a few close to those in power reap nearly all the benefits of trade and business. This is a common and insidious form of corruption. And it can’t be allowed to persist. That’s what I told the group of private sector leaders on that morning – that the economic system of crony capitalism had to be broken open, become more inclusive, and involve women, young people, and entrepreneurs. That has to happen if Haiti is ever going to succeed.

Bono came to speak at the World Bank recently, and he called corruption “the biggest killer of them all.” His statement seemed to surprise many people, but corruption is indeed often the slow, silent killer of effective development.

When corruption seeps into the social sector, it means that a hospital is built without life-saving equipment or that a school is built without adequate salaries for teachers. It means roads are built without guardrails, or in some cases not built at all. And who pays for this? It is the poor who pay --sometimes with their lives. Corruption steals from the poor. It steals the promise of a brighter future.

I am constantly challenging Bank staff to think about “bending the arc” of history. As we all know, the history of corruption is a lengthy one, and bending this arc will not be easy. But please know that a central priority of my tenure at the World Bank Group will be taking forward the corruption-fighting agenda that Jim Wolfensohn so ably articulated during his presidency and adapting it to today’s challenge of shared prosperity and the end of poverty.

Thank you very much.