

## Statement by Mr. Juan Jose Daboub, Managing Director, World Bank

*Rome, 21 November 2007*

I would like to thank the OECD and the Ministry of Justice, Italy, for inviting the World Bank to participate in its 10<sup>th</sup> Anniversary event.

Governance and anticorruption are a priority for the World Bank Group because they are crucial to our mission to fight poverty.

On a daily basis, poor people around the world are unable to access health clinics, schools, or other essential services because their public systems are unresponsive or because they themselves cannot – or will not – pay bribes.

Our research has shown a strong correlation between corruption and poverty. Corruption and weak governance mean that resources that should fuel economic growth and create opportunities for the poor instead enrich corrupt elites.

It is for these reasons that the World Bank recently strengthened its governance and anti-corruption strategy with a stronger focus on working with the private sector.

The private sector is a critical partner in our development efforts – it is the engine of economic growth and the creator of employment opportunities that will help the poor lift themselves out of poverty.

The World Bank Institute estimates that each year approximately \$1 trillion dollars are paid in bribes – and this figure does not include embezzlement of public funds or theft of public assets.

Considering an estimated world economy of just over \$30 trillion, corruption is estimated to account for some three percent of global goods and services.

The evidence is convincing that competition, clear rules of the game, strong institutions, and well functioning judicial systems are all critical for supporting a healthy, transparent business environment, which in turn helps reduce poverty. There are many examples ...

In Africa, oil-rich countries aside, countries that have made sustained efforts to liberalize their business environments have on average grown twice as rapidly as those that have not.

World Bank research suggests that the business sector can grow, on average, 3 percent/year faster where corruption is lower.<sup>1</sup>

In recent years, there has been a change in the relationship of the private sector to the challenges of fighting corruption and improving governance. Corruption is no longer described in terms of “rent seeking” and is internationally recognized as a negative externality.

Over the past decade, following the lead of the OECD Antibribery Convention, voices within the private sector have powerfully signaled that ‘integrity is good for business.’

OECD countries also recognize that ‘corruption is a two way street’; that is, fighting corruption is as much a responsibility of developed countries as it is of developing countries.

Yet, progress in the fight against corruption requires continued commitment and leadership by example of all of the OECD countries, half of whom have not ratified the *UN Convention Against Corruption*.

From our side, The World Bank Group has underway a variety of innovative efforts to scale up engagement in support of good governance and anticorruption, working with the private sector, governments, and other international partners.

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<sup>1</sup> World Bank, *The Data Revolution: Measuring Governance and Corruption*, April 8, 2004. On-line: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20190210~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

This includes the Stolen Asset Recovery Initiative – or StAR, which was announced by UN Secretary General, Ban Ki-Moon and World Bank President Robert Zoellick, last September.

StAR’s mission is to assist developing countries recover their stolen assets – money that is crucial to supporting effective development programs for the poor.

For example, every \$100 million recovered could fund full immunizations for 4 million children, provide water connections for some 250,000 households, or fund treatment for over 600,000 people with HIV/AIDS for a full year.

With financial and technical assistance, we aim to help countries build their capacity to recover stolen assets and at the same time bring their laws into compliance with the *UN Convention Against Corruption* to prevent it.

Nigeria is a leading case, where strong government commitment and support from Switzerland and the World Bank enabled Nigerians to repatriate \$500 million of its \$3 to \$5 billion in stolen public assets.

The World Bank played a role in monitoring and analyzing the use of these recovered funds – to help verify their use for development projects.

The World Bank is partnering with the UNODC to help implement StAR. We are strengthening our work on Anti-Money Laundering, particularly in enhancing the capacity of countries’ Financial Intelligence Units (FIUs), sponsoring research to trace stolen assets, and urging all countries to adopt measures to ensure the swift and certain return of stolen assets.

We will also create an advisory group of individuals from across the globe respected for their expertise on asset recovery.

These “Friends of StAR” will not only help further international cooperation, but will also provide an important source of knowledge and advice to the Bank and UNODC.

The Bank's private sector arm – the IFC – is also active in this area, advising its clients on social and environmental standards applicable to their investments, and focusing on corporate governance issues.

Importantly, when it comes to governance and anti-corruption, all organizations – not least the Bank Group – must practice what we preach.

This is why the Bank has taken a number of different actions, including putting more resources into investigating allegations of corruption in Bank-financed projects, taking action to debar companies that have been found to do anything illegal from doing business with us, and publishing their names as a warning to others.

The private sector here may be interested to know that we have a *Voluntary Disclosure Program*. This program is an investigative tool designed to elicit voluntary co-operation of firms and individuals who have previously engaged in wrongdoing.

We are also revising our disclosure policy to improve our own transparency.

Let me conclude by highlighting that a major component of the Bank's governance and anticorruption strategy is to intensify efforts to support implementation of key international conventions, build new collaborations and scale up existing partnerships that engage the public sector, private sector and civil society in the quest for sectoral standards of transparency and better governance.

There should be no safe haven for those who steal from the poor. Achieving this goal requires concerted action and strong commitment.

We have come a long way in the last decade, but we have a long way to go still.

*Thank you.*