



## V. Partnering with Civil Society to Enhance Governance and Combat Corruption

The Bank should seek “greater engagement with civil society; more emphasis on transparency and accountability; improving governance and anti-corruption measures.”

*—Stakeholder feedback on Evolution proposals, Ending Poverty on a Livable Planet: A Report to Governors on World Bank Evolution, World Bank, September 27, 2023*

“Involving citizens in monitoring service delivery, revenues, budget execution, procurement, contract awards, and reform policies can increase transparency, improve the efficiency of service delivery or budget execution, and reduce opportunities for corruption.”

*—Paragraph 112, Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations: Engaging with Citizens for Improved Result*

- 1. Introduction.** This chapter discusses how partnerships with civil society (citizens and CSOs) can help the Bank and its client countries better address formidable governance and corruption challenges inherent to varying degrees in all countries, including IDA and IBRD borrowers. These challenges will magnify as the IDA/IBRD financing rapidly expands to historic highs and shifts to more output-based and budget-support operations. Greater attention by the IDA/IBRD to improving governance and preventing waste, fraud, and corruption would be needed to enhance value for money for both recipient and donor countries and to sustain/increase donor support.

As noted in the above quotation, the Bank’s stakeholders are very concerned about this matter and have emphasized that the Bank put more emphasis on governance and anti-corruption as well as greater engagement by civil society. However, so far, the Evolution

proposal (as of October 2023) is silent on how the Bank intends to guard against the heightened risks of leakage.

In this context, section A of this chapter discusses the scale of governance and corruption challenges faced by the IDA/IBRD. Section B discusses current Bank efforts and opportunities to do better. Section C presents conclusions and recommendations.

### A. The Scale of Governance and Corruption Challenges in IDA/IBRD Operations

- 2. The Bank recognizes the importance of governance and control of corruption for development effectiveness and assesses risks at both country and financing operation levels.** At the country level, it assesses political, governance, and fiduciary risks in country engagement programs (and in each lending operation) using a Systematic Operations Risk-rating Tool (SORT).<sup>1</sup> Governance risk assessment focuses on inadequacies in the legal system, in transparency, accountability, and participation, or fraud and corruption that could undermine the operation/achievement of Country Partnership Framework objectives. Risk ratings comprise low, medium, substantial, and high and reflect the residual risk after considering mitigation measures agreed with the government.

In addition, the Bank uses a Country Policy and Institutional Assessment (CPIA) system to rate the state of “transparency, accountability, and corruption in the public sector” in IDA recipient countries. The CPIA is one of 16 criteria used to assess the extent to which the criteria support sustainable growth and poverty reduction and, consequently, the effective use of development assistance.<sup>2</sup> For each of the criteria, countries are rated in addition to these rating systems, and the Bank also analyzes governance and corruption in individual analytical and lending activities.

- 3. The Bank and other assessments show that governance weaknesses and corruption are a widespread challenge among its borrowers and the projects it finances.** The [2022 CPIA ratings](#) for 74 IDA-eligible countries show that 69% of the 54 countries rated had a rating of 3 or less on a scale of 1 (low) to 6 (high) on “transparency, accountability, and corruption.” The SORT ratings for political, governance, and fiduciary risks show that at least one in two projects IDA-financed active projects face substantial or high risk (table 2).

<sup>1</sup> For details on the SORT system, see the Bank’s [Interim Guidance](#) Note dated June 25, 2014, and its update on July 15, 2021 (not yet published).

<sup>2</sup> For details on the CPIA system, please see [Frequently Asked Questions](#) (CPIA, ND).



**TABLE 2: Political, Governance, and Fiduciary Risk Ratings of Active IDA/IBRD-Financed Projects**

Rating of the risk that the client’s ability to achieve expected outcomes in IDA/IBRD-supported projects and programs will be adversely affected	% of Total Active Projects at			
	Political and Governance Risks		Fiduciary Risks	
	IDA	IBRD	IDA	IBRD
<b>High Risk (H)</b>	24	10	11	3
<b>Substantial Risk (S)</b>	33	25	55	41
<b>Substantial or Higher Risk (S+H)</b>	57	35	66	44

Total of 2,096 active projects (1,238 IDA + 858 IBRD) involving \$273 billion (\$120B IDA + \$153B IBRD) commitments as of January 19, 2024. Source: [World Bank](#) (data updated daily).

As noted below, the Bank and governments make significant efforts to prevent and sanction fraud and corruption in Bank-funded projects as well as public spending in general.

However, despite these efforts, the reality is that corruption afflicts public spending, including the spending supported by the Bank. This is evident from the fact that over 400 entities (firms and individuals) remained under [sanctions](#) by the World Bank due to corruption during FY21 and FY22, and the government accountability institutions in the Bank’s borrowing countries regularly uncover numerous cases of fraud and corruption.

Other indicators of the challenge’s scale are (a) the [Global Corruption Barometer](#) report that shows one out of four persons surveyed around the world paid a bribe when using public services, and (b) the [Bank’s Policy Research Working Paper #9150](#), which estimates that aid disbursements to highly aid-dependent countries coincide with sharp increases in bank deposits in offshore financial centers known for secrecy. The paper estimates the average leakages to be around 7.5%—that tends to increase with the ratio of aid to GDP.

These ongoing challenges will become more acute as the Bank significantly expands its financing. As pointed out in the recent report by the UK Independent Commission for Aid Impact, “*The Bank’s highly regarded systems may be challenged by the pressure of delivering at scale,*” and “*fiduciary risk systems may be placed under unprecedented strain by the constant pressure to commit ever-increasing volumes of financing through national public financial systems that are weak.*”<sup>3</sup>

- 4. Where corruption is rife, independent civil society vigilance and action are essential.** Government officials and political leaders usually have a strong vested interest in the status quo since it hugely benefits them personally and is central to their maintaining power. They may accept donor funds for official mechanisms for “strengthening governance,” knowing that having control over these can ensure they are toothless in addressing the leakage

3 Independent Commission for Aid Impact, [The UK’s Support to the World Bank’s International Development Association](#) (London: Crown, 2022).



they benefit from. Internal political pressure resulting from citizen action—whether as nongovernmental institutions, brave journalists, or independent academics and politicians—can make a profound difference and needs more support, especially from the World Bank, providing it is “smartly” designed, politically sensitive, and with minimal bureaucratic hurdles and oversight.

## B. Partnerships with CSOs Can Help the Bank Improve Governance and Identify and Prevent Waste, Fraud, and Corruption

5. **The IDA and IBRD make [well-regarded efforts](#) to help its recipient countries and its own fiduciary work to strengthen governance and combat corruption.** Governance reforms at the country level include disclosure and access to information, public financial management and public procurement laws, internal controls on spending and internal audits, anti-corruption policies and agencies, independent audits by supreme audit institutions, and ombudspersons. In addition, the Bank exercises its fiduciary responsibilities to prevent fraud and corruption through implementing its [anti-corruption policies and mechanisms](#) as well as through its [Integrity Vice Presidency](#) that investigates and pursues sanctions related to allegations of fraud and corruption in World Bank Group–financed projects.

At the project level, the IDA and IBRD customize governance and corruption risk mitigation measures for each project based on the underlying risk assessment using SORT. While these efforts are appropriate, experience and reality show that it is insufficient to rely on borrowers’ transparency and accountability systems and the Bank’s own procurement and financial management policies. What more can the governments and the Bank do?

6. **The Bank’s efforts to improve governance and combat corruption could be more effective by enlisting citizens and CSOs’ support.** This is the thrust of the World Bank Vice President for [Integrity](#): “We must also support the watchdogs and advocates on the ground, including civil society organizations and independent media, who often become aware of misconduct first when it occurs.” The [G20 Independent Experts Group report on Strengthening Multilateral Development Banks \(MDBs\)](#) states that “engaging local communities and civil society in advocacy, monitoring and problem-solving, through transparent and publicly available project data, can mitigate risks of waste and misuse of public funds.”<sup>4</sup> Article 13 of the United Nations Convention against Corruption recognizes the value of civil society engagement in combating corruption and says: “Each State Party shall take appropriate measures, within its means and in accordance with fundamental principles of its domestic law, to promote the active participation of individuals and groups outside the public sector, such as civil society, non-governmental organizations, and community-based organizations, in the prevention of and the fight against corruption and to raise public awareness regarding the existence, causes and gravity of and the threat posed by corruption.”

4 G20-IEG, [Strengthening MDBs](#), vol. 2: 28, 30.



The value of civil society engagement is also supported by research evidence as documented in the review of the evidence (annex 2) done as part of this report and the Bank's own research.<sup>5</sup>

7. **The World Development Report (WDR) 2004 discussion of the “short route of accountability” inspired an expansion of social accountability initiatives worldwide.** The [World Development Report 2017](#) provides a compelling case for enlisting the support of CSOs by showing that governance is the outcome of interactions between state and nonstate actors. The evidence is clear that, in appropriate contexts, citizen and CSO engagement and monitoring can yield proven benefits in improving inclusion, quality, responsiveness, and accountability in the delivery of public services and public financial management, including procurement.
8. **A growing body of practice shows that CSOs can help the implementing agencies, the Bank, and independent accountability institutions in many ways.**
  - a. CSOs can work with supreme audit institutions<sup>6</sup> to help define audit plans based on complaints documented by CSOs, organize joint participatory audits, and validate audit findings.<sup>7</sup>
  - b. Third-party monitoring (TPM) by CSOs can help conduct spot checks to ensure that funding and services reach the intended beneficiaries, track the implementation of policies, and monitor procurement integrity (benefits of TPM are shown in box 4).
  - c. Third-party monitoring can also help improve public finance by helping track how much money reaches the intended beneficiaries using social accountability methods such as participatory budgeting, social audits, community scorecards, public hearings, public expenditure tracking, open contracting, etc.
  - d. CSOs can document corruption incidents and bribery experiences in public service delivery and carry out other watchdog roles.

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5 The World Bank assessed evidence on CSO engagement in the [2012 board paper](#) for establishing the Global Partnership for Social Accountability, in 2014 as part of the [Strategic Framework for Mainstreaming Citizen Engagement](#), and as part of the [evaluation of the CE mainstreaming strategy](#). The PTF, in 2019, reviewed evidence in over 30 studies and meta-studies and summarized it in annex 1 of the 2019 PTF report [Expanding Civil Society Contributions to the Governance Agendas of the Sustainable Development Goals and International Financial Institutions](#).

6 United Nations Department of Economic and Social Affairs, [Citizen Engagement Practices by Supreme Audit Institutions](#) (New York: United Nations, 2013).

7 Ed Olowo-Okere, “[Collaboration between Supreme Audit Institutions and Citizens Is Critical in Ensuring Accountability and Transparency of Government’s Response to COVID-19](#)” (*World Bank Blogs*, 2020).

### Box 4: Benefits of Third-Party Monitoring in IDA/IBRD-Financed Projects

TPM by CSOs can help improve the efficiency and equity of Bank-financed projects, hence enhancing their benefits (B) to people and their communities. This is illustrated by the following equation.

$$\text{Benefits} = (\text{Resources} - \text{Losses}) \times \text{Equity} \times \text{Institution} \times \text{Governance}$$

TPM can improve benefits (B) by:

- identifying **direct losses (L)** due to corruption and misuse of resources (e.g., by budget tracking, procurement monitoring),
- **enhancing equity (E)** by ensuring that the poor and most deserving receive the project's intended benefits (through social audits, user surveys, etc., to minimize inclusion and exclusion errors),
- **reducing wastage and inefficiency by the project's institutions (I)** (through participatory research, community report cards, etc.), and,
- **strengthening the instruments of governance (G) and accountability within the project** (for example, through documenting and reporting citizens' concerns to the relevant authorities, helping with project grievance redressal processes, compliance with disclosure, etc.).

9. **The Bank recognizes the value added by partnerships with CSOs to improve governance and combat corruption.** The 2012 update of the Bank's governance and anti-corruption strategy<sup>8</sup> committed to focusing on the demand side of governance approaches involving citizens and CSOs to hold the state accountable and make it responsive to their needs.<sup>9</sup> Also, in 2012, the [GPSA](#) was established to provide direct funding to civil society organizations to hold service providers accountable. Both of these received unanimous approval from the Bank's shareholders.

This was followed in 2014 by the development and operationalization of the [Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations](#) and adopting governance and institutions as a special theme under the [IDA18 Replenishment](#) (2017–2020). Governance was retained as a focus under IDA19 (2020–2023), and IDA20 (2023–2025) commitments were made to ensure that citizen engagement in IDA operations is broadened and deepened with concrete steps.

8 [Strengthening Governance: Tackling Corruption, The World Bank Group's Updated Strategy and Implementation Plan](#) (World Bank Group, 2012).

9 The GAC Strategy Update described “demand-side” approaches as shorthand “for the extent and capability of citizens (including civil society groups) to hold the state accountable and make it responsive to their needs. Strengthening this aspect of governance is a core element of the Updated Strategy and Implementation Plan, and will contribute to improving governance, transparency, accountability, and participation in client countries.” World Bank, [Strengthening Governance](#), para. 75.

10. **Partnerships with CSOs for improving governance and combating corruption in IDA- and IBRD-financed operations are underutilized and severely underfunded.** The Bank appears ambivalent in promoting partnerships among civil society, the Bank, and governments to identify and prevent waste, fraud, and corruption at the country level. While IDA18 and IDA19 made specific comments for deepening citizen engagement and social accountability, the actual implementation has not been analyzed in detail except for bean counting purposes.

IDA20 does not take citizen engagement to a higher level than previous IDAs. Instead, commitment to citizen engagement is narrowly focused on gender-sensitive budgeting. Organizationally, the social accountability and citizen engagement work has been relocated from the Governance Global Practice to be part of the Social Sustainability and Inclusion work. Currently, the Bank lacks an appropriate mechanism to support citizen oversight and social accountability activities by CSOs, even though its anti-corruption strategy recognizes the vital role that CSOs play.

It is no surprise that current CSO engagement in anti-corruption work in Bank-supported programs is negligible. It is time to change this as the Bank triples its lending, faces growing risks of leakages due to waste, fraud, and corruption, and improves its operating model.

## C. Conclusions and Recommendations

11. **The scale of governance and corruption challenges in IDA/IBRD operations will grow as the volume of its financing grows and shifts to budget-support loans.** Leakages due to waste, fraud, and corruption are inconvenient truths in public expenditures in all countries, including IDA and IBRD borrowers. The Bank recognizes this reality and assesses fiduciary and governance (including fraud and corruption) risks at country and lending operation levels and allocates resources with due regard to such risks. According to its [assessments](#), two out of three IDA borrowers have serious weaknesses in policies and institutions in transparency, accountability, and corruption controls, and about 14% and 30% of the \$124 billion in total commitments for all active IDA-financed projects, as of the end of December 28, 2023, were at “high” fiduciary and political/governance risks respectively.

These risks will magnify as the Bank expands its financing, especially the budget support. This point has been articulated in the recent report by the UK Independent Commission for Aid Impact, which noted, “*The Bank’s highly regarded systems may be challenged by the pressure of delivering at scale*” and that “*fiduciary risk systems may be placed under unprecedented strain by the constant pressure to commit ever-increasing volumes of financing through national public financial systems that are weak.*”<sup>10</sup>

12. **Relying on governments and the Bank’s accountability systems alone to prevent leakages due to waste, fraud, and corruption is neither sufficient nor effective, and it is time to change this.** There is plenty of evidence that partnerships with citizens and CSOs can yield benefits in improving inclusion, quality, responsiveness, and accountability in the delivery of public services and public financial management, including procurement. The Bank’s anti-

<sup>10</sup> Independent Commission for Aid Impact, [The UK’s Support](#), 32.



corruption strategy calls for CSOs to play a vital role in identifying and preventing waste, fraud, and corruption, and its [Vice President for Integrity](#) has [said](#): “We must also support the watchdogs and advocates on the ground, including civil society organizations and independent media, who often become aware of misconduct first when it occurs.” The stakeholder feedback on the Evolution has stressed “more emphasis on transparency and accountability; improving governance and anti-corruption measures.” The Bank’s stakeholders are also calling for such partnerships. The [G20 Independent Experts Group report on Strengthening Multilateral Development Banks \(MDBs\)](#) states that “engaging local communities and civil society in advocacy, monitoring and problem-solving, through transparent and publicly available project data, can mitigate risks of waste and misuse of public funds.”<sup>11</sup>

13. **Deepening partnerships with CSOs for improving governance and combating corruption in IDA- and IBRD-financed operations would require priority attention and fit-for-purpose financing.** We found no evidence that promoting partnerships among civil society, the Bank, and governments to identify and prevent waste, fraud, and corruption at the country level is a priority or significant component in the Bank’s governance, anti-corruption, and fiduciary work. Currently, the Bank lacks an appropriate mechanism to finance citizen oversight and social accountability activities by CSOs (the gaps in financing this work are analyzed in greater detail in the next chapter), even though its anti-corruption strategy recognizes the vital role that CSOs play. It is no surprise that current CSO engagement in anti-corruption work in Bank-supported programs is negligible.
14. **It is time to expand partnerships with CSOs to identify and prevent waste, fraud, and corruption as the Bank triples its lending and faces growing risks of leakages.** Expanding such partnerships will not end the problem but would undoubtedly be a powerful complement to other, more orthodox measures—especially regarding projects that are strongly focused on poor and marginalized people or that are strongly decentralized. To avoid conflicts of interest, this citizen and CSO oversight work should be done independently of project implementing authorities—indeed, independent of both direct government and Bank oversight. This requires Bank support to be channeled and supervised indirectly through appropriate and politically sensitive nongovernmental intermediaries (international, regional, or at the country level), who are better placed to identify and then provide funds, advice, know-how, and networking opportunities to the most effective CSOs. Chapter VI discusses design parameters for such an arms-length mechanism.

**Recommendation #8:** Establish the baseline and increase the attention devoted to using social accountability and demand side of governance approaches in core analytics (including global challenge programs), enhanced county engagement, and financing at the country level.

<sup>11</sup> G20-IEG, [Strengthening MDBs](#), vol. 2: 28, 30.



**Recommendation #9:** Expand, deepen, finance, monitor, and report partnerships with citizens and CSOs to detect and prevent waste, fraud, and corruption and fund such partnerships at a scale proportionate to the challenges involved. In particular, promote partnerships among local civil society and independent in-country accountability institutions.

15. **The financial, economic, and social benefits of expanding partnerships with CSOs to prevent leakages and enhance value for money are compelling reasons for the Bank and other development partners to invest in such partnerships.** The principle that governments and the Bank should pay for systems to control leakages is well established. That is why the state accountability institutions exist and the Bank finances fiduciary work and the Integrity Vice Presidency from its budget. Following this principle, funding for partnerships among CSOs, government accountability institutions, and the Bank should be included as an essential component of fiduciary, monitoring and evaluation, and accountability systems of government and the Bank.

Additional reasons for establishing and funding such partnerships include incentivizing private donors to contribute to such a facility, enhancing public trust in both recipient and donor countries, and potentially improving IDA recipient countries' scores in the [IDA's resource allocation system](#) by improving portfolio performance and public financial management and control of corruption. If CSO-led accountability initiatives prevent as little as 1% of leakage of funds, the allocations would pay for themselves.