

**Ngozi Okonjo-Iweala's participation in the EU Africa Summit
Lisbon, Portugal
December 7-9, 2007**

DRAFT TALKING POINTS

**Keynote Address
"Governance and Corruption Issues in Africa – The Role of the Private Sector"
November 7, 2007
Lisbon, Portugal**

Improving governance and reducing corruption are critical to the Bank's mission of poverty reduction, including in Africa

- The focus on governance and anti-corruption stems directly from the Bank's poverty reduction mandate. Stronger governance provides the basis for better development results and more rapid progress towards the Millennium Development Goals (MDGs).

As the Bank has engaged over the past eighteen months in extensive consultations to build consensus on how to scale up our work on governance and anti-corruption, there have been three consistent messages we have received:

- The Bank needs to remain engaged on this agenda – the issue, therefore, is not whether to be engaged but how to do so in different country circumstances.
- The Bank should stay engaged even with "reluctant" governments and find creative ways of providing support.
- The Bank's governance work must involve systematic engagements with a broad range of stakeholders including the private sector, civil society and government.

One important implication of this is that the Bank needs to work even more closely with the private sector on this agenda

- Improving the business environment is one area where we can work together. Such reforms are good for poverty reduction. In Africa, (leaving aside oil exporters), countries that have made sustained efforts to liberalize their business environments have, on average, grown twice as rapidly as those that have not.
- Reforms in the business environment also support better governance by reducing opportunities for discretion – and hence bribe-seeking by public officials.

What has changed over the past decade is that businesses have started recognizing that integrity is good for business

- In the 1980s, efforts to reform the business environment were led largely by donors and outside experts – the private sector was treated more as a bystander that responded to incentives, but did not shape them. And bribery was generally viewed as a "cost of doing

business” with arguments even being made that bribe-paying was an efficient economic lubricant.

- Businesses are now recognizing much more the benefits of better governance and taking the lead in shaping the agenda. Some examples include:
 - The addition in 2004 of a tenth principle to the international Global Compact (which was a commitment by private firms to support social and environmental principles) to the effect that “Businesses should work against corruption in all its forms including extortion and bribery”. Thousands of private firms across the world have now committed themselves as signatories to the Compact.
 - The World Economic Forum “*Partnership Against Corruption Initiative*” (PACI) has worked with Transparency International to develop practical guidelines that firms can use to implement anti-bribery initiatives in their companies. At the end of last year, 129 major international companies (over half of which are in Europe and Africa), with more than 1.5 million employees and \$500 billion in revenues worldwide, had signed on to implement the guidelines.

What the World Bank Group is already doing to support these and other initiatives and to make the private sector an ally in global efforts to fight corruption and improve governance:

- The IFC has taken the lead in two areas:
 - Through its path-breaking 2006 update of *social and environmental standards*, which helps define clients’ roles and responsibilities for managing in these areas;
 - Through the work of its *corporate governance group* that helps companies and countries improve standards of governance for corporations, focusing on shareholder and stakeholder rights, board member duties, disclosure, and effective enforcement.
- Developing and applying *diagnostic tools* such as Investment Climate Assessments, Doing Business Surveys and BEEPS, which evaluate the impact of governance practices on the business environment and investment.
- **The World Bank Institute’s** “Business Ethics and anti-Corruption Program”, which has engaged the private sector worldwide – based on strong partnerships, including with the Global Ethics Center at the Wharton School of Business and with the Hills Center on Governance.
- Internally, the Bank has:
 - Put more resources into investigating allegations of corruption in Bank projects through the Bank’s Department of Institutional Integrity (INT).
 - Taken action to prevent companies that have been found to undertake illegal activities from doing business with us, and publicizing their names.
 - Launched the Voluntary Disclosure Program in August 2006 – an investigative tool, managed by INT and designed to elicit voluntary co-operation in the fight against corruption of firms and individuals who have previously engaged in wrongdoing.
 - Revising our own disclosure policy to improve the Bank’s transparency.

The Governance and Anti-Corruption (GAC) strategy commits the Bank Group to doing even more (See Annex for details)

- We will support *collaborative international efforts* that engage *partner governments, development partners and the private sector* in efforts to improve governance. We will do this at three levels:
 - By supporting the *implementation of key international political commitments* – including international conventions (e.g. the OECD Anti-Bribery Convention; the UN Convention Against Corruption) and global anti-money-laundering and asset recovery efforts (such as the StAR Initiative);
 - By facilitating the *adoption, implementation and verification by firms worldwide of voluntary codes of conduct* to counter bribery. Business associations – both national and international – will be key in this endeavor and we will engage them more intensively.
 - By encouraging the scaling-up of *global sectoral efforts* to create new coalitions of private, civil society and government stakeholders to define and implement sectoral standards of transparency, and good corporate citizenship. *The Extractive Industries Transparency Initiative (EITI)* is the most advanced of these. Similar initiatives are getting underway in sectors as diverse of construction and pharmaceuticals – and we intend to actively promote these.

The Bank is already engaged, to some extent, in providing support in all of these areas. The next challenge is to scale-up our efforts at the levels of firms, business associations and the international arena in ways that enable the private sector to become full partners in our governance work.

ANNEX

EXTRACTIVE INDUSTRIES

*EITI**Governments*

- ***Strengthen governance by improving transparency and accountability*** in the extractives sector by setting global standards for companies to publish what they pay and for governments to disclose what they receive.
- ***There are now nine countries in Africa*** that have passed the first validation stage: Cameroon, Gabon, Ghana, Guinea, Liberia, Mali, Mauritania, Niger and Nigeria.
- ***Ten other African countries are working towards the first validation stage***: Burkina Faso, the Central African Republic, Chad, Côte d'Ivoire, the Democratic Republic of Congo, Equatorial Guinea, Madagascar, the Republic of Congo, Sao Tomé and Príncipe and Sierra Leone.
- ***Nine other African countries are currently in preliminary talks or in the pipeline for EITI***: These include Uganda, Zambia, Mozambique and Angola.

The private sector

- ***All companies*** operating in the relevant sectors in countries implementing EITI have to disclose material payments to the government.
- ***Several companies are supporters of the EITI*** and have made international commitments of support.
- ***Several companies are participating in the multi-stakeholder processes*** that are in operation in the relevant countries.
 - ***Areva (uranium mining) in Niger*** has supported the Government and plays a key role on the Steering Committee.
 - ***AngloGold (gold mining) in Mali*** is also playing a key role.

DIAMONDS – THE KIMBERLEY PROCESS

The Kimberley Process (KP) is a joint government, industry and civil society initiative to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments.

- ***The Kimberley Process Certification Scheme*** imposes extensive requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free' and prevent conflict diamonds from entering the legitimate trade.
- The Kimberley Process is open to all countries that are willing and able to implement its requirements. ***As of September 2007, the KP has 48 members, representing 74 countries***, with the European Community and its Member States counting as an individual participant. (16 African countries are members).

- *In addition, the World Diamond Council, representing the international diamond industry, and civil society organizations, such as Global Witness, Partnership-Africa Canada, are participating in the KP.*

ILLEGAL LOGGING

Forest Law Enforcement and Governance (FLEG)/PROFOR

- *Regional Ministerial FLEG initiatives* seek to create the political “space” and technical wherewithal for governments to address illegal logging, in partnership with major stakeholders from civil society and the private sector.
 - *The World Bank actively supports* regional forest law enforcement and governance (FLEG) initiatives and hosts a multi-donor partnership on FLEG in support of these initiatives.
 - *Africa Forest Law Enforcement and Governance (AFLEG) Ministerial Conference took place in October 2003 in Yaoundé, Cameroon, and resulted in the AFLEG Declaration and Action Plan.*
- *PROFOR is a multi-donor partnership program* formed to provide improved information and knowledge on key forest issues related to livelihoods, governance, finance and cross-sectoral cooperation.
- *Demand side/private sector initiatives*
 - IKEA, the giant Swedish furniture maker, has developed a “staircase model approach” to promote legal and sustainable forestry among its suppliers. Requirements include the legal sourcing of wood products.
 - The Confederation of European Paper Industries has declared a set of principles (CEPI 2005) committing its members to the purchase and use only of wood coming from legal logging. Similar declarations have been made by other associations that are prominent users of timber, such as the International Council of Forest and Paper Associations, the Interafrican Forest Industries Association, the Japanese Federation of Wood Industry Association, and the American Forest and Paper Association (FAO 2005).

CONSTRUCTION

Construction Sector Transparency Initiative (CoST)

- DFID, building on the success of the EITI, is working with a range of stakeholders (governments, construction industry and civil society) on this.
- The aim is to enhance the accountability of procuring entities and contractors for the cost and quality of public sector construction projects by improving transparency through public disclosure.
- To be piloted in Tanzania in 2008. (Need to check this date).