



# **Good Governance And the ENP: Growing Possibilities for Collaboration**

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# Sustainable growth in a globalizing world

- ❖ **Globalization brings enormous benefits. It also raises the importance of strong domestic policies** (labor, competition and public accountability, etc.).
- ❖ **A good governance environment is the foundation of long-term development** --securing and enforcing property rights, managing conflicts and better alignment of economic incentives.
- ❖ **Better bureaucratic quality and internal accountability mechanisms help countries to cope with shocks.** Also, economic growth in weak governance environments has proven to be fragile.

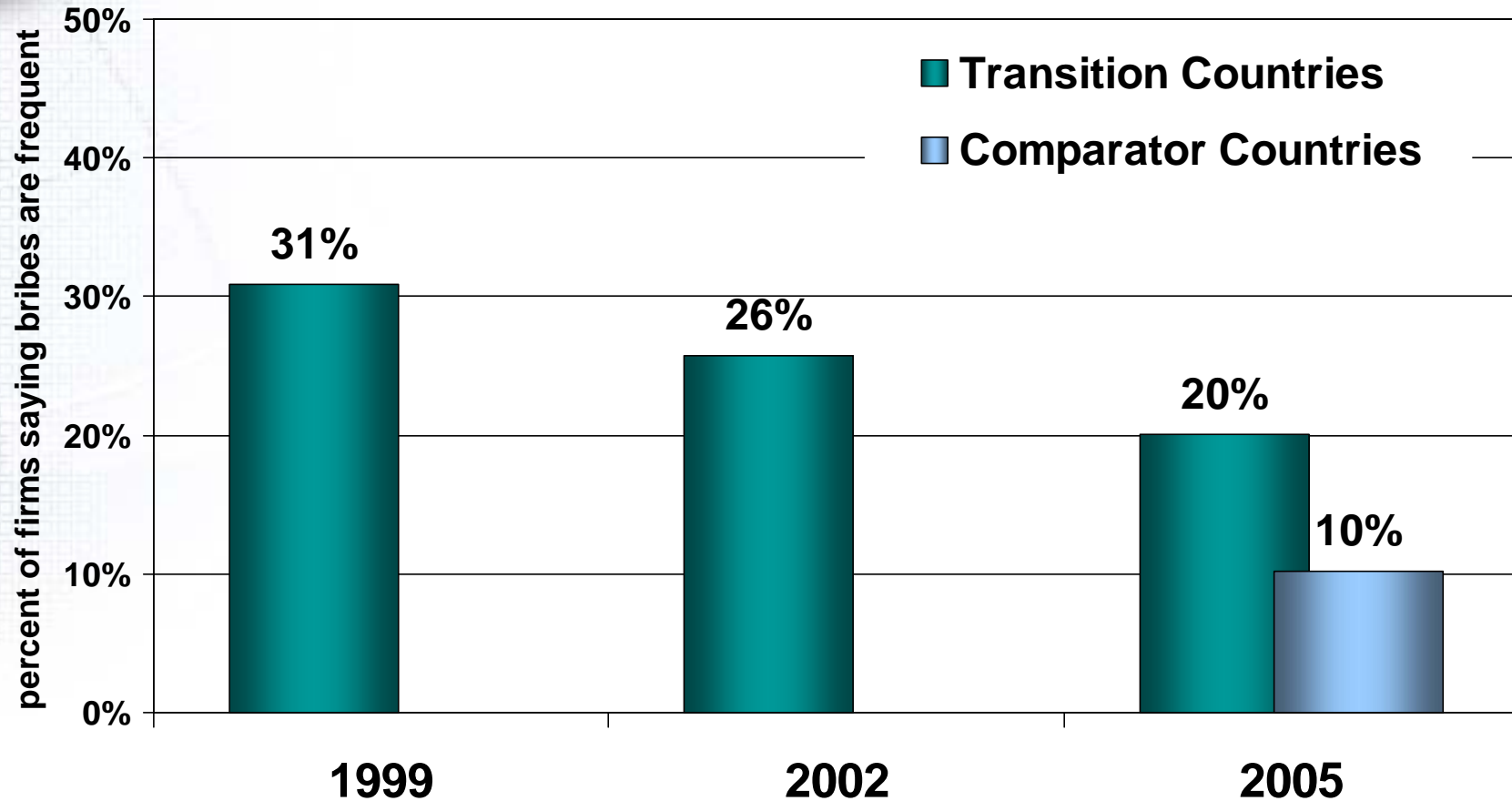


# Can the ENP Help?

- ❖ ENP encourages governance reforms by **increasing the payoffs of transparency** and by reducing internal barriers to starting new business.
- ❖ ENP Action Plans provide opportunities to accelerate reforms in the business environment by **enhancing the potential growth pay-off from increased trade access, infrastructure linkages and financial cooperation.**
- ❖ Evidence from transition economies suggests that **economic integration with the EU is correlated with lower corruption, business-friendly reforms and better public expenditure policy and management.**



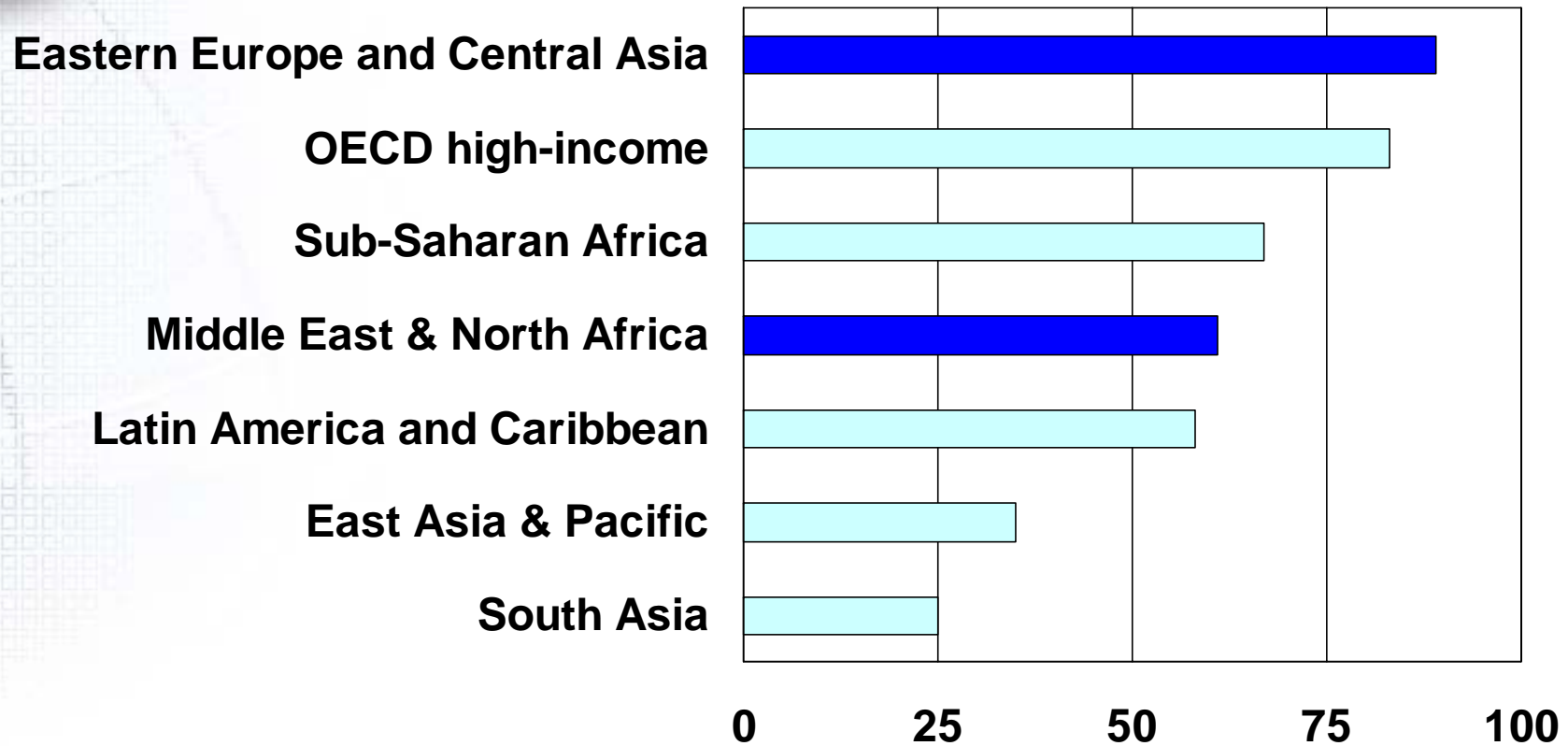
# Corruption is Declining in Transition Economies



Source: Anticorruption in Transition 3 – Who is Succeeding ... and Why?



# Transition economies are leading the world in business-friendly reforms

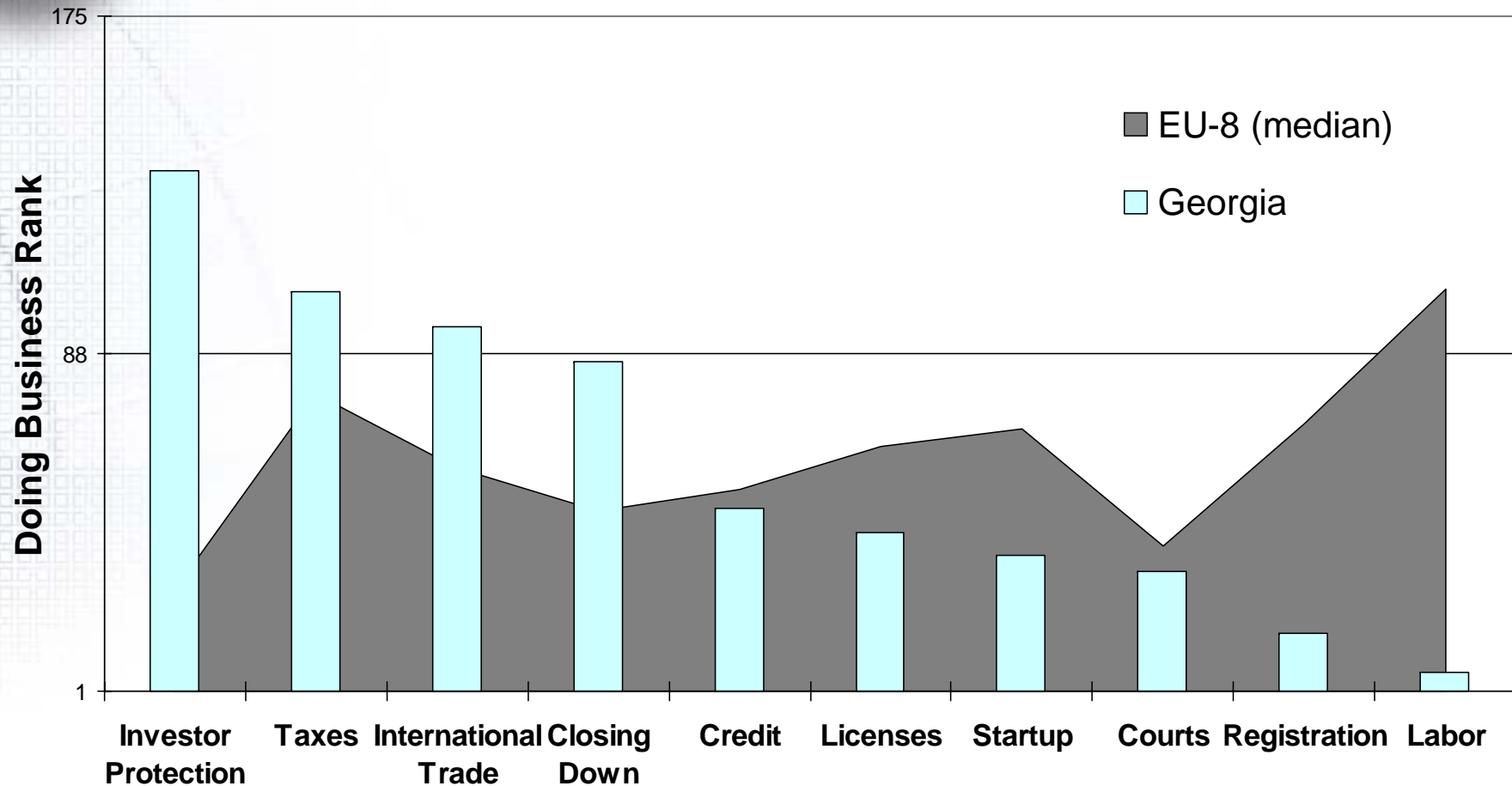


Percent of Countries that Made at Least One Reform in 2005

Source: Doing Business in 2007



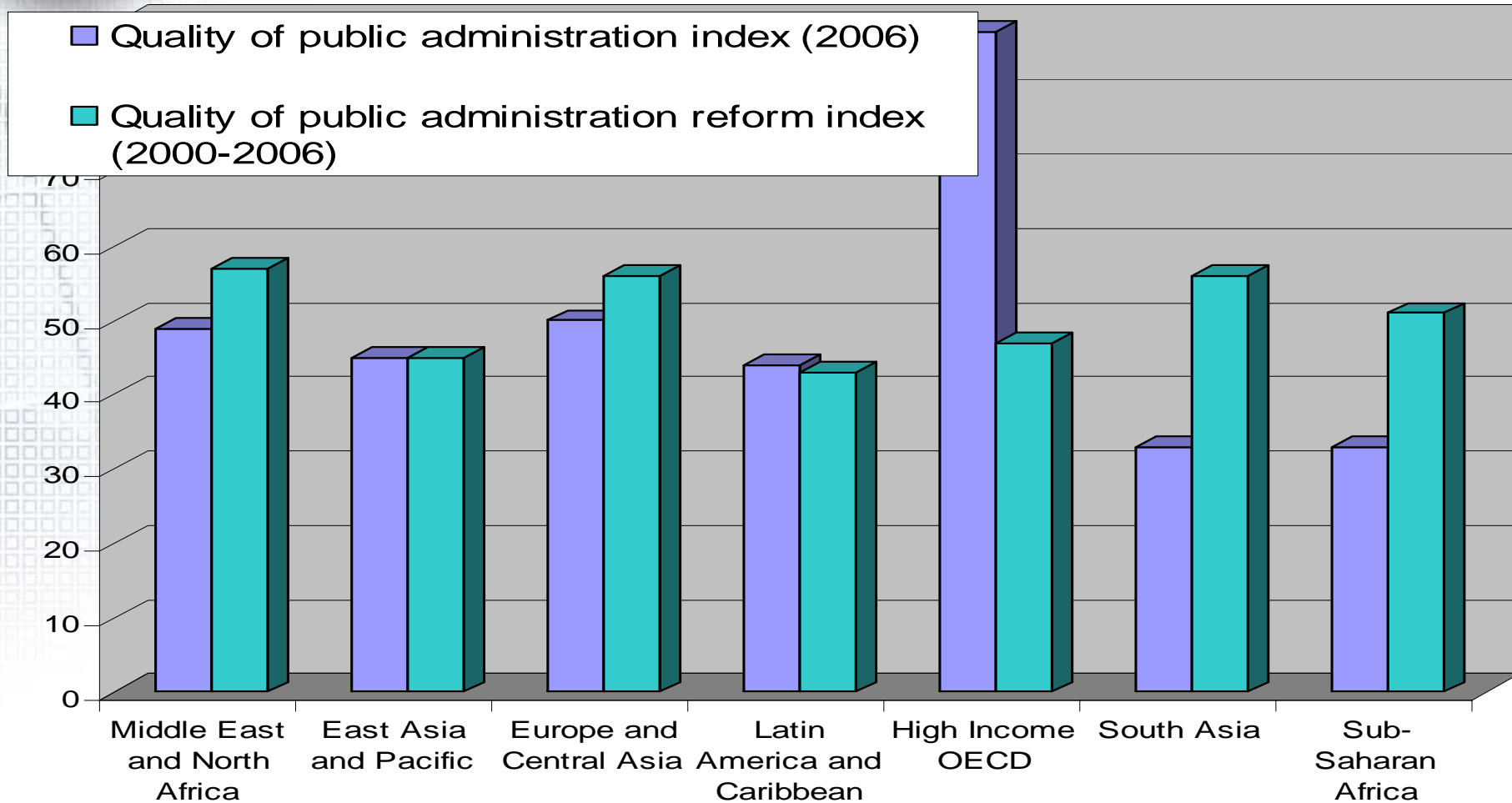
# But there is still room for improvement



Source: Doing Business in 2007  
EU-8: Countries joined EU in 2004 (exc. Malta and Cyprus)

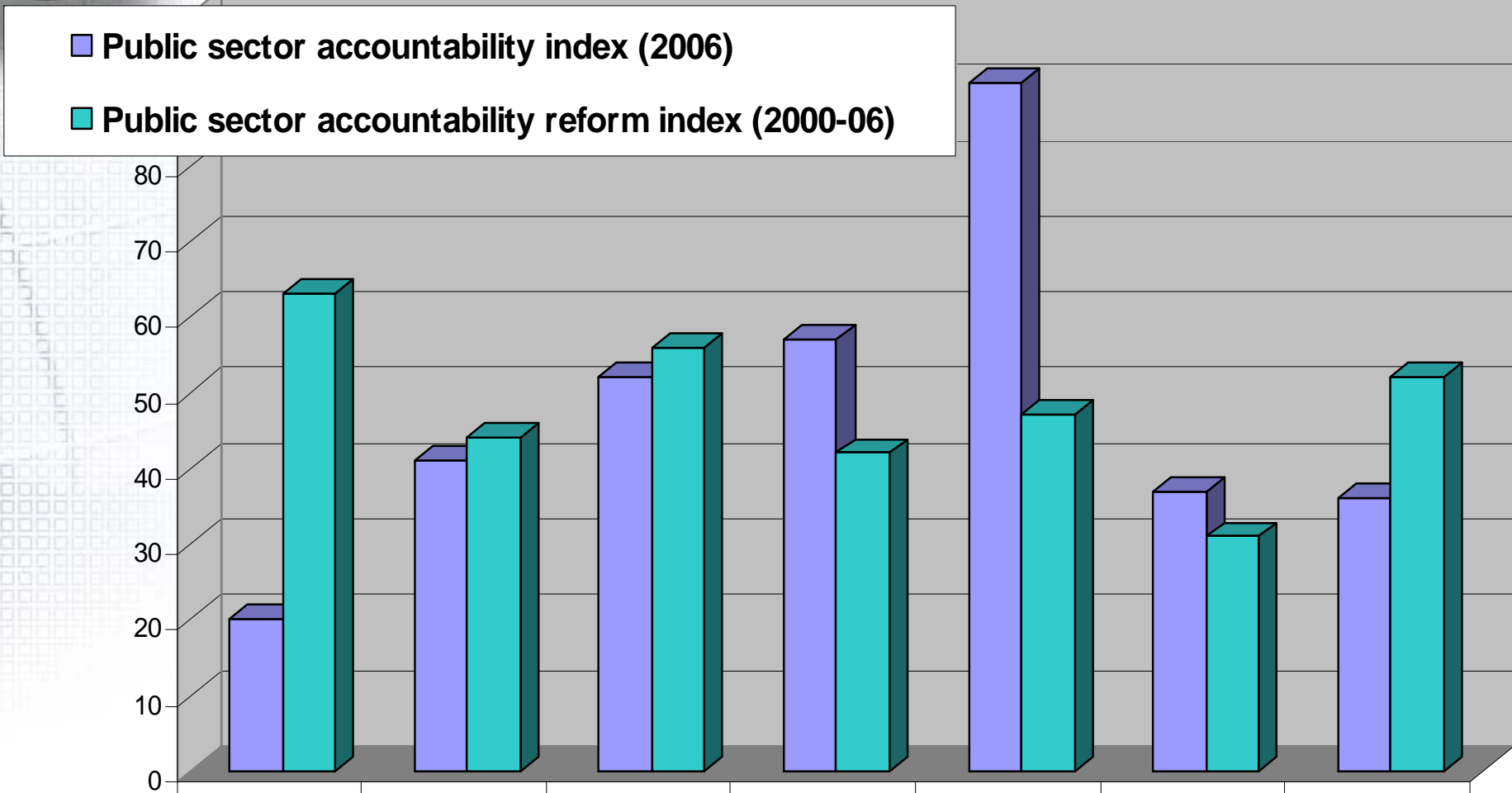


# Public Administration Quality is Improving





# Public Sector Accountability Remains A Challenge



Middle East and North Africa    East Asia and Pacific    Europe and Central Asia    Latin America and Caribbean    High Income OECD    South Asia    Sub-Saharan Africa



# A Key Issue for Strengthening Governance

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- Stronger governance happens when there is inclusion, accountability and transparency in the policy-making process and strong linkages with national development priorities.
- The ENP agenda is part of a larger process of economic liberalization and development at the national level.
- **Collaboration should therefore focus on areas where national priorities and ENP opportunities intersect. This requires good analysis, well-targeted interventions and broad-based engagement, monitoring and dialogue.**



# Existing Coordination Mechanisms

**Objective: Building a strategic partnership for governance and public sector reforms.**

- ❖ **Aligning Country strategies-** Joint work on Country Matrix identifying synergies across ENP Actions, Bank activities and ensuring linkages with national priorities (e.g., Moldova, Jordan). The matrices could utilize results-based indicators to monitor progress in key areas.
- ❖ **Joint diagnostics-** Joint work on developing PEFA indicators and building capacity in Public Expenditure Management. Joint work on firm surveys and the business environment (BEEPS) .
- ❖ **Co-financing-**of projects and programs in public financial management reform.
- ❖ **Dissemination of Best Practices-**joint dissemination of best practices in business environment reform.



# Is there more we can do together?

**Objective: Operationalizing the partnership through stronger linkages between policy dialogue, financial cooperation and broad-based engagement.**

- ❖ Strengthen **governance focus in sector policy** and reforms as well as fiduciary issues including the use of **country systems**.
- ❖ Deeper engagement in public expenditure transparency and efficiency reform including wider use of actionable indicators. (i.e., Bank work with OECD on civil service reform, indicators for decentralization, etc.).
- ❖ More joint analytical work and operations (Joint fiduciary reviews, DPLs, projects).
- ❖ Enhance cross-sectoral approaches including focus on e-governance.
- ❖ Engage parliaments, judiciary, civil society in dialogue and monitoring of success in ENP reform process.