

**ICGFM Conference, Miami, 19<sup>th</sup> May 2008**

**Joining Forces for Responsible Leadership to Enhance Good Governance: The People, the Public Officials, the Private Sector and the Press**

**Keynote address by Roberto Tarallo, The World Bank**

Good morning ladies and gentlemen. My name is Roberto Tarallo and I am here representing the Financial Management Network of the World Bank. I am delighted and honored to have the opportunity to make this keynote address.

First I want to add my welcome to you all, and thank you for making the effort to come here, especially those of you who have traveled from places as far away as South Africa and India.

This is a very special event, bringing together a uniquely varied group of people, from the public and private sectors, from the press and civil society, but who all, from their different perspectives, share a common interest in good governance and sound public financial management.

I would like to take a little of your time to reflect on the theme for this week's conference. **“Joining Forces for Responsible Leadership to Enhance Good Governance: The People, the Public Officials, the Private Sector and the Press”**

For me this theme reflects both the richness of the good governance agenda and the challenges and complexities of achieving the goal of good governance, especially in developing countries.

Over the past few years good governance, and public finance management especially, have become more and more central to the development agenda and the achievement of the Millennium Development Goals. This is because there is very clear evidence linking good governance to economic growth and development. While there have been significant improvements in overall economic management at the macro level there is little evidence of overall improvement in governance. Poor governance and corruption remain binding constraints for many countries.

As reforms have been attempted there has been growing recognition of the need to go beyond the machinery of government itself to make sure that public funds are used effectively. A decade of research has concluded that, unless there is strong demand for accountability sustained outside the executive, most PFM reforms are unlikely to be sustained in the long run.

The demand for good governance, transparency in public finance management and accountability of elected governments and civil servants in fulfilling their stewardship role comes from several sources: from the people – meaning: the citizens, the electorate, the tax-payers, and the end-users of services provided by the public administration; from the country's oversight institutions – such as budget/public finance parliamentary committees and Supreme audit Institutions, who are vested by the Constitution with the necessary watchdog role over the executive branch; from civil society organizations and the media – who give voice to specific interest groups and exercise a pivotal role in keeping the public informed; from development partners (International Financial Institutions and Donors alike) – who want to receive reasonable assurance that funds are used for the intended purposes, on the basis of economy, efficiency and effectiveness considerations in order to maximize development results; and from private lenders and investors – who expect an enabling business environment for their investment to be put to good use and to yield the expected economic returns.

Reforms are easily reversible. After the initial euphoria cools down, old practices return or newly enacted laws may be rescinded or amended. A new government may reverse reforms and initiate new ones. Pro-reform coalitions are not static. It is therefore critical to engage with a wide range of stakeholders during the reform process to help ensure broad-based support for continuing implementation of the strategy.

Long term success therefore depends on a healthy system of checks and balances, where the various arms of government each play their role effectively, and where the media and the public also play a strong vigilance role.

We also recognize the importance of the private sector and how it interacts with government. This can be both a positive force, demanding effective and accountable government and a negative force, when the private sector

develops corrupt relationships with public officials and politicians. Development agencies and other stakeholders, including government, have a shared interest in making sure the private sector is a responsible actor.

Many of you will be aware of the World Bank's commitment to step up the fight against fraud and corruption. Our **Governance and Anti-corruption Strategy** highlights the importance of civil society engagement, media interest and well functioning demand side institutions such as legislative committees to oversee public finances and supreme auditors. It also highlights the need to work more effectively with the private sector to tackle the "supply side" problems; when companies bribe public officials.

At the World Bank our focus is on issues affecting developing countries, but let's not forget that similar challenges exist in the developed countries too and at the global level in securing collective action against corruption.

*Over the next few days we will have an opportunity to hear from leading thinkers and innovators in all of these areas:*

Today we will hear about the **role played by national legislatures** and their various finance related committees. Parliamentarians from Ghana and South Africa will talk about parliament's role in both demanding and ensuring accountability from the executive branch of government. But they also face many challenges: getting access to the necessary resources and expertise and ensuring that governments do not ignore the issues they raise.

From India and the United States we will learn something about ways of **empowering citizens to hold Governments accountable**. The potential of Rights to Information legislation to empower citizens is illustrated by India's experience and we will be hearing more about this from India's Right to Information Commissioner. These are just a few of the many initiatives from around the world. For example, in Bank financed projects in Indonesia **civil society groups** are extensively engaged in monitoring rural development projects. Transparency and civil society oversight has helped to ensure that the cost of building roads, for example, has been cut and their quality improved compared to project run under similar government programs. Information technology is being used to report on and monitor problems, for example supporting complaints handling systems and e-procurement.

What is the **role of the Private Sector** in this debate? Over recent years there has been increasing recognition that corruption is a two way process. The private sector has often fed corrupt practices, especially in the area of procurement. The United Nation's Convention on Bribery and Corruption, and the Extractive Industries Transparency Initiative represent major steps in the right direction, but much more can be done. Tomorrow we will be exploring the ideas and debates in this area.

We will also hear from governments, including Colombia and Mali, from the US Millenium Challenge Corporation and others about **internally driven initiatives** to improve governance and **tools to monitor performance**. The Public Expenditure and Financial Accountability (PEFA) indicators are a good example of the use of indicators to monitor and compare performance on public financial management and a similar set of indicators has been developed for Procurement. These were developed by a partnership of donors including the World Bank, the International Monetary Fund the European Commission and several bilateral donors, and have now been applied in over 80 countries and sub-national governments.

**Supreme Audit Institutions** play a crucial role in strengthening public accountability. As the constitutional watchdogs over public spending, and with the technical skills to carry out in depth reviews they support the legislature's oversight function. When SAI reports are publicly available and well presented, they can make headline news, exposing waste, fraud and abuse in the public sector. On Thursday and Friday we will be looking at the part play by supreme audit institutions and **internal audit and inspection** functions.

Based on this agenda I am confident that this week's conference sessions will be rich and rewarding experience. But I hope you will also take the opportunity to network, to renew old acquaintances and make new friends. It's good to see many familiar faces in the audience, but I also see many new faces, and I hope I will get the chance to meet many of you over the next few days.

Thank you.