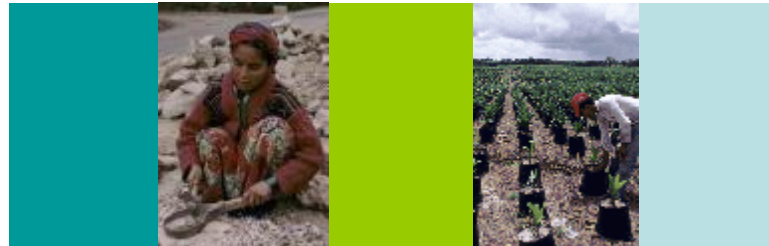


# The World Bank Group

## Working for a world free of poverty

ICGFM, Washington  
December 2007

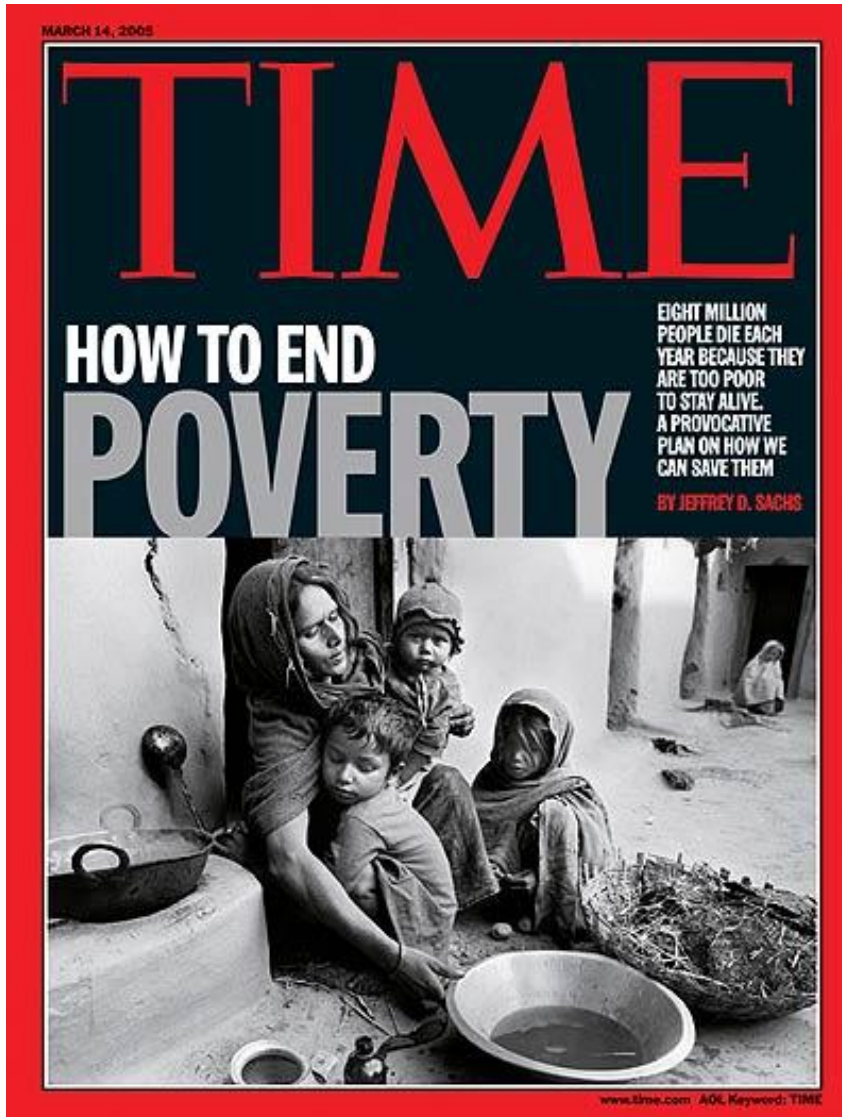


**Chuck McDonough**  
Deputy Controller and Head of Accounting  
The World Bank

# Poverty Reduction: Global Challenge

- § 1.0 billion people live on less than \$1 a day
- § 2 billion do not have access to clean drinking water
- § 200,000 children under 5 die each week of treatable and preventable diseases
- § Globally, 1 child in 4 does not finish primary school, and in Africa almost 50% do not
- § 70% of the world's poor are in Middle Income Countries

# Millennium Development Goals



- Endorsed by 189 countries at the UN Millennium General Assembly in Sept 2000.
- Aim to halve the proportion of people in extreme poverty by 2015.
- Set targets for reductions in poverty, improvements in health and education, and protection of the environment.

# Poverty Reduction: Needed Investments

- § \$3 billion a year over the next few years to provide every household vulnerable to malaria with necessary resources
- § About \$170 billion in the power sector each year over the next decade just to keep up with electricity needs
- § \$30 billion per year to transition to a low carbon energy mix
- § Another \$30 billion per year to supply safe water to 1.5 billion people and sanitation to the 2 billion people
- § \$130 billion a year to meet the transportation infrastructure requirements of growing developing countries
- § \$7 billion a year to provide primary education for 80 million out-of-school children

# The World Bank's Mission & Governance

## § Poor governance and corruption undermine efforts to reduce poverty

§ Poor unable to access critical services because public delivery systems fail, or they will not or cannot pay bribes

§ Research shows a long term development dividend from good governance and controlling corruption

## § Stakeholders in recipient & donor countries are demanding better governance & corruption control

## § Prospect of significant scaling up of aid – requires strengthening governance systems

## § Since 1997 – the WBG has a governance & AC strategy



# Governance and Anticorruption

Principal objective of Bank's governance work is  
*“to help develop capable and accountable states to deliver services to the poor, promote private sector-led growth, and tackle corruption effectively.”\**

## Governance

The manner in which the state acquires and exercises its authority to provide public goods & services

## Corruption

Use of public office for private gain

\* Development Committee Communiqué, Singapore, September 18, 2006, para 8.

# World Bank's Commitment

§ **Governance and  
Anticorruption (GAC)  
Strategy unanimously  
approved by the Board in  
March 2007**



# The 7 Guiding Principles

1. Focus on GAC is based on the Bank's Mandate to reduce poverty—a capable and accountable state creates opportunities for the poor
2. The Bank's GAC work must be country driven
3. There is no “one size fits all” – implementation is adapted to individual country circumstances
4. The GAC strategy requires the Bank to remain engaged so that “the poor do not pay twice”
5. The Bank aims to engage in its GAC work with a broad array of stakeholders
6. **Work to strengthen, not by-pass, country systems through stronger institutions**
7. The Bank will work with governments, donors, and other actors at the country and global levels to ensure a harmonized and coordinated approach



# A 'Live' Test: 'Culture', Information and Incentives:

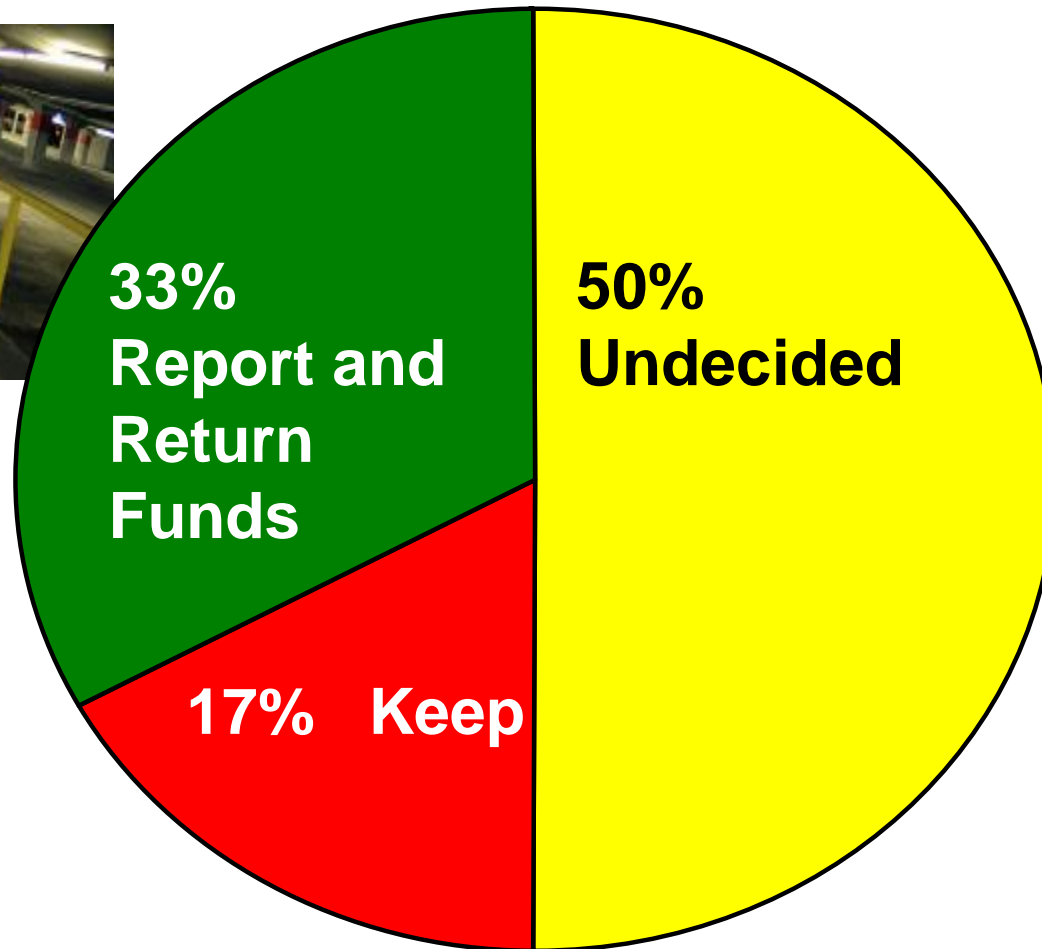


- You are approaching your car in the empty and unattended garage late at night
- You see an envelope on the floor, and you pick it up
- It contains 20 bills of US \$100 each
- If no possibility that anyone would know: No cameras, no monitoring, no reporting
- What would you do with such envelope full of cash?

Source: Dani Kaufmann, World Bank Institute, presentation to AU Students, February 2006

# If no possibility that anyone would know:

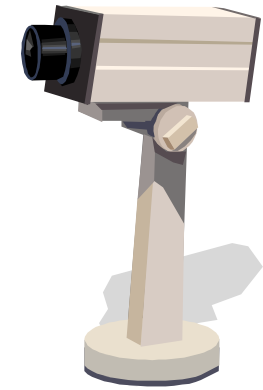
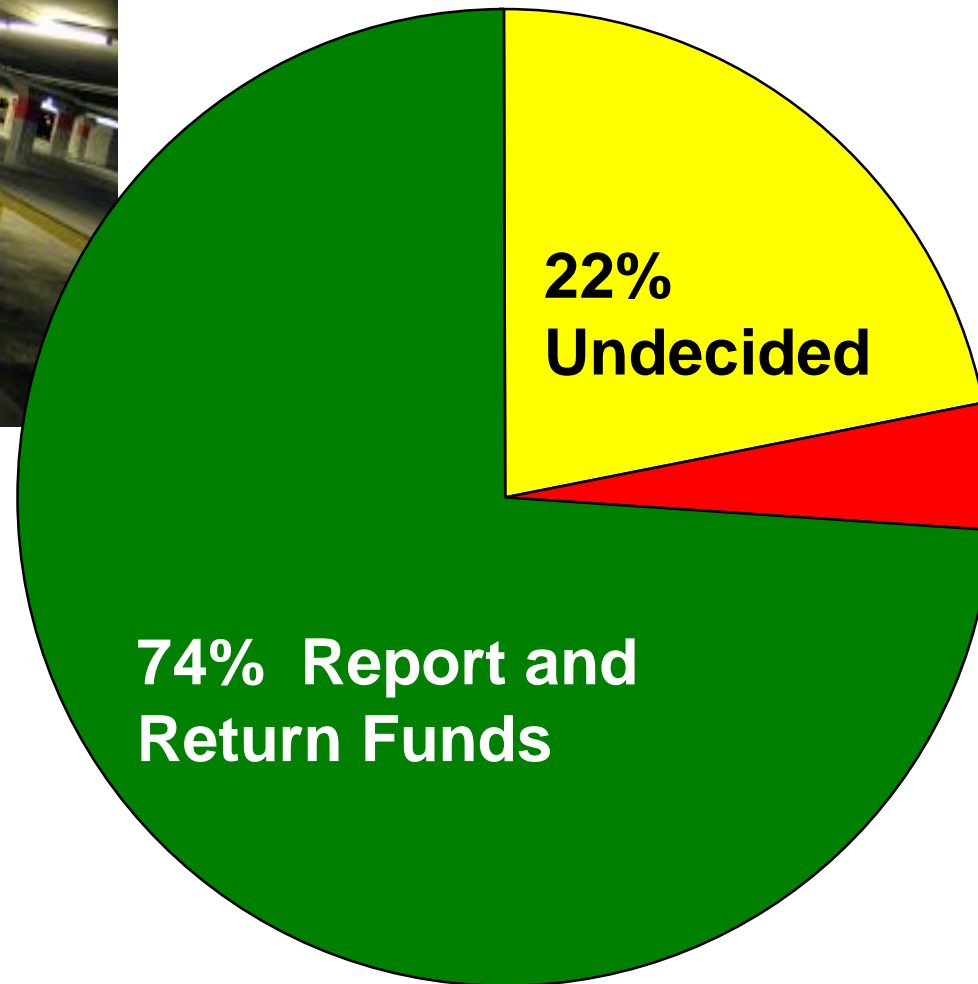
You are alone, there is no monitoring, cameras, or possibility of being reported



Source: Dani Kaufmann, World Bank Institute, presentation to AU Students, February 2006

**Option Finder Results: Various Audiences**

If 30% probability that information is shared (e.g. 30% that camera recording info which may be reviewed)

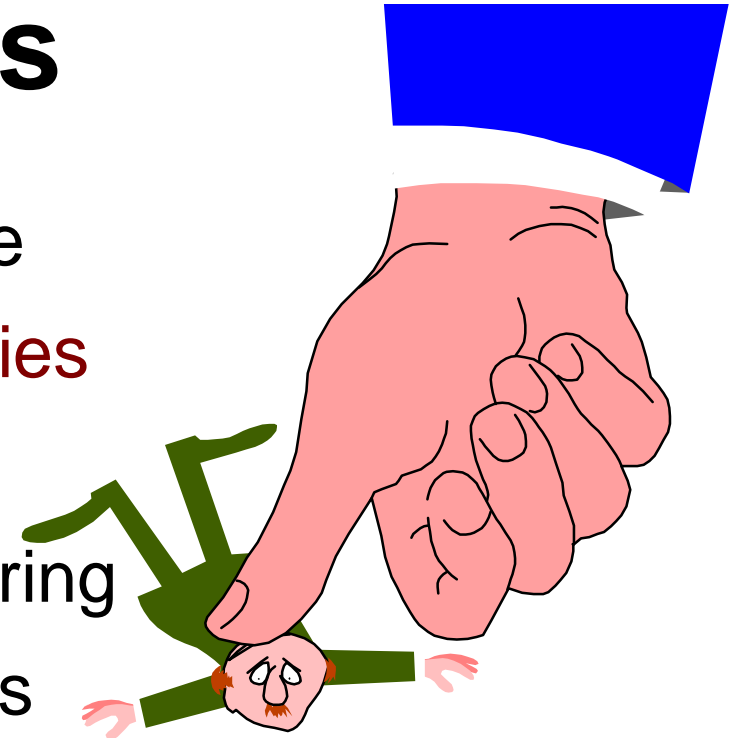


**4% Keep**

Source: Dani Kaufmann,  
World Bank Institute,  
presentation to AU Students,  
February 2006

# Governance, Poverty Reduction and Financial Management Systems

Financial Management is at the core of good governance and lies at the heart of achieving the MDGs/poverty reduction: ensuring that public and donor resources are used efficiently, effectively and transparently for intended purposes.

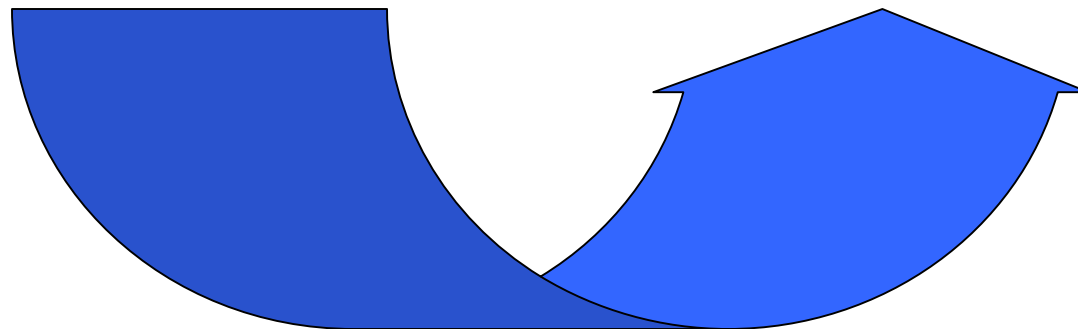


# Public Financial Management and Automation

## § Sound Management of Public Finances

- § Better use of public money
- § Effective controls in place to ensure funds are used for intended purposes
- § Value for money, aid effectiveness and delivery of results
- § Reliable and timely reporting on the public finances

Automation  
with FMIS



# FMIS in Context of Public Financial Management

- § **Provides foundation for sustainability of reforms**
  - § Customized reports and audit trails available to public
- § **Supports better budget preparation, execution and payroll management**
- § **Promotes transparency in e-governance**
  - § Accountability for the use of funds
  - § Aids in anti-corruption efforts and alleviation of poverty

How do we achieve success?

# Achieving Measurable Results

## § On average FMIS projects:

- § Took over 7 years for implementation and completion\*
- § Scope and design crept by 75 %\*

To overcome existing obstacles and past mistakes

**§ We need to share our successes and admit failures in order to achieve development objectives**

\*Bill Dorotinsky “ Implementing Financial Management Information System Projects: The World Bank Experience”

# How the World Bank Group Can Help?

## § Assistance to countries:

- § Sharing of knowledge and experience
- § Supporting good governance and anti-corruption – spurred by our financial resources
- § Developing standards for financial records management
- § Raising awareness across other development agencies and government of the importance of IFMIS
- § Coordination with other donors on existing practices and future efforts



# Success stories

## § Mongolia

§ Implemented Government Financial Management Information System (GFMIS) in January 2005

§ The GFMIS links all 21 aimags (provinces) to the central treasury and covers all ministries, including the municipality of UlaanBaatar

## § Tanzania

§ In 1998 with support from the Swedish International Development Agency (SIDA) started implementation of its IFMS. Key modules were installed in ten ministries on a pilot basis.

§ Today (2007), as a result of continued support from SIDA and through the government's own Public Financial Management Reform Programme (PFMRP), seven additional modules have been implemented.

# Results - Mongolia

- § **Implementation of GFMS has been a critical milestone in the government's program to improve public financial management**
  - § Monthly budget reports available within one week of month end and published on the government website; annual budget execution reports are available within three months of year end; cash balances on the Treasury Single Account (TSA) are available on a daily basis
  - § In 2005, for the first time, the Mongolian Government can fully reconcile the TSA balance with cheques issued by the Treasury Department
  - § A series of inbuilt system controls ensure that each transaction is checked to ensure that funds are available; proper documentation available in the system; payee's bank account details are verified; electronic funds transfer and electronic verification are in place
  - § Government has saved over US\$ 60 million. On this basis the FMIS system will pay for itself in 18 months.

# Results - Tanzania

## § Introduction of IFMS in Tanzania generated the following improvements:

- § Expenditure reports are produced as required; strengthening the capacity of sector ministries to record, monitor and control expenditures
- § Simplified the introduction of standardized coding to facilitate monitoring and tracking of expenditure through the budget system
- § Three years of accounts are online, as are three years of budgets
- § Final government accounts have been produced within three months of year end since 2002/3 and are broadly in line with IPSAS standards (cash basis)
- § Automation of local purchase-order production and a commitment control module only allows the issuance of an LPO if there are sufficient funds in the respective expenditure item
- § Introduction of commitment control module helped to improve the standing and credibility of the government to the general public and other key stakeholders.

# In Conclusion

- § **Use of IT in government financial management provides a substantial platform for synergies on:**
  - § Scaling up the resources available to deliver on the Millennium Development Goals
  - § Providing assurances to both governments and donors about the proper use of funds
  - § Reporting and measuring the results of public spending
  - § Promoting transparency and accountability and
  - § Reducing the scope for corruption
- § **Realistic approach will aid in increasing rate of success**