

The Relationship of Records to Accountability, Transparency and Public Sector Financial Management

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Overview

- Introduction
- The World Bank's Governance and Anticorruption (GAC) Strategy
- The Africa public financial management (PFM) environment
- IFMIS and record management in this context
- Brief overview of the World Bank's financial management (FM) work



The World Bank Group

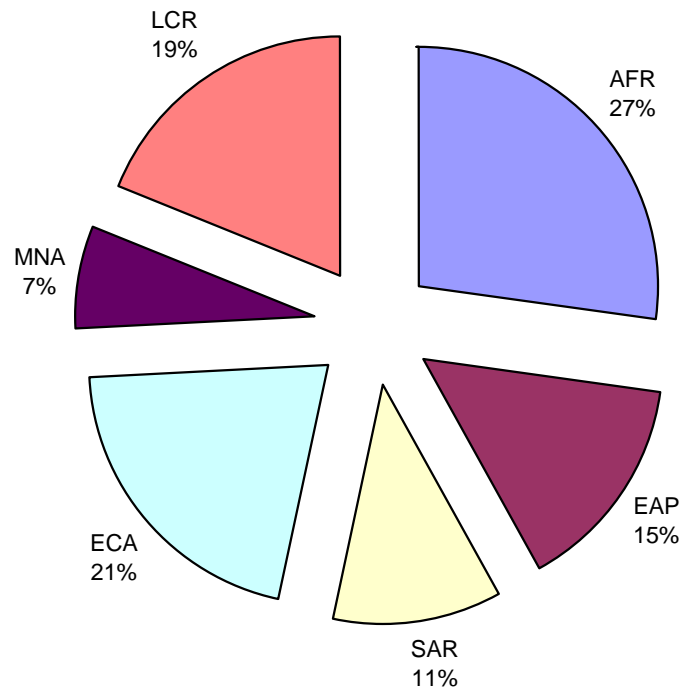
Working for a world free of
poverty

Poverty Reduction: A Global Challenge and Daunting Task in Africa

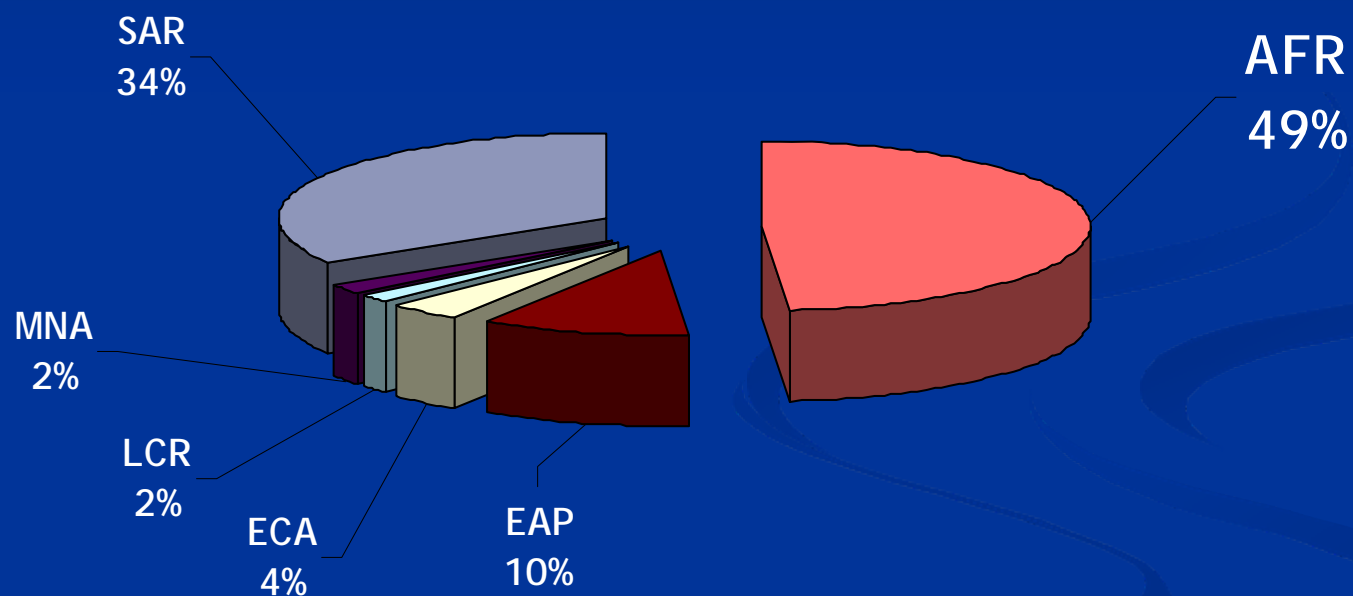
- 298 million people (41% of population) live in extreme poverty (on less than \$1 a day)
- 44% of population does not have access to clean drinking water
- 63% of population does not have access to sanitation
- 42% of children do not finish primary school
- 163 children out of every 1000 births die before the age of 5

World Bank's Africa Portfolio

**World Bank Portfolio
FY 2007, 1462 Projects**



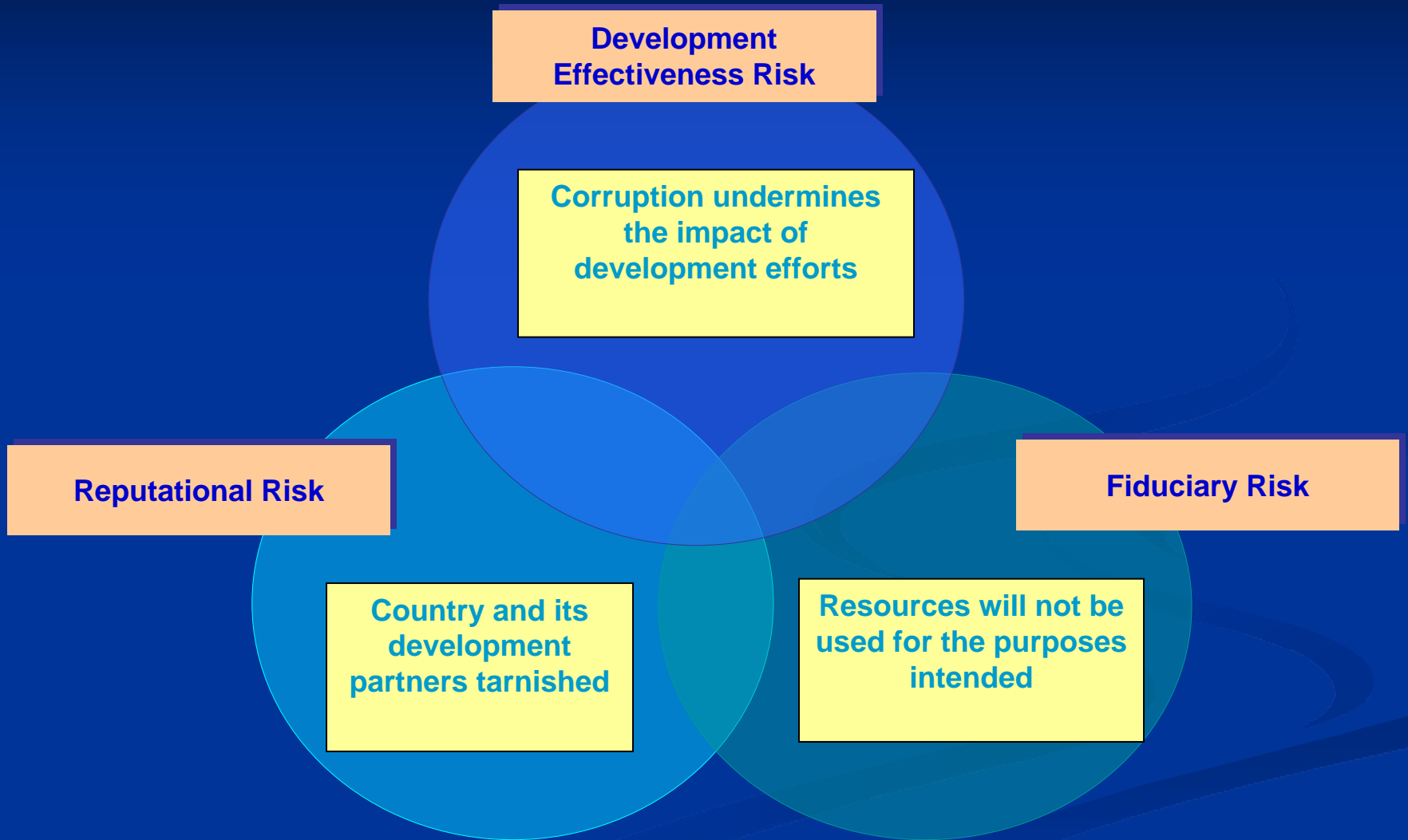
Nearly Half of IDA Lending went to Africa in Fiscal 2007



Total Fiscal 2007 IDA Lending: \$11.9 billion

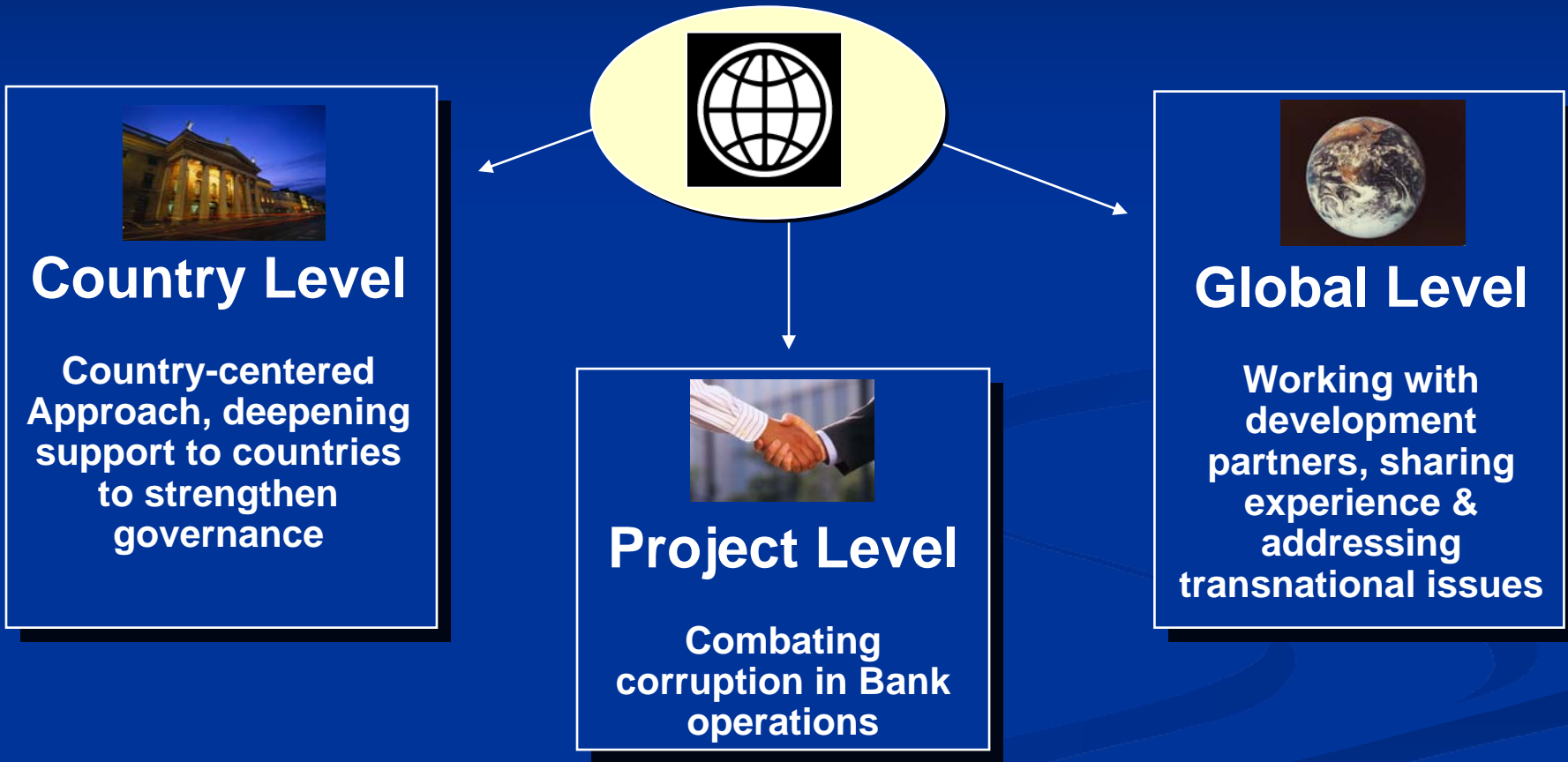
World Bank's Governance and Anticorruption (GAC) Strategy

Corruption poses three significant risks



Governance & Anticorruption

Key Elements of World Bank Strategy

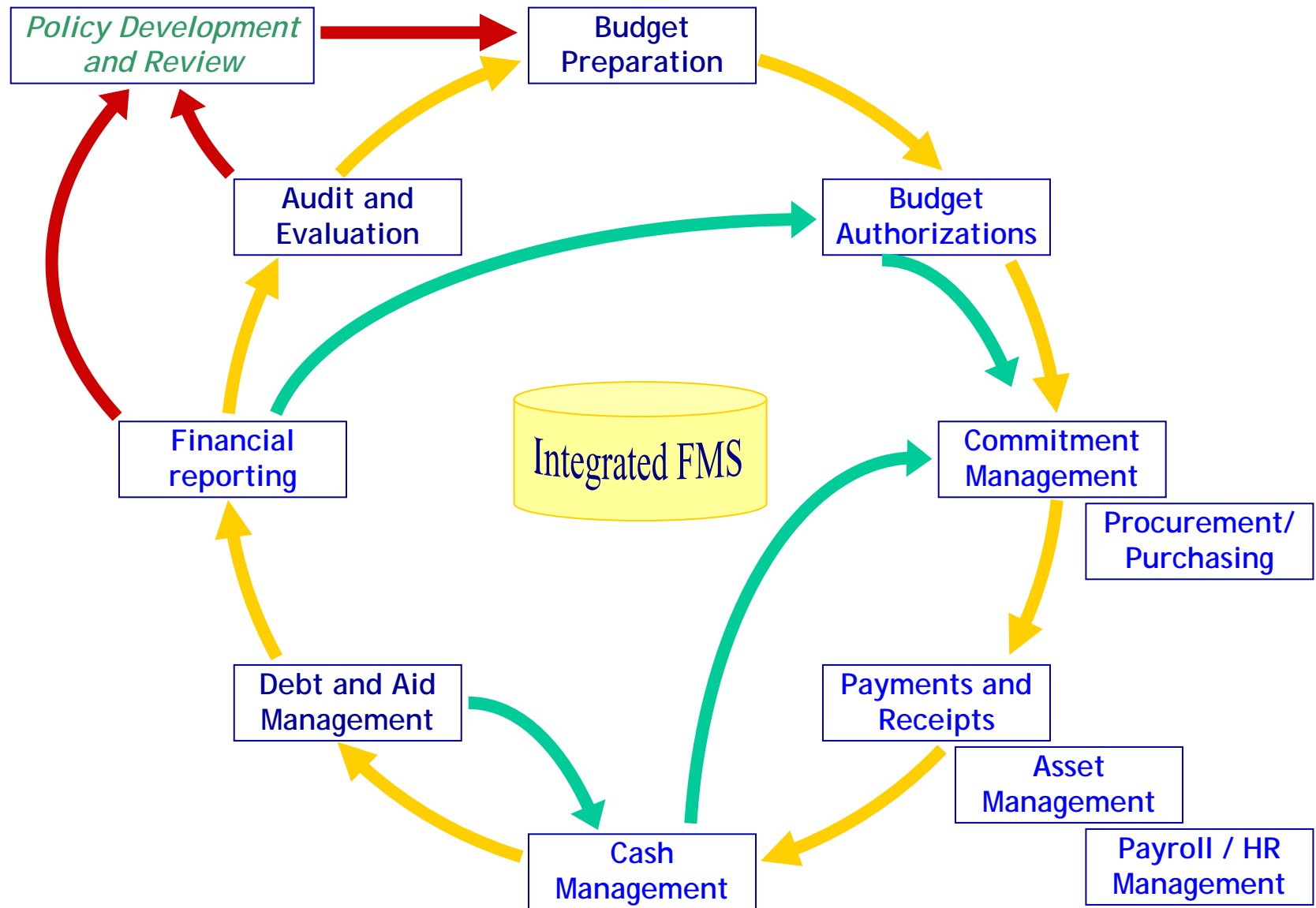


Bank practices to deal with corruption risk in projects

- A procurement and financial management specialist is assigned to each project - key focus on internal control basics, including record management
- Financial management, procurement, and disbursement safeguards in projects
- Requirements for independent external audits
- Supervision of projects and portfolio reviews
- Financial disclosure by senior Bank staff
- INT investigates allegations of fraud and corruption in Bank projects
- Hotline

The PFM Environment

PFM Architecture



IFMIS Characteristics

- Processes financial management transactions on a single software platform and a single database –
 - standard data classification for recording events
 - common processes for similar transactions
 - consistently applied internal controls over data entry, transaction processing and reporting
 - control framework for revenue, expenditure, asset and liability management
- Facilitates sharing of common data and the flow of information amongst different functions and processes of an enterprise
- Allows users to track and analyze trends in a wide range of events in an integrated fashion to plan for future performance improvements across the enterprise

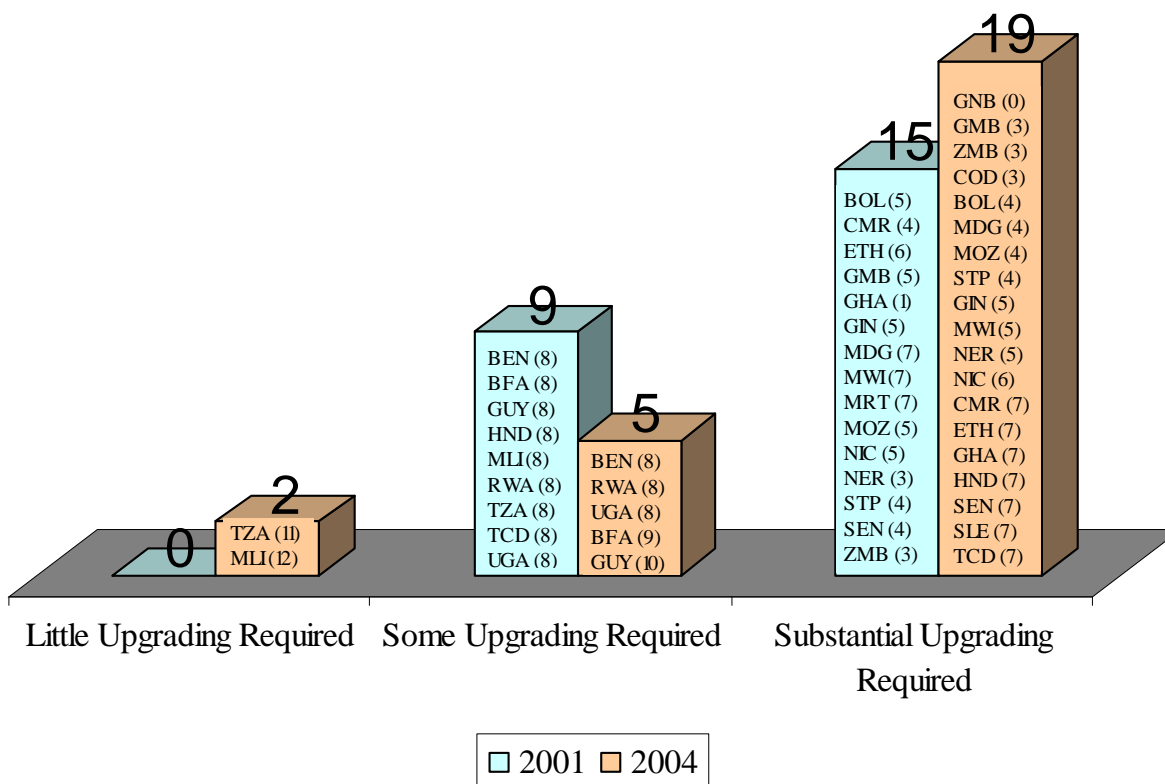
Potential IFMIS benefits

- Standard classification system for financial data, in compliance with international standards
- Improved control over bank accounts and payment systems
- Enhanced ability to manage cash, debt and liabilities
- Basic accounting controls – staffing, segregation of duties, security, timely and accurate processing, reconciliations, control over source documents, audit trails
- Control and stewardship in the use of public funds and assets
- “One-time” data entry supporting all functions / processes
- Adequate fiscal, revenue and expenditure records and information are produced, maintained and disseminated to meet decision-making, control, management and reporting purposes
- Supports more realistic planning and budgeting
- In summary....

Improved budgeting, control, information, evaluation and accountability

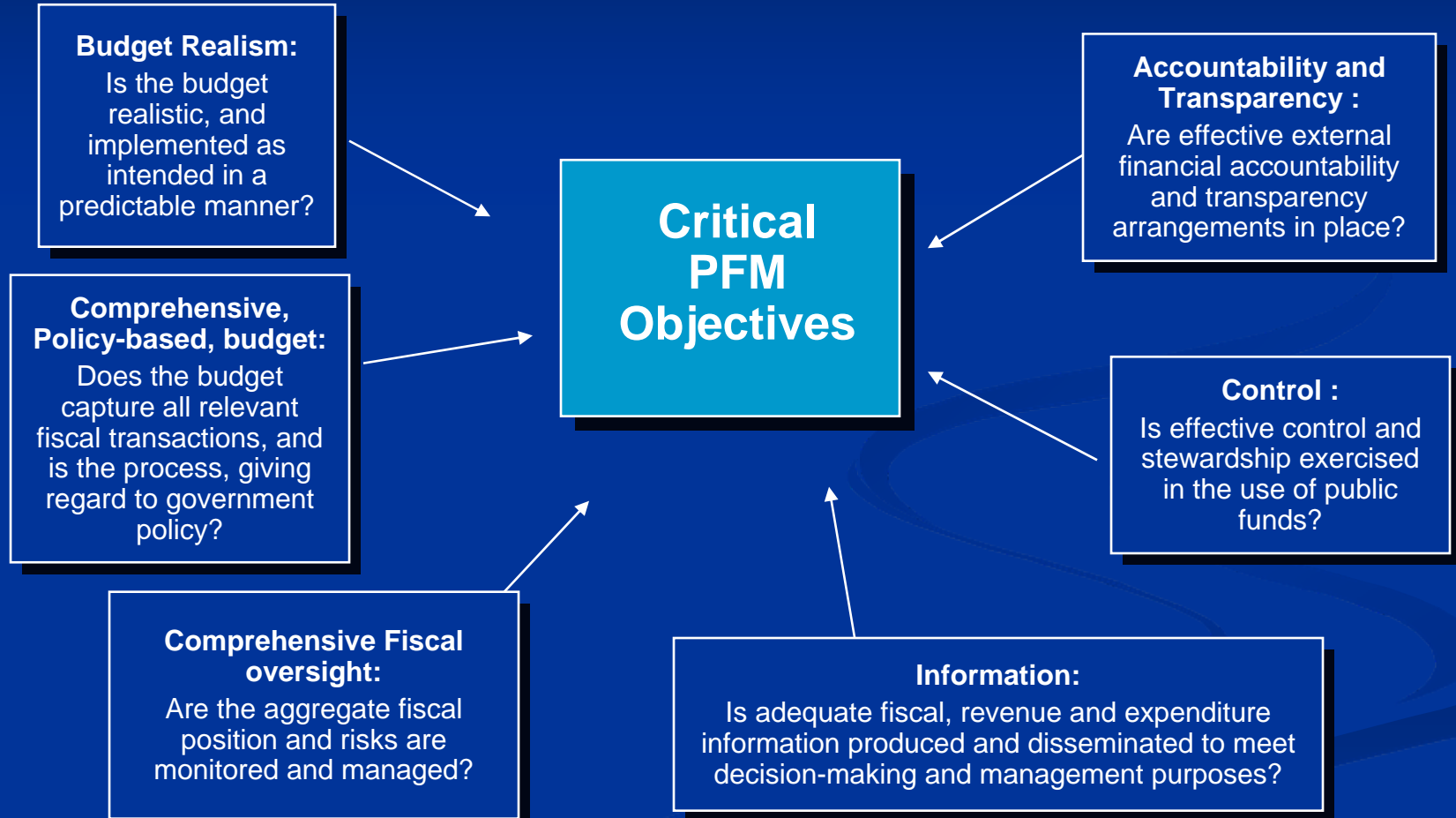
HIPC Public Financial Management (PFM) Assessments of 2001 & 2004

Relative Need for Upgrading PEM Systems
 (Number in Paranthesis indicate total of benchmarks met)



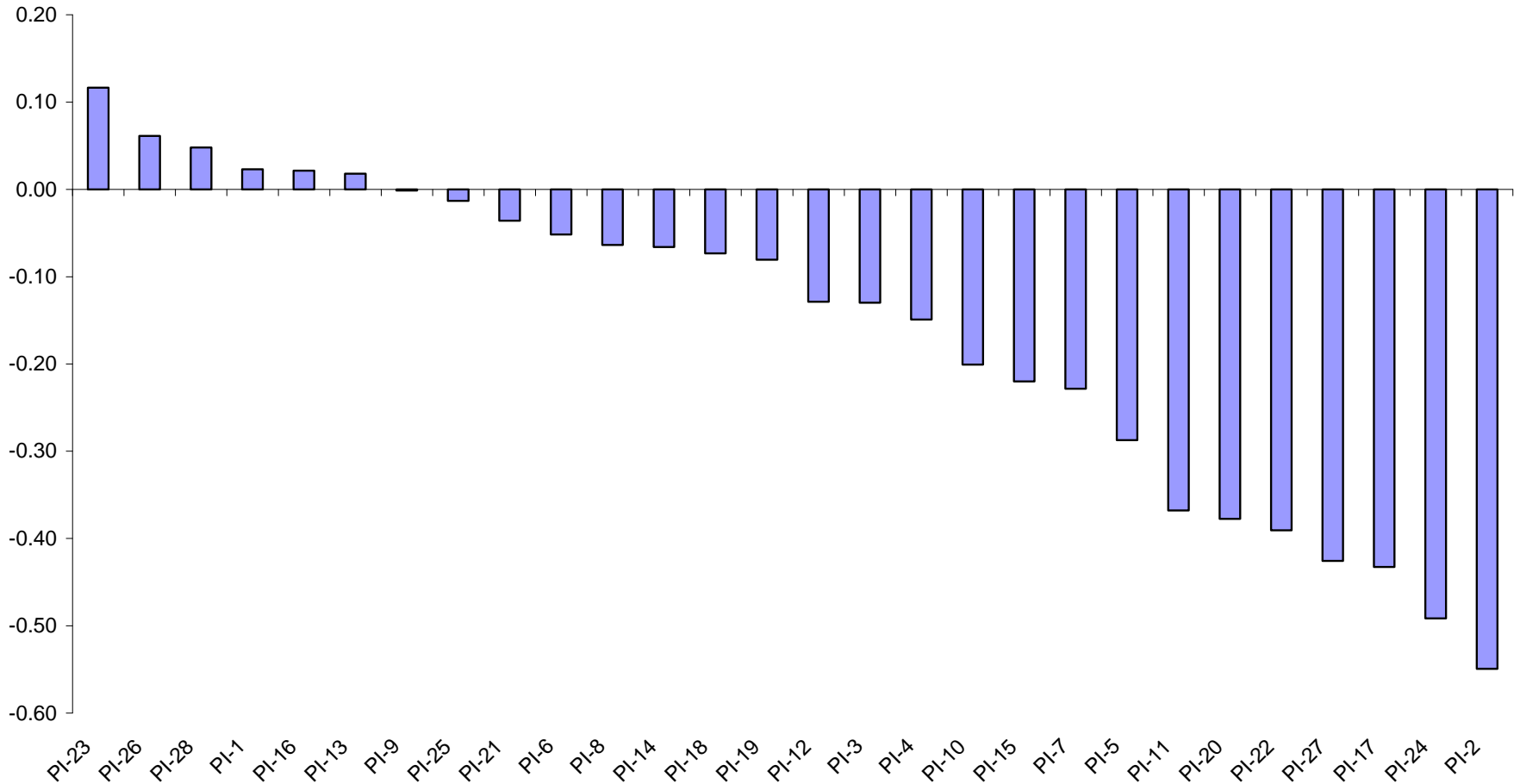
PEFA

PFM Performance Measurement Framework



Africa PFM: PEFA Ratings

**PEFA Scores 2006:
Africa vs. World**



Africa PFM: PEFA Ratings

- Top 10 indicators with largest gap - Africa vs. World.

No.	PEFA Indicator
1	2. Composition of expenditure outturn compared to original approved budget.
2	24. Quality and timeliness of in-year budget reports.
3	17. Procedures in operation for the management and recording of debt and guarantees.
4	27. Legislative scrutiny of the annual budget law.
5	22. Timeliness and regularity of accounts reconciliation.
6	20. Effectiveness of internal controls for non-salary expenditure.
7	11. Orderliness and participation in the annual budget formulation process.
8	5. Classification of the budget.
9	7. Extent of unreported government operations.
10	15. Effectiveness in collection of tax payments.

IFMIS experiences in realizing benefits - progress in Africa

<i>Progress made with some tangible results</i>	Tanzania, Madagascar, Uganda, Cape Verde, Mauritius, Sierra Leone, Burkina Faso, Malawi, Mozambique, South Africa ...
<i>Slow/uncertain progress</i>	Ghana, Kenya ...
<i>Difficult to start</i>	Zambia, Nigeria, Congo Brazzaville, Chad ...

FM Work in Africa Emerging Directions

Objectives of the World Bank's FM Work

- Help countries improve their FM performance and capacity (“development” objective)
 - Sound public financial management is needed to help achieve public policy objectives and development goals
 - Sound PFM is needed to fight corruption
- To provide acceptable assurance on the use of Bank loans/grants (“fiduciary” objective)
 - Requirement of the Articles of Agreement: “make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was granted, with due attention to considerations of economy and efficiency, and without regard to political or other non-economic influences”.
- “Development” and “fiduciary” objectives are closely related
 - The best fiduciary assurance on the use of Bank funds is from well-performing country institutions and systems.

Key principles guiding FM work

- Strong focus on improving the performance of country FM institutions
 - “The best assurance that Bank funds are used appropriately comes from country institutions that perform well”
- Shift in focus in recent years
 - from compliance ... to capacity
 - from transactions ... to systems
 - from projects ... to country institutions
 - a more substantive focus on risk – “risk-based approach”
- Use of country systems where appropriate, rather than “ring-fenced project systems”
- Coordination and harmonization with development partners
 - Avoid overlapping and duplicative analytic work
 - Provide coordinated consistent advice
 - Common procedures and reporting requirements

Assisting Countries to Build Capacity

- Bank instruments
 - Investment projects focusing on PFM and corporate financial reporting improvements
 - Policy dialogue in Development Policy lending
 - Technical assistance (TA) Loans
 - Institutional Development Fund (IDF) Grants
 - Technical assistance and advice by the Bank
 - Analytic work (e.g., Integrated PFM reports, CFAAs, PERs, CPARs, PFM indicators)
 - Use of country institutions and systems in investment projects
- Working with development partners
 - Donor grants
 - Donor-funded technical assistance expertise
- Funding and partnerships with expert institutions (IFAC, AFROSAI-e, ESAAG, FAAGWA, ABWA, ECSAFA, etc) 24

Questions?

Thanks for your time!