

PUBLIC FINANCIAL REPORTING

-

ACHIEVING EFFECTIVE PUBLIC SERVICE DELIVERY

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Two Questions for the World Bank

WHY ARE WE INTERESTED?

WHAT CAN WE DO ABOUT IT?



Presentation Outline

World Bank Mission and objectives

Economic Growth – Achievements and Challenges

Why Strong Public Accountability matters

Promoting strong G & A arrangements



The World Bank

An International Financial Institution

Formed
in
1944

Financed
reconstruction
of economies
damaged by
war

Supported the
establishment
of functioning
newly
independent
governments

188
members

MISSION: A WORLD FREE OF POVERTY



From the Dream of a World Free of Poverty....

Two ambitious goals:

End Extreme Poverty

Reduce the percentage of people living on less than \$1.25 a day to 3% by 2030

Promote Shared Prosperity

Foster income growth of bottom 40% of the population in every country

Achieving the Goals in a Sustainable Manner:

Securing the long-term future of the planet and its resources, ensuring social inclusion, and limiting the economic burdens on future generations underpin efforts to achieve the two goals

RESPONSIBILITY: FACILITATING KNOWLEDGE SHARING



The Governance Global Practice

Sustainable Public Resource Management and funding for public programs

- Improving analytic and policy capacity in public finance
- Strengthening the composition, management and reporting of public expenditure
- Augmenting budget and accounting systems and procurement processes
- Effective Service Delivery and Policy Implementation

Improved public sector performance and effectiveness

- Supporting reforms in public management, human resource management, performance monitoring, regulatory reform, ICT solutions and innovative delivery approaches.

Open and Accountable Governments

- Facilitating collaboration to foster social accountability and citizen-centric development. This work stream includes government transparency and responsiveness,

Strengthening key accountability institutions

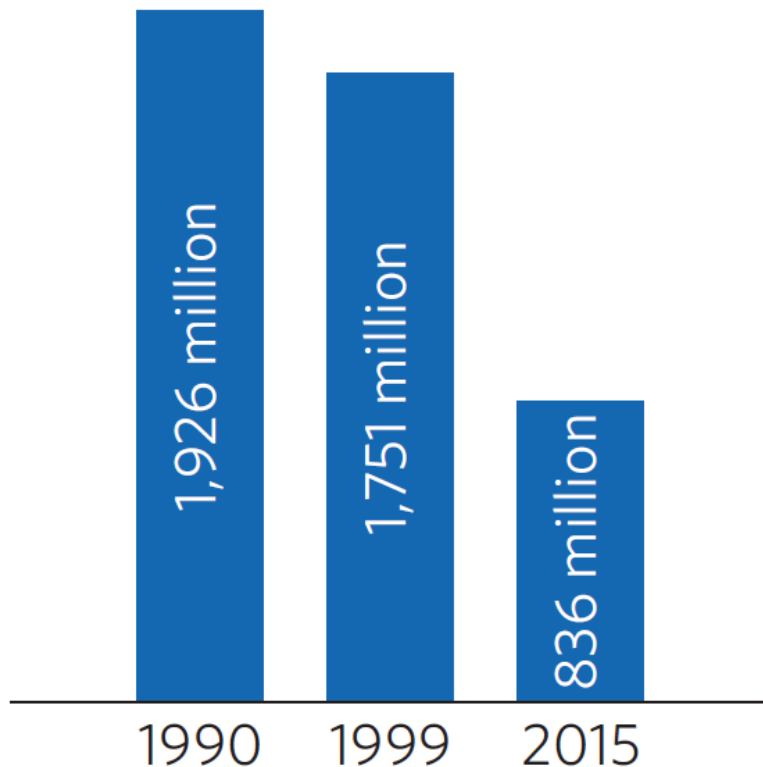
- Including parliaments and the judiciary

Enabling citizens to participate effectively in government decision-making.

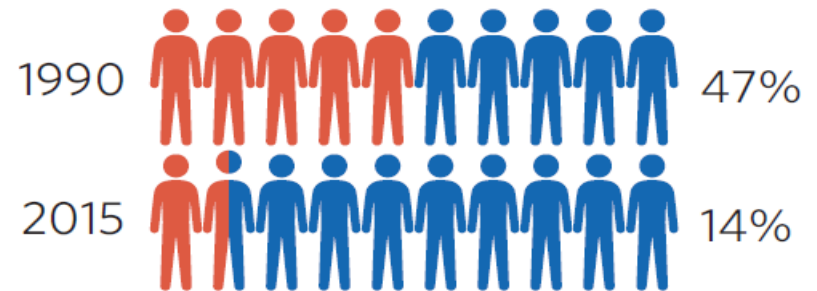


The World Bank's mission – Some Gains registered

Global number of extreme poor



Extreme poverty rate in developing countries



- **Strong fiscal management**
- **Strengthened financial environment**
- **Internal audit and external oversight strengthened**



The World Bank's mission – Some risks and challenges

- At the global level more than 800 million people are still living in extreme poverty
- Average growth has continuously slowed (most rapidly in LAC)
 - Close to 4% over the last decade; Around 1% in 2014; About 0.8% forecast for 2015
- LAC has the highest level of income inequality in the world
- Increasing pressures for efficient social services such as health and education
- Rising levels of unemployment
 - The global employment-to-population ratio fell from 62% (1991) to 60% in 2015
 - Significant downturn during the global economic crisis of 2008/2009
 - Only 40% of young women and men aged 15-24 are employed in 2015 (1991: 50%)
- High levels of public debt
- Stagnant levels of foreign direct investment
- Corruption
- Poor infrastructure



Additional Challenges in the Caribbean

- Limited exports with high market concentration
- Low and volatile economic growth in many countries
- High and rising unemployment, especially among the youth
- Excessive government spending
- Unsustainable overall fiscal deficit of almost 4%
- Shortages in infrastructure (despite sizeable endowments)
- Huge debt accumulation
- Rising poverty levels, 21% of population below poverty line
- Dealing climate change related risks

Source: Dr Warren Smith, President of the Caribbean Development Bank, 2015



Some key impediments to Economic Growth



Poor infrastructure



Inefficient management of assets and liabilities



High Levels of Unemployment



Poor access to basic services such as health and education



Infrastructure

Challenges

- 1.2 billion people live without electricity
- 2.8 billion people still cook their food with solid fuels (such as wood)
- 1 billion people live more than two kilometers from an all-weather road

Solutions

- Attract private sector investment
- Increase Government credibility
- Improve Project appraisal and investment management
- Enhance Risk Management
- Contract management and monitoring
- Improve Value for Money
- Boost transparency and Accountability



Inefficient management of assets and liabilities

Challenges

- Poor maintenance of public sector assets
- Ineffective delivery of public services
- Growing pension liabilities
- Increasing contingent liabilities from the use of PPPs
- Increasing levels of debt

Solutions

- Recognition of the financial implications of the use of assets
- Better planning for the maintenance and replacement of assets
- Ensuring proper policy considerations to manage pension and other contingent liabilities



Jobs

Challenges

- 3 billion people working, but.....
- 200 million people , mostly youth, are unemployed and looking for work
- 620 million youth neither working nor looking for work
- 600 million jobs will have to be created over next 15 years
- Inadequate access to capital and finance
- Insufficient private sector competitiveness

Solutions

- Improve investment planning and capital allocation
- Enhance access to credit for SMEs
- Improve strategic decision making and business planning
- Increase investor confidence
- Protect shareholder interests



Access to Basic Services

Challenges

- Increased demand for basic services
- Reduced fiscal space
- Inefficient public expenditures
- Poor quality of services

Solutions

- Focus on results and performance
- Increase transparency and accountability
- Determine priorities better
- Reduce expenditure leakages



From Challenges to solutions

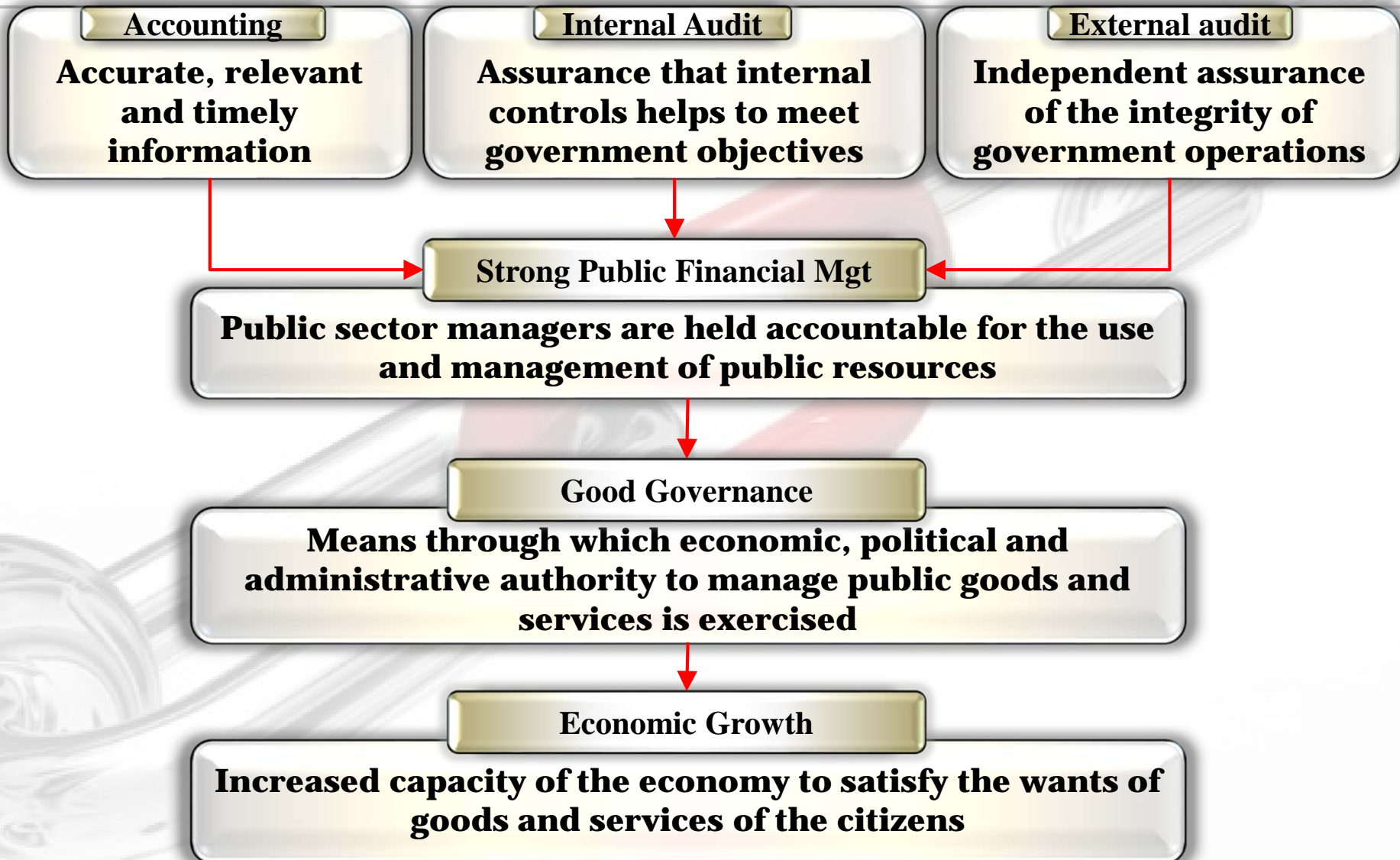
“To spur growth, every dollar of public spending should be scrutinized for impact. Every effort must be made to improve productivity. And in a period when banks are de-risking, we have to ensure that capital is accessible – especially for small business owners and entrepreneurs who will create jobs.”

“The Best News: We have made real progress towards ending extreme poverty” - Jim Yong Kim, President, World Bank in op-ed in the Guardian, November 2, 2015

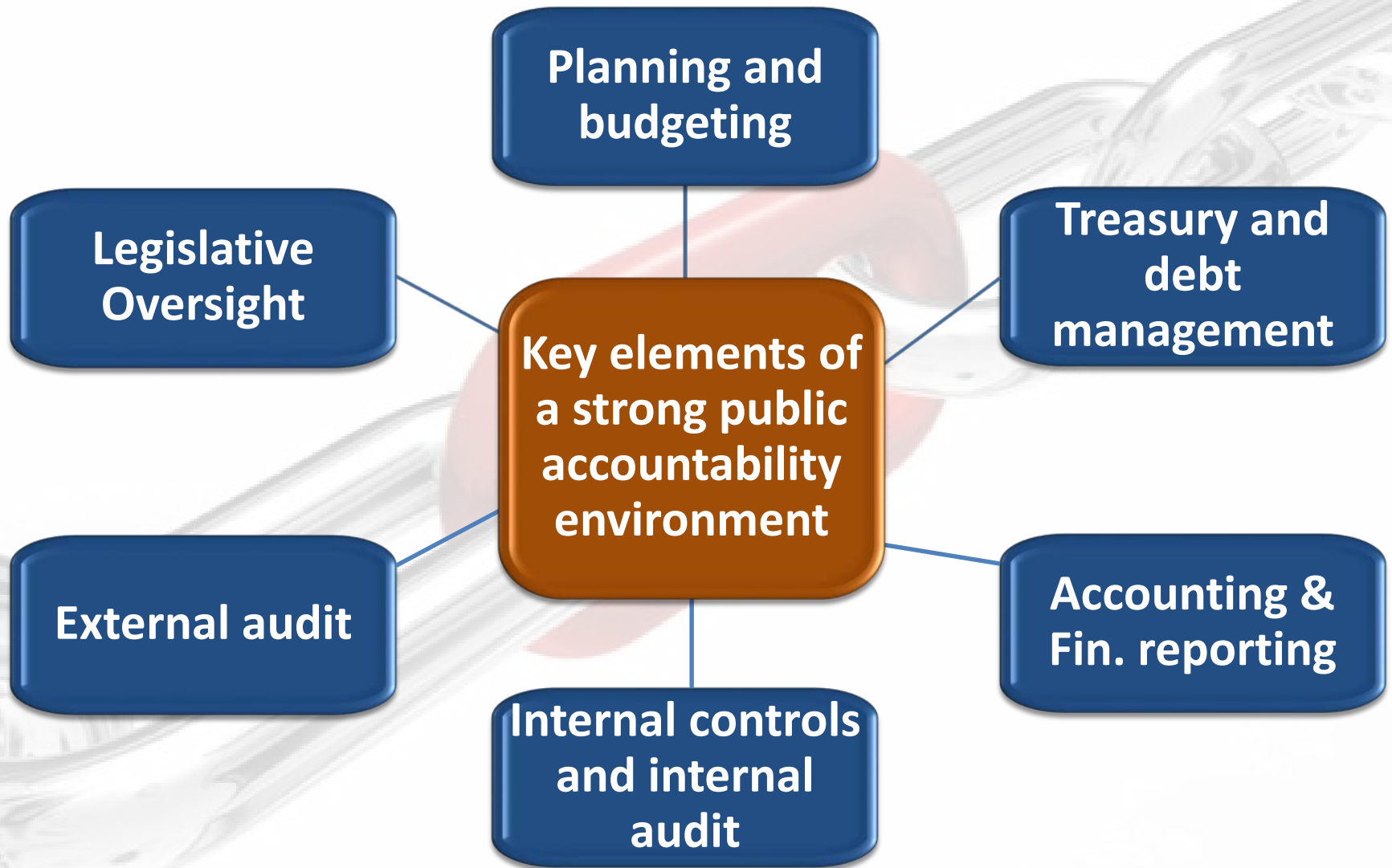
**Robust Accounting and Financial Reporting are thus
an essential condition for Growth**



STRONG FM CONTRIBUTES TO ECONOMIC GROWTH



Public Accountability is a chain





**A CHAIN IS
ONLY AS
STRONG...**

**..... AS ITS
WEAKEST
LINK**

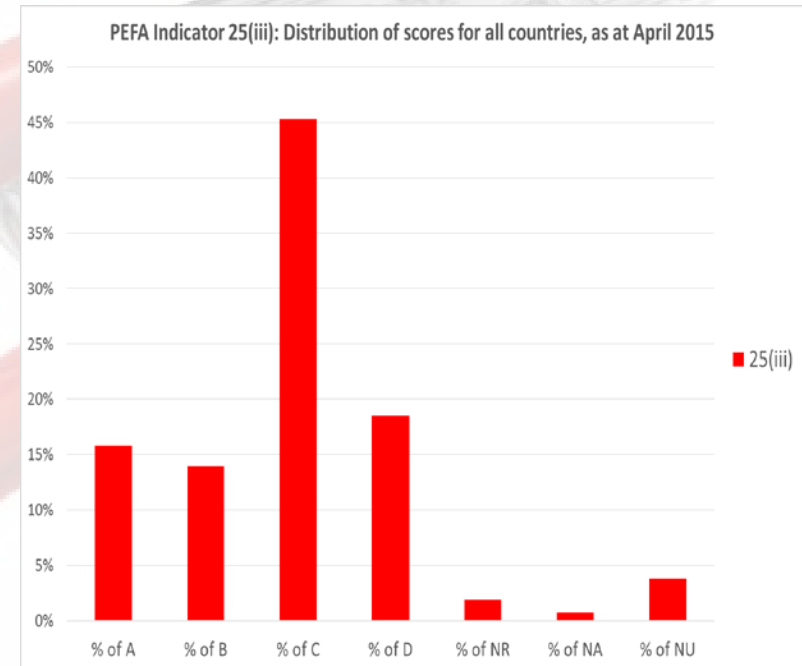


**WE MUST
NOT
ALLOW...**

**...ACCOUNTING AND
FINANCIAL
REPORTING TO BE A
WEAK LINK**

PEFA Indicator 25(iii): Accounting standards used:

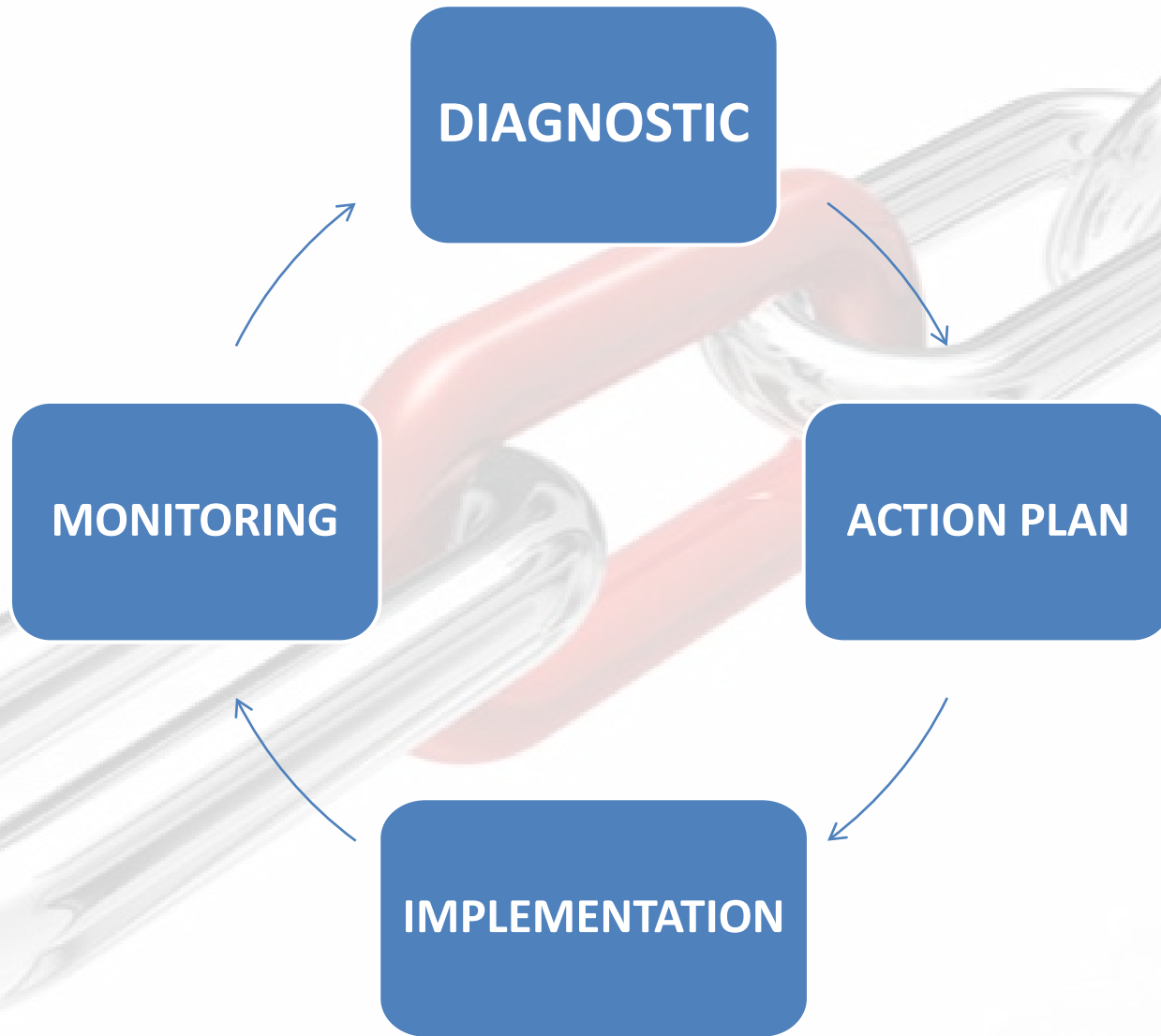
- 30% of countries use IPSAS or corresponding national standards
- 45% of remaining countries disclose some accounting standards
- Nearly 20% perform poorly on the assessment
- 10% did not rate this indicator



Source PEFA Secretariat 2008-2014
PEFA Assessments



The Bank supports a PFM Continuous Improvement cycle



World Bank Diagnostic Tools

Public Expenditure and Financial Accountability (PEFA) review

Debt Management (DEMPA)

Accounting Gap Analysis

Report on Standards and Codes (ROSC) Accounting and Auditing

Internal Audit Capability Model Assessments

Supreme Audit Institution Performance Measurement Framework (SAI PMF)



Support for PFM and Public Sector Accountability reforms in LAC

Supporting Supreme Audit Institutions:

Chile, Mexico, Caribbean, Suriname

- ISSAI implementation and training
- Partnerships - Promoting Global, Regional, and Bilateral SAI relationships

Implementing IPSAS:

Argentina, Chile, Colombia, Honduras, Mexico, Panama, OECS

- Modernization of public sector accounting systems
- IPSAS implementation and training
- Strengthening Institute of Chartered Accountants and developing accounting and financial reporting practices in the non-banking financial sector

Strengthening internal controls:

Brazil and Mexico

- Strengthening and consolidation of the Internal Control framework
- Development of an internal control IT system



CReCER – Accounting and Accountability for Regional Economic Growth

- Since 2007 a leading forum for decision makers and stakeholders in Latin American and Caribbean
- Promoting improved accounting, financial reporting and auditing practices in the private and public sectors
- Organized by Global Partners – WB, IDB, IFAC and GPPC, Regional Partner – AIC, and Local Partners
- Flagship annual conferences and other knowledge sharing activities with evolving themes
- Most recent CReCER Conference in May 2015 in Quito, Ecuador was a great success
- Next conference will take place in spring 2017, call for expressions of interest will be launched shortly

CReCER 2015

**Preserving Economic Gains
and Investing in the Future:**
Promoting Growth through
Improved Financial Accountability



AREAS OF OPPORTUNITY FROM THIS CONFERENCE

- ❖ **Galvanize action to support the strengthening of public sector accountability**
- ❖ **Raise awareness of key policy and decision makers**
- ❖ **Support strengthening of ICAC's advocacy role**
- ❖ **Establish of Communities of Practice focused on private and public sector accounting and reporting**
- ❖ **Promote closer collaboration between PAOs and other stakeholders:**
 - ✓ **Political leaders, civil society, Auditors General, Accountants General, Financial Institutions, Educational institutions, Standard setters, Parliaments, etc**



THANK YOU FOR YOUR AUDIENCE!!

