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**Panel Two: National, Civil Society, and Global Perspectives on the Evolving Role of Independent Monitoring Institutions**

**Introduction and Moderator:**

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**Keynote Address:**

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## PROCEEDINGS

MS. BRAINARD: Good afternoon. It is a pleasure to welcome you here to Brookings. I am Lael Brainard and I am welcoming you here on behalf of a new program here at Brookings called Brookings Global Economy and Development. On behalf of the Brookings folks who have been organizing this event and this set of work for us, David de Ferranti, Charlie Griffin, Justin Jusinto and Graham Ramshaw, I just wanted to thank our co-partners on this, SAIS, as well as Warren Krafchik who is standing in the back at the International Budget Project for co-sponsoring today. And we all wanted also to thank the Hewlett Foundation and Smita Singh in particular for supporting this work.

We are here this afternoon, I guess today really, to explore options for strengthening civil society institutions to hold governments accountable for what they do, and although a lot of your discussions are going to be on countries beyond these walls and these national borders, especially developing countries and transition countries, I think it is critical to recall that the problems we are discussing really are equally applicable to all countries and all levels of government around the world.

I want to spend a moment actually talking about Brookings history. Brookings itself was established 90 years ago, I think probably the first institution of this type, as precisely this, a civil society institution that was dedicated to improving public policy through transparency, through serious analysis, and through accountability. If you look at the very earliest days of the Brookings Institution, a large part of the focus here was actually on improving the transparency of government finances and thereby mechanisms whereby citizens could hold government officials accountable, precisely the

kinds of activities that are the focus of the conference today.

If you look at the period directly following World War I when U.S. federal responsibilities were growing and finances were deteriorating, Brookings research contributed centrally to passage of the Budget and Accounting Act of 1921 which established an Office of the Comptroller General as a kind of independent check on expenditures. And another big piece of Brookings legacy is that it made a very strong case for the establishment of the Congressional Budget Office to undertake independent analysis and research on the budget, and in fact, we furnished the first director of it, so it was very central to our own evolution as a think tank here.

Of course, in this country and in particular in many wealthier countries, independent policy research institutes have multiplied both as stand-alone think tanks like the Center on Budget and Policy Priorities, as well as within academic institutions like SAIS. Although I think we very much take this set of institutions for granted just like we do a free press, our belief is that independent policy research and analysis is absolutely central to the functioning of vibrant democracies, in fact, so much so that a core part of our mission as a program is to strengthen collaboration with sister institutions or fledgling sister institutions, if you will, in developing countries where democratization is moving along and where this kind of accountability is all the more important for that reason.

Now it is pleasure to introduce Professor Fukuyama who really needs no introduction: a world-renowned public intellectual who has profoundly shaped, I think, all of thinking on the political, economic, and social implications of modernization. As someone who also has been a practitioner in the U.S. foreign policy making process, I think he profoundly understands the connection between an intellectual case for

governmental actions and the shape they are likely to take when translated into reality.

I think everyone here today is in one way or another a dedicated reformer. Professor Fukuyama I think is an ideal speaker for this group not only because he has made an eloquent case for the evolution of societies toward open democratic arrangements, but because he also makes clear that the evolution depends very much on institutions and human actions to that end.

He has criticized military base strategies for spreading democracy because the means are somewhat inconsistent with the desired end, and he continues to argue for engagement to assist reformers from the bottom up much in the way that this conference is working to strengthen those bottom-up institutions that hold governments accountable. So for all those reasons, I think we are extraordinarily fortunate to have him here today and ask you to join me in welcoming him here.

MR. FUKUYAMA: Thanks very much. I am really delighted to be asked to talk about a subject that is really central to my own interests and research concerns. I guess I will begin by telling you a story because it is actually perfect for the topic of this conference and for the panel that we had on civil society this morning. Toward the end of last week I got a visit from three gentlemen who worked for the finance ministry of the State of Buenos Aires which is the province surrounding the capital that holds actually the majority of Argentina's population, and they actually work for the part of the finance ministry that is involved in tax collection, so it is the Argentine equivalent of the IRS.

As you may know, in Argentina the rate of tax extraction is extraordinarily low. Tax evasion is a kind of national pastime, and particularly, wealthy and powerful individuals often times get away with basically paying no taxes. These gentlemen came

to me, they had read my book "State-Building" and they said we have actually tripled the rate of tax extraction in our province over the past 3 years which was quite a remarkable achievement. But beyond that, usually the tax collector or tax auditor is one of the most hated people in the society, but their experience was that actually when they would go places, people would line up and start cheering them. In fact, an Argentine TV network had created a reality show based around tax collection where they would send cameras, and when the tax auditor finally caught up with some famous scofflaw that was not paying his taxes, they put him on TV and everybody would cheer that this guy was finally being made to pay their taxes.

It teaches a couple of lessons. First of all, that actually corruption and tax evasion on the part of the wealthy and powerful is every bit as much corruption as taking bribes by public officials, it has very bad distributional consequences, it is easier for the rich and powerful to do than the poor, and so there actually is a democratic interest in having good governance even if that means that you are going to be audited on your taxes more frequently, and it also makes the point about independent media being extremely critical to building this demand for good governance. So I like collecting these little stories where you have actually had improvements in public services.

The topic I want to address today is a slightly broader one than the topic of the conference, but it is really where the governance agenda in international development came from and where it is going. It has obviously become a very big concern to donors and to international financial institutions in both the Wolfensohn and Wolfowitz tenures, and the board is actually meeting on that agenda today at the Bank. So I want to locate this issue intellectually, talk a little bit about its history, and then talk about some real concerns I have for the way that it is being pursued.

How did we get to the issue of governance in international development?

I think it is safe to say back 30 or 40 years ago in neoclassical economics, the discipline was largely institution-free. That is to say, the basic neoclassical models assumed perfect information and zero transaction costs, but it turns out that that actually was not very useful when applied to developing countries because developing countries are lacking not just in capital and resources, they are lacking precisely in information and they have extremely high transaction costs, so it is really Doug North who first began explicitly modeling transaction costs and institutions and trying to bring it within that neoclassical framework.

I think there has been so much academic discussion and research into the question of institutions that their importance and the role they play in development I believe has been fairly well established. There has been a lot of econometric work by Daron Acemoglu, James Robinson, Bill Easterly, Ross Levine, doing these large correlations between governance and various development outcomes and I think that they have proved to my satisfaction the centrality of certain kinds of institutions for economic growth.

The real debate has been over whether institutions are exogenous or endogenous to the growth process. This is using endogenous in a slightly different sense than Tom Heller was using it this morning. It is not that it is generated within the society, but the question is, does economic growth produce good institutions or do good institutions produce growth? Are they a necessary precondition? Obviously, the causality goes in both directions. The main proponent in recent years of the endogenous view of institutions has been Jeff Sachs who has argued explicitly in a way against the governance agenda saying that the institutions will rise of their own accord if only you

get to a path of sustained growth.

Having looked in some detail at the economic arguments and the data back and forth, it does seem to me that this is a pretty hard argument to sustain, and you can just think of some examples of South Korea, for example, that began its rapid growth period I think with strong institutions, it was actually poorer than the Belgian Congo at the end of the Korean War, compared to a place like Nigeria that has had hundreds of billions in oil revenues over the past 30 to 40 years and yet has had deteriorating per capita GDP and actually deteriorating institutions. And if you ask how do you get these very different outcomes, it cannot be because institutions are endogenous to the growth process, I think that there is a degree to which they have to be created through a political process that is independent of the process of growth.

That is where they came in in theory. In practice, in many ways it was Hernando de Soto in the 1980s who first began pointing out the need for formal institutions. I am sure everyone in this room is familiar with his basic argument that if you do not have good formal institutions particularly in the area of property rights, it will drive economic activity into the informal sector that raises transaction costs and creates a number of other obstacles to development. This agenda was being put forward at the time of the famous Washington Consensus, and so in a way the focus of the development policy community was on other kinds of issues. I do not want to rehearse the whole argument over the Washington Consensus. I believe it was actually quite appropriate for the set of Latin American problems that it was really designed to address, but I think it is true that in many respects by focusing on liberalizing economic policies, the Washington Consensus in a way took for granted the existence of strong institutions and I think as we discovered in the 1990s, if you do certain kinds of liberalization, if you liberalize your



capital account prematurely in the absence of strong bank regulation, for example, or if you privatize without having the adequate state capacity to carry out a clear and fair auction and protect minority shareholder rights and the like, then you could actually end up worse off than you would have been had you not liberalized in that sense at all.

And I think furthermore in the 1990s the development policy community also had to deal with certain extremely severe governance problems in the form of failed states, the Balkans, Kosovo, Afghanistan, Liberia, Sierra Leone, Timor-Leste, all of which had collapsed governments in which in Timor-Leste's case, UNTAET actually provided a government for this newly independent country lock, stock, and barrel, so it was being thrown directly from the frying pan into the fire. So now we have now got this big governance agenda, there have been big changes not just under the current president, but under the preceding one, to put public-sector reform and governance at the core of what the Bank does to the point that I believe now up to about 50 percent of all new Bank lending is public-sector reform related. This has been parallel to changes in other development agencies, at DFID, at USAID and other bilateral donors. USAID has a big democracy and governance branch that provides by far the bulk of assistance for politically related development programs. The Millennium Challenge Corporation includes governance criteria in its awarding of compacts and the like.

I am reasonably confident based both on the theory and the actual practice of development that the governance problem is really at the core, and that if you could solve these governance problems in states that have weak governance or highly-corrupt governments or governments that are simply not interested in developmental objectives, then you would solve a great deal of the development problems such that inputs of resources would then have a much more linear relationship to good development

outcomes. If you just think of something like the Millennium Development Goals that were mentioned in the session this morning, if countries were actually to meet this .7 percent target, developed countries in terms of resources made available for development, it would amount in a certain way to something like a natural resource boom because there would be this big influx of money to solve various public health and other kinds of problems, and if you do not have the right governance mechanisms in order to manage that flow of expenditures and to actually set up the public health systems and to make sure that the resources reach the poor people at which they are targeted, you in a way could end up worse off than previously once that money goes away one thing we know from the history of development is that these fads do not last forever. So fixing the governance problem is pretty important.

With regard to that, I think that there is both good news and bad news, that there actually has been a fair amount of improvement in many aspects of governance in various parts of the developing world over the past 20 to 30 years. I think this is particularly true in Latin America, and I just ask you to consider the difference now. Latin America has been exposed to external shocks, some of them are good as we heard this morning, higher copper prices and so forth, but also higher energy prices which have led to current account problems and so forth.

We have seen this problem before. This was really the origin of the debt crises. The oil shocks or the energy shocks that occurred in the 1970s laid the ground for the fiscal mismanagement that was then monetized that then led to the defaults on sovereign debt that occurred in the early-1980s in Mexico and Brazil and other places. If you compare the management of macroeconomic policy, central banks, finance ministries and the like between then and now, there is absolutely no comparison. Part of it is

political. There is also a greater political consensus even on the part of left-of-center leaders in the region in favor of greater fiscal responsibility, but there is an enormously greater degree of actual capacity to manage budgets, to track expenditures and the like.

And there are other areas where I think governance reform has paid off. There have been very interesting experiments with decentralization in countries like Colombia and Brazil and the like, and I think in some respects you can see the glass is either half-empty or half-full. Bolivia, for example, is frequently spoken of as a country with a high degree of social exclusion, but if you actually look at the statistics for the percentage of the Bolivian population that is attending primary school, the percentage of the Bolivian population that votes in elections, it has been rising very steadily over the past three or four decades. In fact, Evo Morales could not have gotten elected if the latter were not true.

The real problem, however, is that the quality of those state services, those public services, that are provided is so bad that the legitimacy of the state as a whole was severely compromised and I think many of the problems in the Andes in Venezuela and in other countries were very much related to the inability of states to deliver on basic public goods the way governments are supposed to do that.

One other I think piece of good news is that we also have better information about governance. The World Bank has been developing its Global Governance Indicators, there are other data series that measure different aspects of the political and institutional side of development. Of course, there are problems with all of these measures, various technical problems, because essentially you are trying to put numbers to something like judicial reform that is inherently I think a qualitative kind of phenomenon, but some numbers are better than no numbers at all, and it is possible to do

certain kinds of benchmarking in this area that simply was not possible earlier.

On the other hand, I think if we get over into the bad news side, it is pretty clear that despite the policy emphasis on good governance and the amount of intellectual energy and resources that have been devoted to it, a lot of the results have been very disappointing in many areas. I tried to lay out in my book "State-Building" a conceptual framework to try and understand why it was easier to reform certain parts of the public sector rather than others. So there is a certain category of activities that what I call high specificity. That is to say, you can measure quite easily the effectiveness of the government, and also low institution volume, a central bank is a premier case of this, and I argued that it was much easier to air drop a bunch of Ph.D. economists to fix that kind of an institution than it is a high-transaction volume, low-specificity type of public-sector like a legal system or primary development or a countrywide public health system. That is why all of the reforms and the important gains that we have seen in governance have tended to focus on those kinds of more technical activities that can be done usually in the national capital without having to be spread out over the entire country, and the real challenge for the second- and third-generation reforms is tackling institutions that fall into that high-transaction volume, low-specificity basket.

Again, I think if you look at various initiatives that have been undertaken, comprehensive civil service reform, a lot of things connected with the HIPC initiative to help fix financial management, fiscal management in very low-income countries, and if you read the Bank's own analysis of how well they have done in this area, it is pretty disappointing. A lot of countries have really made very, very little progress.

Then the question is why is it that governance reform is so hard to do, or why have these results been so disappointing? I would say that there are basically three

categories of reasons why institutions are hard for outside donors to reform or transfer or build in client countries.

The first has to do with the degree of fit that exists between an institution and the underlying society. Note I think it is the degree of fit in which there has to be a process of mutual adjustment between the society and the institutions. I think that a lot of donors have a kind of idealized view of what their own institutions are like that is based on some version of a rational, bureaucratic state in which all public officials operate for the public good in which they regard -- and unfortunately, there are very few countries including developed ones that really work that way, and there is much more design latitude in the way that institutions are actually formulated and implemented in different countries than I think we often are willing to admit. I will just give you two examples.

The township and village enterprises in China that was the backbone of China's move toward a more market-based economy is all based on local regional Chinese government and it is an institution that absolutely nobody in Washington would ever have thought of as being adequate to see China over this transition, but the Chinese were very pragmatic and when they worked they went with them, and when they did not, they stopped doing them, and they came up with this particular institutional form.

Another example from East Asia would be rule of law in Japan. Japan is a very strong rule-of-law country, but they have something on the order of one-tenth the number of lawyers per capita that the United States does, and this is a result of deliberate design on their part. They wanted to avoid the kind of litigation costs of the American tort system and so they pushed a lot of things that get put into our tort system into a subsidiary set of arbitration institutions. They essentially get to the same outcome but in a form that looks very, very different. Of course, there are civil lawsuits rather than the

common-law system, so you have differences from the get-go, but their legal system really looks quite different from ours. So I think that the adaptation that has to take place, it is not just that developing countries have to change their social practices and get with the game of the way we do it in developed countries, I think that the institutions really have to be adjusted to take account of the underlying social realities as they do in developed democracies already. So that is the first reasons that institutions are hard to transfer.

The second really has to do with problems of ownership and transmission mechanisms. I think actually more people agreed with this point than perhaps was evident, but ultimately institutional reform does not take place unless there is strong domestic demand for it either from the bottom up in terms of civil society or sometimes as in East Asia you get elite-driven demand for reform, you get the right minister in Uganda or somewhere else that has an agenda and wants to push it forward and has the power and opportunity to do it, and that is how this institutional reform happens. So in countries where you do not have this domestic demand, donors are always scratching their heads trying to say to themselves how do we generate demand for reform where it does not exist? So this is what gets you into conditionality in lending so maybe you can strong-arm them into wanting things that they otherwise would not want. I think the subject of the conference is another version of that where you are trying to promote bottom-up demand for good governance for all of the reasons that I think are quite evident in that Argentine example, that if you have media attention and public pressure on state officials, that will create opportunities for reform from the inside.

I guess one thing that I would note about this process is that in a way, the people who have traditionally done economic development are discovering civil society

and this whole issue of demand for reform, and they discovered it in the last 5 to 10 years. It quite interesting because there is another part of the policy community that has been doing this for the last couple of generations. The whole industry in this town and overseas that is devoted to democracy promotion has focused on civil society promotion, promotion of independent media, monitoring by citizens' groups, anticorruption campaigns based in the business community, all of this sort of thing. The attitudes that exist on one side of the fence are actually quite different than on the other because I think people who have been involved in democracy promotion and this I know because I have been on the board of the National Endowment for Democracy for the past 6 years now and I think in economic development, a lot of people who work in donor agencies regard what they do as a form of engineering, that they are going to put in these inputs and they are going to change things and it is going to have a direct relationship to the outputs.

I think in the democracy policy business it is regarded more as a species of gardening or maybe kind of throwing seeds in a big forest and hoping that some of them will come up because I think there is a realization that as far as political reform is concerned or the political demand for reform, you simply cannot snap your fingers and have that emerge. There is no real direct relationship between the kinds of investments you make in civil society and their ultimate emergence. Nobody would have predicted the Orange Revolution occurring in Ukraine at the end of 2004 the way it did, but there had been a very patient investment in open media or free media in civil society groups, in election monitoring, and all of the other things that made the Orange Revolution possible for the 15 years prior to it actually happening. So there is an effort and some success in addressing that, but I think the truth of the matter is that it does not work on donor timetables and if you expect it to work on a shorter timetable in this area you are going to

be very, very disappointed.

The final reason that institutions are hard to transfer has to do with politics. Most deep institutional dysfunctions are not technical matters, they are embedded in the political system. If a bureaucracy is prone to corruption or patronage it is because some powerful politician finds it in his or her interest to have things that way. Therefore, if you treat public-sector reform as a kind of technical issue, you will never get anywhere because you will not address the underlying political incentives, and again this is a point that was made this morning, but you will never get at the underlying political incentives that keep things the way they are. That is a real problem I think for an institution like the World Bank since its articles of agreement explicitly prohibit it from getting into this political arena. That is the reason why the Bank has come up with this very clever nomenclature to hide what it is really doing, so instead of talking about freedom of the press it talks about transparency, and instead of talking about democracy it talks about participation and accountability. They are different words, but they actually mean the same thing, and it indicates the kinds of political constraints that exist on that institution for moving too rapidly into this area. Even organizations like NDI or the Soros Foundation, IFIS, that are in the business of promoting political change I think have relatively modest expectations asking what can be accomplished within a given timeframe because in many ways you have behave much more opportunistically.

So this brings me to the end. The future of this governance agenda, what do we do about this now? The first thing I would do is be extremely careful about overpromising from this agenda. It really worries me that so much of the World Bank's lending is public-sector reform related. If you lend Jamaica or Barbados \$50 million to do judicial reform, you are making a couple of assumptions. First of all, if they do



judicial reform, it will actually lead to increases in economic efficiency that will ultimately increase that country's growth rate that will allow in public finance terms the repaying of that loan. Secondly, you are betting that whatever institution is overseeing the reform actually knows how to get judicial reform, and I do not think that either of those points are proven. Therefore, it seems to me that the donor community in a certain way, although it has identified a very important problem that would be very critical if you could solve it, is proceeding as if it knew how to solve these problems in a way that I think is setting up grounds for a great deal of disappointment down the road and I can foresee a point a few years from now when there is actually going to be a fair amount of backlash against this entire governance agenda because people are going to say we spent all of this money, we have saddled all of these countries with a lot of debt, and there has not been any movement whatsoever in any of the indicators and very little evidence that any of these countries have made a big breakthrough toward governance. So we have to be careful, it is an important agenda to stick with, but I think it needs to be approached rather cautiously.

The second point is that in terms of institutional reform, not only does the impetus not come primarily from Washington, knowledge about how to do them ultimately cannot come from Washington, it really has to come from people who understand both the formal and informal rules by which their societies work and are governed. Therefore, the locus of research and work on this area has to be done by social scientists, journalists, and other people in developing countries themselves. There have been a number of efforts to promote this sort of thing like the Global Development Network that has been supported by the World Bank, but we need much, much more of that.

The third conclusion I could come to is that the political and the economic sides of development really need to be much better integrated both conceptually in terms of strategies, and in the field in terms of the coordination of groups that work on either the political or the economic side of development. Conceptually, every project needs to be preceded by a clear political economy analysis that identifies the political obstacles and the kinds of strategies that are necessary to overcome the political obstacles to development, and I think it is perfectly legitimate that if the analysis says there is nothing you can do about it because it is the guy at the top who is the source of the problem to just walk away from it and say, sorry, we cannot do anything this year because the political conditions are not right.

In the field, as I was saying, I think there is such a divide between the democracy-promotion community or I would call them the political-development community and the economic-development community, the multilateral banks and the bilateral donors, and they really do not need to reinvent the wheel. For example, it is not clear to me what comparative advantage the World Bank brings to civil society promotion that other kinds of groups that are out there already possess, and I think what you need is a more careful division of labor and a better assessment. Just in terms of conferences, people who go to conferences on the political side in this very city, do not go to conferences on the economic, and so they simply do not know what one or the other is doing and so that needs to be better integrated.

The final thing I would say is this is not the silver bullet and once we solve this it is going to fix the problem of development. It is really, really tough. In a certain way when you look at the difficulties of doing governance reform, you are sometimes tempted to say, let's just go back to building dams and electrifying the countryside

because at least we can do that. But of course you have to remember the reason that we stopped building dams and doing big electrification projects is that someone has to manage those systems over the long-run, everything has a governance component, and if you do not make headway on that, all of those other things will not follow. Thank you very much for your attention.

(Applause)

MS. BRAINARD: Given the richness of the material on the table and the shortness of the time, why don't we take two or three questions and maybe we can bundle them in that way. Would that be all right?

MR. FUKUYAMA: Yes.

MS. BRAINARD: So please just identify yourselves and keep your questions pretty brief, and wait for the mike.

MR. MURRAY: I am Bill Murray, George Mason University. I have a question for you, Frank, which is concerning the relationship between democracy and governance indicators. All the data shows that they go in opposite directions, that as more countries become democratic, the number of countries that meet the governance indicators according to the World Bank's standards actually goes down, so we a divergence rather than a convergence between these two. I wonder if you would comment on that.

MR. FUKUYAMA: You need to disaggregate that data by region because I think what you will find is that you can have strong authoritarian governments that are developmentally oriented and do pretty well on governance indicators, but for some reason they are almost all located in East Asia, and that in other parts of the world you simply do not get the equivalent of -- Planning Agency or Li Quan as the leader of the

country that can use authoritarian means to promote developmental ends. So generalizing that East Asian experience to Latin America or Africa I think is quite dangerous because I think the cultural and social background to that is not there.

I think that part of the reason that we are into this whole discussion of democracy and civil society is precisely when you get to a non-Asian country that has really bad politics and really bad governance, again, Ukraine is a good case of this, in the late-1990s Ukraine looked really hopeless because it had a very corrupt legislature and political system, leader, the president at the top, a very corrupt bureaucracy, and the only entry point you had was civil society. You had to basically write off the government as a whole, and that is in fact that the strategy that was followed, and the breakthrough, to the extent that there was a breakthrough, came about as a result of better quality of democracy in Ukraine. So I think that these general correlations between democracy and governance are not really very helpful because they do vary very much by region and even within regions by specific country.

MS. BRAINARD: Other questions? I didn't mean to scare everybody off.

MR. HE: My name is He -- I have a question, maybe an imaginary question, because I think this will fit to East Asia. What about applying your presentation today to North Korea? You made three issues, degree of fit and ownership, then politics, and then you suggested about four concerns in your concluding remarks. Maybe it is very tough because we have very limited information about North Korea, but at least you might be exposed to what kind of regime that North Korea is, and I will appreciate your application of --

MR. FUKUYAMA: It is a complicated case because we want things from North Korea before we want development. We want them to stop building nuclear

weapons, and so the calculus of how you make them do that is a completely separate one from the ones that are usually confronted.

In the case of North Korea, I suspect the South Koreans for some time have been arguing for a soft-landing approach where you could get them to open up to a Chinese-style internal reform, and that is the basis for the Sunshine Policy and so forth, their demand for engagement rather than confrontation. I suspect that that is a pretty hard nut to crack because it is a pretty weird solipsistic regime and I am not sure that that kind of engagement strategy works.

I am not in favor of violent regime change, but I suspect that you are not going to get any fundamental improvement in that country until you do get regime change of some sort, whether unification or something else.

MS. BRAINARD: Final question?

QUESTION: My name is -- I am from the Embassy of Tunisia. I wanted to ask Mr. Fukuyama, please, you said that the programs could be made more sustainable if they go from bottom up in the recipient countries. Is this statement still valid in countries where we have high illiteracy rates?

MR. FUKUYAMA: No, I didn't say bottom up is always better. It depends on the case. In East Asia you had a lot of institutional development that was elite-driven, it was top-down driven, and where you can get elites that will do that, that is fine, you might as well take it. Or as I said, you get an occasional finance minister or a president that just has the right agenda and they run with it, and that is actually a much more efficient way to go than organizing millions of NGOs all over the country to push a regime to change. A healthy democracy has to have civil society in any event, so it is probably a good thing in and of itself, but it is not the only approach to getting reform.

In an illiterate society, Stephen Ndegwa this morning was arguing that despite the low level of a lot of indicators in Africa, that does not stop illiterate people from demanding accountability and good performance from their governments. So I do not know why a particular developmental level should be an obstacle to this kind of bottom-up mobilization.

MS. BRAINARD: Please join me in thanking Frank Fukuyama for really terrific remarks.

(Applause)

MS. BRAINARD: We are going to move to David de Ferranti's panel, so I would ask you to keep your seats. They are going to add a few chairs up here and we are going to start the next panel right away.

MR. DE FERRANTI: Good afternoon again. We are going to continue right on. I am David de Ferranti and I work with the Transparency and Accountability Program here. It is a pleasure for this next panel to follow Frank Fukuyama directly, not only because the depth, richness, and thoughtfulness of his remarks give us plenty to think about, but also because many of the messages that he was sharing with us at a conceptual level are now going to be precisely the topics that this panel is going to address from the perspectives of the panelists who I would welcome to come up now, who in various different ways have very practical experience. So Ngozi, Vinod, and Nancy, if you can be coming up, that would be great.

In particular, Frank's comments early on in his talk when he talked about the questions around the causality between strengthening the economy and strengthening the institutions, and he gave his own view on that about his point that if you solve governance issues, you go a long way toward tackling many of the core development

challenges. His points about the record thus far being disappointing, his points about the importance of the fit between institutions and underlying society in a country, about ownership and transaction mechanisms, his caution that these things do not happen overnight, certainly not at the pace that donor timetables would like, and his stress on politics. Then when he concluded with his thoughts on what to do now, one, be careful about overpromising, two, recognize that knowledge about how to do this come from within countries and cannot come from Washington or donors, third, the importance of political economy issues, and finally also that this is not a silver bullet, it is tough going, and it is not going to solve everything.

If we had been having this session 10 years ago, no one would have come. The topic would have been boring or unheard of. If we had been having it 5 years ago, a few people would have come. Two years ago, the notion that there is a demand side to addressing governance issues as well as a supply side in the sense as we discussed this morning where supply side is strengthening governments, training, improving capacity building, all the things that work on what government does and how well it does it, in addition to all that, there is a demand side where citizens through independent organizations which is a core focus here as well as through other institutions such as the media are important, too. Two years ago that would have seemed like a hot new topic, maybe even 1 year ago.

Today the demand side is already much understood, a lot is going on, and we should be moving on from the idea that it is something new and untried. We should we talking about what are some of the challenges of making work on the demand side work, and we are, and we are going to be discussing that in this session.

Frank gave us a few cautions about not overpromising, not expecting that

because we have discovered the demand side that next year all governance problems will have been solved. And there are a few other questions that I will raise later reflecting my own thinking in this area, but let's come now to our panel who I am going to introduce one by one as they speak, starting with our first speaker who is Ngozi Okonjo-Iweala, a long friend, and as most of you know, she was Minister of Finance in Nigeria from 2003 to 2006. In that period, a short time for what she accomplished, she took Nigeria from being a country with a lot of corruption to one that other countries sent people to go visit to learn how they had made progress in reducing corruption.

A few other important background points about Ngozi's work, she convinced her president in Nigeria, Obasanjo, to sign up to the Extractive Industries Transparency Initiative under which oil companies publish what they pay to government. She had the oil sector audited and put the results on the Internet so that everyone could see the volume of oil that Nigeria produces and what it earns from oil. And she also became a best-selling author by publishing the payments from the federal government to the states in oil revenues, perhaps not the most gripping best-seller, but certainly one that captured a lot of attention.

She put the federal budget on the Internet, and one tangible result of her efforts in these areas was that she was able to negotiate the elimination of \$18 billion of Nigeria's \$30 billion of debt to rich country governments and reallocate resources to health and education. So many of us are serious about improving governance, and Ngozi has done it. She has also shown how actors outside government do not need to be the enemy of government, in fact they can be an important ally of government. With that, I am pleased to turn over the podium to Ngozi Okonjo-Iweala.

MS. OKONJO-IWEALA: Thank you, David. I have to begin



immediately with some disclaimers in terms of my accomplishments. It was very kind of you, but first of all, the work that we did in Nigeria was accomplished by a team of wonderful professional people, a team of initially 12 and then 17 called the Economic Team of which I happened to be the head or the leader. Much of the work on improving institutions, governance, some was due to the work of many of my colleagues. Second, on EITI, the president actually did it by himself, I did not participate, he took the initiative to enroll the country in EITI, and then the rest was up to us to try to implement the outcome of that, and my two colleagues -- two very brave colleagues who actually led the work in EITI and anticorruption within the team which I headed. So that I do not run away with a lot of glory that really is not mine, but I think the others are fairly accurate, give unto Caesar what is Caesar's. Thank you, David.

It is very interesting to be here, and I share a lot in the sentiment of what you said about the issue of governance and how some years ago it was not something that you really talked about that much, and now the centrality of it is partly due to the work of people like Professor Fukuyama and others and in the economic literature as well have made it the thing to look at it.

In the role of civil society, I think that you said maybe a year ago that this is becoming ingrained, and in a sense it is delightful that it is. But I think we need in our countries to do a lot more work on it because whereas we have a burgeoning of civil society, my feeling is that it is not as focused on some of these issues as it should be on the governance agenda. Secondly, that the civil society we have looking at these issues, I don't know how to put this, the skills needed to focus on some of these hardcore issues particularly on the issue of the budget and so on and the training and capacity needed to do it to really hold government accountable in some of these areas is lacking.

I will come back to that issue, but that being said, I think we are entirely moving in the right direction in this area in trying to look at other mechanisms for accountability of the governments in our countries, but I think there are a few things that are needed. If you are going to have a demand side of civil society looking to hold government accountable for many of the things, you have got to look at government itself and say is it in a shape or form and does it have the institutions, processes, and systems which you can look at it when you are holding a government accountable? So are the fundamentals there to provide the basis on which accountability will be looked at?

You find that in many of our countries there are challenges in this area and I just want to use some examples of experience from the Nigerian side. I hasten to say I just remember that Professor Fukuyama made a comment about Nigeria's billions disappearing and institutions degrading, which was the case under the opaque military rule that we had for two decades or so, and with the democracy things have been able to start turning around. But it brings me to my story which is that civil society cannot act unless the fundamentals are there.

If we take the case of the budget process, when I started at the Ministry of Finance under the opaque regime we had had, you had regimes, a military dictatorship, you had a system in which a budget was made and then it was put aside and spending went on with no relationship to the budget. So if you looked at what seemed like the priorities, if you get ahold of the budget which was another issue altogether, that information was not even available, and try to relate it to the expenditures that were being made, you had a completely different scenario looking at the two.

The putting aside of this budgetary process led to a lot of ad hoc behavior and a lot of extrabudgetary spending, in fact, it was mainly extrabudgetary spending that

drove the economy, so what do you do in a situation when you are trying to look at the budget when the budget is not even being adhered to? What do you do in a situation in which the processes by which the budget is put together, even if it were to be adhered to, there is no sense of what the priorities are or whether they match what the people think should be the priorities. These are some of the difficulties I encountered. These opaque of doing business under the military dictatorships took the country completely in the wrong direction.

When I was growing up we had budgets published that people could see. I remember my father bringing home, an economist himself, and working to help the statistical office of the government bringing home these budgets, bringing home books of statistics, and as I reached my teenage years all these things disappeared to the point where you could not find a budget, and even if you did, what was being done bore little relationship.

Under those circumstances, I think the first thing is how then does the government set about reforming and putting in place systems, processes, institutions, and legislation which makes sense and which civil society can look at to say there is a trail here which we can look at and for which we can hold government to account? In the case of our budget, we needed first of all to try and professionalize the budget office, get people in there who really knew what making a budget was all about, and not people who had lived under a regime where it did not really matter, and where anything thrown together was okay because nobody was really going to look at it.

So making a professional budget office, trying to put together a budget process that made sense, the first of which was trying to be clear not only on the fiscal parameters, but also on the priorities, because even when the budget process became

more open, the system of setting priorities was not there. So if you do not have that, what are they holding you accountable for? How do people know what you are doing? So we had started by instituting a fiscal strategy process. I would like to say that all these reforms were ours, owned by us, home-grown, not something imposed from Washington or anywhere else, and that is why I think they had some strength and some bite within the system.

So we put a process, a fiscal strategy paper that spelled out the parameters within which the budget was going to be done, and put out some suggested priorities to the cabinet with the input of the president, of course, so that tradeoffs could begin, because ministers were not used to making tradeoffs. Everybody wanted everything, and of course that could not happen. So by default, sometimes tradeoffs were made in the wrong direction.

So putting that process together was very, very interesting and getting the cabinet to debate. If this were an MDG-driven budget which is what the president had said his priorities were really to do spending that would materially contribute toward meeting the objectives and targets of the MDG, is that were to be the case that health, education, water resources, and so on became the priority, what then happened to things like defense, and what did that mean? It meant something had to give and there had to be some serious conversations. Earlier this afternoon I shared with some colleagues in a meeting that first fiscal strategy paper which substantially took down the defense budget and how the generals from all branches of defense said they were not even going to talk to this finance minister and they were going to meet with the president to discuss how this could be. So we had this meeting where they came in full dress uniform about 10 of them around the table. It was pretty scary, but the president being an ex-general himself

was able to handle the situation and to explain this issue of the tradeoffs and how we had to stick with some kind of a system that would put forward priorities for the country.

In addition to that, we put some other processes to make the budget more transparent. As I said, prior to that, people did not really know what the budget numbers were. David is right that we began a process whereby we were able to put the budget on the Internet, but very few people have access to the Internet, so you have to look for other ways and means to be able to communicate the budget in a digestible format. We did a very simple thing which was to come up with a little booklet that put all the numbers at the back and explained to people the highlights of the budget, this is for 2005, we started it in 2004, that told where is the money coming from for the budget, where is the money going to, what are the priorities of the government, what are the top spending items, and so on. This one happens to have the section on the debt relief. We got this debt relief, so the resources we were using before to pay off our debt, to service our debt, what were we going to do with those resources, what sectors, and what items would they be financing within the budget? And we had a section on that and it was devoted to MDG-related areas and people could see that, and then a summary at the back. So a very easy to understand piece of paper that put information out there.

This is what began to give civil society some information to look at so that they could hold government to account. Prior to that, even if you had a demand for this kind of work, you could not really do anything because you did not have the information out there and we have to look at information asymmetry when we are looking at these governance aspects in our work.

So this simple publication "Understanding the Budget" it something instituted that has had some traction and put information out there. I could go on. We

did other reforms, put the budget in a medium-term expenditure framework so that we could link recurrent to capital expenditures and people could better understand how things were going to be maintained the next year for investments made, and so on and so forth.

We instituted a cash management committee, and we tried to back all this with legislation, a fiscal responsibility bill, which had a lot more in it. We established a fiscal rule that delinked the budget from oil prices. Prior to that Nigeria had budgeted at whatever the oil price happened to be. So if it was very high, everything was spent, and the next time when it came crashing down, there would be hardly the money to pay salaries. Therefore you had a very volatile pattern of public expenditures in the country. Similarly, it was interesting to look at the pattern of our GDP growth and find the same volatility in it. As I always say, no country can develop with that kind of volatile pattern of growth, so we had to find way to institutionalize the system for managing the budget and therefore the economy in a way rationally. So we put this fiscal rule where we budgeted at less than the oil price.

For example, in 2004, oil prices were an average of \$38 a barrel, budgeted at \$25. In 2005, a similar thing, budgeted at \$30 with prices at about \$50-something and so on. By the time I left, we had been able to say \$27 billion out of this, and we had also stabilized the management of our macroeconomy.

Then we put all this in a fiscal responsibility bill that I think has been passed now. It has taken some time because it was a bit controversial, but by institutionalizing it and embedding in that bill, again, you have something which civil society can look at and can say, Are we managing the public finances according to what is in this legislation? Are they managing it according to the rules which they said that

they would follow? And what are the results of such management? So that is one set.

The other challenge that you face is once you have tackled the challenge of some systems that make sense and of information that is put out there for people to see, I forgot to talk about the boring best-seller that David talked about, it is one of my favorites so I am sure you have heard this before if you have listened to me, but I cannot resist. I have to say that this boring best-seller that the Soros Foundation actually contributed to printing this, by the time we got ready to do this we found ourselves short of money and Soros came forward and gave us some money to do this. But what is it? In the bid to make things transparent, we started publishing in the newspapers each month what each tier of government in Nigeria, state, federal, and local government, got from the monthly revenue and locations because our constitution mandates that every all the 36 states, our local governments, and the federal government share revenues from oil and from taxes, VAT and so on. States and local governments would say we did not get anything from the federation account this month, that is why we were unable to function, and it was so frustrating. So the simple thing of saying to the president can we publish in the newspapers each month after this meeting how much each tier got, and we started to do this. As I often tell people, I think it is probably one of the most fundamental revolutions in terms of transparency that we had in the country and it gave civil society ammunition to work with because no longer could people in the policymaking positions tell you stories and civil society organizations and ordinary citizens could ask why teachers were not paid, why there was no chalk in the schools, why potholes were not repaired, because they could point to the publication. And what happened, because it was so popular we put together 6 years of this and there is nothing but numbers in it, but we could hardly keep any. As soon as we printed it, it was a sellout, so I call it the most

boring best-seller ever. So that's so much of information.

(Laughter)

MS. OKONJO-IWEALA: Let me now just talk a little bit, and I will round up soon because I know I am running out of time, about the issue of once you have got all this information out there, do you have the kind of civil society with the kind of training that can really do this work? If you do, are they looking at the right things? So we had a group that formed itself into a budget-monitoring group. We tried very hard and I tried to meet with them to provide information, but it was clear to me that they needed also some training and capacity building to be able to decide for the budget, understand what we were talking about, follow what was happening, and would ask us to better account.

So, yes, the Ministry of Finance would be the natural best friend of people who can monitor and advocate for better implementation and better quality, but only if they understand what you are talking about and you can dialogue with them on some level, and that is an issue that you have to think about. How do you get that capacity building? How do you get true civil society that can get the skills to do this work? How do you get away from NGAs instead of NGOs? NGIs, sorry, instead of NGOs. NGIs are nongovernmental individuals. So all of that is also very important, so I think it is something we need to talk about.

Lastly, I want to say that in looking at these issues on the public expenditure side, civil society has to study the country you are working in. There is a tendency for everybody to cluster at the central government level, but there are many countries that have true fiscal federalism where three-quarters of 50 percent of the budget is spent at the decentralized levels and hardly do you have civil society looking at those



levels. They tend to constantly press on the federal government or the central government, forgetting that much of the spending is being done elsewhere. Training for that is very important.

Finally, finally, you have to look at sectors. There is a tendency to focus on the Ministry of Finance, but what the Ministry of Finance really wants you to do is to focus on the sectoral spending and hold those sectors to account and you can only do that if they are results oriented also. What outcomes and outputs are you expecting from the money in the budget and, therefore, how can civil society hold you to account? So I think these are some of the challenges and questions that civil society needs to be able to bear in mind and to ask if they are going to be an effective force in terms of improving governance in our countries. Thank you. I think I have taken more than my time.

(Applause)

MR. DE FERRANTI: Thank you, Ngozi, for being such an effective NGI, having been formerly a minister. Building on that, where would you want to go next? You would want to hear from an organization on the other side of the table, a civil society organization working in one of the countries who has experience on the ground dealing with government authorities, wrestling with some of the issues that Frank was laying out, and that is indeed who our next speaker is. We now hear from Vinod Vyasulu who has been on the other side of the table for the past 15 years in Bangalore, the home of India's Silicon Valley in the State of Karnataka. From a governance and policy standpoint, Karnataka as many of you know has been considered one of the most progressive states in India and has a population of 53 million. Vinod has been the Director of the Center for Budget and Policy Studies in Bangalore for 10 years since its founding. He is an economist by training and has held many positions, ranging from professor to

entrepreneur. In that role he has established his own firm as a consulting economist. He is in essence one of the founding fathers of civil-society-based institutions in India, those whose purpose it is to cast the light of transparency on government budgets.

Now Vinod, over to you to give the perspective of the other side of the table.

MR. VYASULU: Thank you, David. I come from Bangalore and folks back home today on March 20 are celebrating the traditional new year. It is called Ugadi, and I bring you greetings, and thought the last I could do is share the hopes of a much nicer year with you.

I will go straight to the subject. There has been a great of budget activity in India in the last 15 years. I think the first group was set up in the early-1990s, around 1992 or 1993, in the State of Gujarat, it is called -- and they have done a great deal of work on their own and in training and supporting others. My group for example is also one of those that has leant from -- and today there will be about a dozen groups in different parts of the country looking at different issues.

One of the unique things about the groups is that most of them came up from the state level. It is only in the last 2 years or so that these groups working at the state levels have come together and set up a center in New Delhi to look at the federal budget. So to that extent, our development has not started at the federal government level.

I will go on to the work that we have been doing in Bangalore. We were set up in 1998. I happened to come here in December 1997 for the first International Budget Conference where Warren and I first met. I think we are the two left from that conference. I found the model here rather interesting, but of course you have to take

some idea in context and realize it for your own work. The kind of contextualizing we did was around constitutional amendments in India which created local governments. We had a federal system all right, but we had a federal government and states. These constitutional amendments then created a local tier which will be municipalities in urban areas and three tiers of local government, village councils at the bottom, an intermediate level, and what we call a district which would be like a county here. So suddenly we got a large number of local governments.

One of the unique features of this particular constitutional amendment was that at least one-third of all the elected members were to be women. So we suddenly got about 1 million women in India who came into elective office straight from the kitchen, so to speak. This was another interesting kind of a situation that developed and there was fertile ground at which we could look at the budgeting processes.

My training as an economist made me think that just like nations make budgets, everybody makes budgets, and the first thing we found was when we started working at the local level is that there is no such thing. There are some kinds of numbers that you can get. Actually when some money is spent, there is what I call a cashbook, but not much else. So there were nearly no accounting systems. It took us a little while to understand this, and we just thought that the information was being hidden from us and it took a lot of running around before we realized that it is not being hidden from us, it just is not there.

This led to a group of people getting together to talk about this. You have probably all heard of the firm Infosys which is one of Bangalore's big companies, and one of the founders of it, Nandan Nilekani, put in a lot of his own money into developing for the city of Bangalore a fund-based accounting system in which he tells me as good as

any accounting system that he has in his own company. So from one side the work was done to develop an accounting system and the information was there and we could then move on.

Having done that, what we are now trying to do is to start with this accounting system and adapt it to other places; it was developed for Bangalore, it is a reasonably complex system. How do we use it in smaller cities, and how do we use it in other places? This is one of the exercises that we are now undertaking.

Fortunately, what happened over the course of a couple of year when this work was being done is that the state government began to accept the need for accounting systems, so now we can work with them. There are still issues that come up, but basically they accept that there is a need for accounting systems and they accept that some of us can help them in setting it up and training staff and so on.

How do we use this kind of information? We started working really in the smaller towns. Big towns like Bangalore are really complex, the politics is really difficult, and it is much easier to go to smaller places and talk to the elected councilors and work with them. We found that the economist's language of budgets and deficits and things like that makes no sense to them at all. We want to talk to them in terms of something that they understand. After some struggle and searching and so on, we found out that the best way to do this is to work out unit costs for certain services that they want. How much does your city spend in maintaining a street light? You count the number of street lights and count the area and street lights per kilometer of road. Then we found when we did this kind of an exercise that if you take 10 cities in the neighborhood, the unit cost varied by a factor of 10. If it cost 1 rupee in my town, it cost 10 rupees somewhere else. This gave us the inside thing to start talking to councilors and

say why is this kind of thing happening. There were a lot of issues, different kinds of lights, lack of standardization, corruption, everything was in there, but it started a very positive kind of debate on an issue that meant something to people. In the same way we looked at the disposal of sewage, one of the most important functions of local governments. We calculated the cost per metric ton of sewage disposed. Again, there was a 1 to 4 difference. Why was this kind of thing happening?

Basically, at the end of it after talking to a lot of these councilors and mayors and so on we said that we are not going to use some international standard that may not apply, but we will use the best-performing city on any given indicator and for the others to try and reach that. If my city could maintain a street light for 1 rupee, then the others will try to reach that goal rather than come up with some goal taken from international experience where you could be even more efficient.

The other thing that we found once that we got these accounts into position was that at the end of the year there would be -- balances. This is a puzzle because all the officials, the civil servants, there is no money. So why is it that, A, they say there is no money, and, B, we found from our study of accounts that there was a lot of money unspent? This has to do with the system that we follow. I will not call it corruption, but what the Chicago economists would call dead weight losses. It is part of the overall system. It is part of the accounting system. For example, when the State of Karnataka released money, it is immediately shown as an expenditure in its books, but the money has not reached anywhere, the check is lying somewhere and it has not been posted. It takes time to reach. And sometimes there is a bit of a conspiracy among local officials when money is tight and they hold onto the check and pass it on after a couple of months.

So the reasons for -- balances was that the processes of devolution had blocks in it and this has led to an interesting situation where now local elected councilors once the budget is passed start asking what there is in it for them, and there is a demand that we move from the old system we had, the British system of a treasury, into a system where a check is written and deposited in a bank account. It has not happened yet, but this is a demand that is happening, and with all the electronic technology in banks, we hope that it will lead us to some kind of positive changes.

So this leads to the following questions. What are the kinds of changes that need to be made that are very specific to each locality? And how do we make them? We have to engage with the local governments. I think this is a rather important point in India because a lot of the NGO activity that was pointed out in the morning as well has been confrontational with respect to government. When it comes to certain human-rights issues, somebody getting locked up in jail without charges and so on, then it is important and you have to confront. But in some of these matters where the systems are complex and not well understood, it will be more useful to engage with the government and keep talking to them, however frustrating it might be.

This is a change that NGOs have got to make, we have not made it, and there are some of us who say we need it, others will say, no, there is no point to it to confront them, but it is something that we have to do. And as far as the budget part of it is concerned, I think engagement is useful.

We have found for example that the accounts officers in some of the small towns where we have been working now come to us for information, they do not look to their own books. For about 15 towns we have put the information up on the Internet. And others go to -- and when the accounts officer now asks questions, he calls up and

look that we put it on the Net and these people are asking these questions what do I do. In a sense there is a certain dependence counting on some of us and this helps us because we can use that in asking them to do something else somewhere else. It works.

What are the lessons that we get from these budget debates? I think the most important lesson we have learnt is that hard data on very specific local issues is what gets attention. I cannot go to them with huge allocations, I cannot go to them with deficits, I have to deal with very specific things, and our experience has been unit cost of service delivery is one, and when loans are taken, the per capita loan repayment per year. These are the things which make a difference.

How does all this work? I think it works when the analysis that we do is then disseminated into other civil society groups, among college students, local colleges, Rotary Clubs, whoever, but get all of them to absorb this information and then start a local debate and discussion in which the councilors get involved. My experience has been that when it comes to the local municipalities, the people who get elected to them are people of some importance locally, but not people who have decided to have a national political career. They do not treat winning an election to a municipality as the first step in becoming a Member of Parliament. To that extent, their interests are local, they would like to do something, get perhaps reelected at that local, and because of this reason, debate is possible. If it were not the case, then their loyalty would be to the party that would support them in their political careers. So there is a reason why at this local, small level we can work with them.

We have also learned that the capacity of these local governments is very low. They have very little managerial capacity, very little accounts capacity, very little planning capacity, so this has to be built up. Because services often are not of good

quality because schools are not running or local health centers do not work, there is a role for a confrontational approach and a demands to be voiced. But these services now having been placed under local governments, we have also got to work with local government and build up their capacity to provide that service. So this is one of those areas where we have got to work harder.

One of the reasons I am here and talking to all of you is to learn from experiences elsewhere, and I think Ngozi's point about that book is a very good idea. At a local level, it is very much easier to make such a book, and maybe a book with lots of pictures and charts would work even better, so that is something that I have taken and will work on later.

There is a great deal of potential, there is a long way to go, but I will end up with a statement made by Professor Joan Robinson from England whose students include Amartya Sen. In a lecture in Delhi she started by saying that any proposition that you can make about the Indian economy would be true, but she went to add that the opposite would also be true. Thank you very much.

(Applause)

MR. DE FERRANTI: Thank you, Vinod. Transparency International has played a very important role in recent years in making us all think in new ways and making countries think in new ways about the issues that are the focus of our talk today. I remember visits with some presidents and heads of state in Latin America and the first thing they brought up was, What are you going to do to help me? I came out eighty-third in the Transparency International ranking. We are fortunate today to have with us as our next and final speaker from the panel Nancy Zucker Boswell who serves on the board of Transparency International and is the head of the U.S. Chapter TIUSA and has been since



its inception in 1994.

Transparency is probably the best known global nonprofit coalition dedicated to reducing corruption in international business transactions and development. We all know about the Corruption Perceptions Index, and here in the U.S. Nancy works with government officials and representatives from the corporate, legal, accounting, and other sectors including with the international institutions. And I can say with a completely unbiased point of view because I am on her board, she does a terrific job. Nancy?

MS. BOSWELL: Thank you, David. We are delighted to have you on our board, very fortunate indeed, and thank you, Lael, and Brookings for organizing this event on such an important issue. It is an honor to join my co-panelists. I note that President Obasanjo was one of our founders and a long-time TI activist, but not all the world has such enlightened leadership. Civil society still struggles today in many parts of the world, so I am absolutely delighted to be participating in this meeting and raising some of the issues that continue to challenge us.

I have been asked to talk from the perspective of an international NGO engaged in promoting transparency and accountability, and our agenda is broader than budget transparency which is central, but we are looking more broadly. I should start by saying that while we are known as an international NGO, we are at the same time a collection of over 90 national locally based, separately incorporated NGOs who are in the developing world, transitioning world, and the developed economies as well. This kind of structure brings some advantages, but also some challenges.

First, it grounds our program in first-hand experience and I think this goes to what Frank was saying earlier. Our chapters are coalescing around problems within

their own countries based on their knowledge of the history, the actors, the vulnerabilities, and certainly the informal rules and political incentives, I cannot underscore that enough, you are absolutely right that that is absolutely critical to understand in order for a program to be effective.

Second, having this sort of two-part structure enables us to develop effective tools using the collective experience of our chapters. As David mentioned, we are best known for our index, but we have a number of other surveys and measuring tools starting with Bribe Payers Index. We do a global corruption barometer that identifies specific sectors of concern within a country such as the police or the courts. We also have an annual Global Corruption Report that takes a periodic snapshot of the situation within a country at any given time. And a less-known but I think of more significant importance, our National Integrity Surveys which are usually conducted by national chapters, and they are exploring the quality of what is actually going on in the institutions and sectors of importance in their countries.

We have service delivery surveys like Vinod described looking at things like street lights. We have looked at hospital costs trying to underscore differences and get to the underlying problems. These help raise awareness, but also help define an action plan for reform and help build consensus for those action plans, and in some cases even create competition to improve the services.

We have also worked on developing tools for the private sector, working with leading multinationals as well as companies from different parts of the world, labor groups and other NGOs. We have developed a set of principles, some implementation and guidance, and we have been working in different sectors trying to encourage companies to actually operate according to common high standards.

In addition to developing tools, we have been conducting advocacy at both the national level and also the international level, and a priority has been to develop the legal and regulatory framework in which to base our work. I think it goes to what Ngozi has said, if you do not have the institutions, if you do not have the laws, what do you measure against or hold government to? There have been a number of multilateral agreements that we have promoted that set out this framework for reform. You may know Inter-American, Council of Europe, OECD, United Nations Conventions on Corruption, these comprise the legal, regulatory, and institutional reforms that need to be undertaken in countries and they provide a structure around which nongovernmental organizations can mobilize.

We have used our international network to use the bully pulpit, if you will, to promote consensus and action, and at the same time that bully pulpit is based on the work of local chapters who are promoting ratification and implementation in their own countries. Our chapters and other civil society organizations are engaged in intergovernmental reviews of compliance with these conventions and they provide what might be commonly known as a reality check when the governments say everything is fine, and civil society comes in and says, wait a minute, let us tell you a little bit about what life is really like.

In similar fashion, our chapters have come together to develop recommendations for the World Bank. As Frank noted, they are still considering a strategy that has been under consideration since last summer, and our chapters have been hosting consultations as well as participating in consultations in order to put a civil society perspective into the Bank's efforts.

I am going to try to cut my remarks short because I know we are running

over. I could go on with different illustrations of what civil society organizations can do based on the kind of work that we are doing, but I want to turn to some of the challenges and lessons learned or opportunities.

If I start with the challenges, the threshold issue, and I am going to parallel a lot of what Dr. Ngozi has said, but certainly the threshold issue is government transparency and opportunities for participation. If we do not have access to information, we cannot hold governments to account. And despite the focus of our organization, the International Budget Project, even the IMF Code on Fiscal Transparency, there are still too many governments that are not publishing their information in a way that is timely, accessible, and understandable. We do not have enough boring books out there for civil society. And even where the information is available, a lack of opportunity to comment while decisions are still under consideration, this is not true not only of governments, but of major international organizations. They too have limited or ad hoc opportunities for citizens to participate. I would note that one of the most contentious issues in the Bank's new strategy is precisely this engagement with civil society, some board members seeking to exercise continuing control over engagement, and this of course is particularly problematic in countries where you want to encourage the demand side where you have perhaps a political will that is lacking for reform, so in order to stay engaged, the Bank simply has to have other interlocutors, and civil society is an important one.

In addition to the challenge of getting the information and having an opportunity to participate, the second one as Dr. Ngozi pointed out is having the skills to actually deal with the information. I would say there are really two capacity challenges. One is organizational. Civil society organizations in many parts of the world start from scratch, so building a transparent and accountable NGO that knows how to keep its books

and records, that knows how to set priorities, deal with the board, these are in many cases difficult.

The second one is the substantive one that she has pointed out, and I would just underscore that when you are dealing with the Extractive Industry Transparency Initiative, oil revenues and other kinds of issues like procurement and budget monitoring, even promoting convention implementation, you are talking about fairly technical issues and so capacity building is important.

In many countries this is particularly problematic. I think when civil society is more concerned with hunger, poverty, medical care, it is very difficult to convince them or have them understand the power of budget monitoring, so there is work to do there. And to Frank's point, people are impatient. They want civil society full formed, ready to go, and that just is not the case.

I would say the third critical challenge is actually a basket of challenges, and that is protecting the capacity of the NGOs to actually operate. You can start with the attempt to strangle NGOs with bureaucratic red tape. Maybe this is politically incorrect, but one need only look at Russia and what some of the NGOs have had to go through filing 300 pages of forms, to repression, to libel suits, to arrest, even to physical harm, this is very much the case for NGOs operating around the world. We had our annual meeting recently in Guatemala and we set up a special table for chapters operating under threat. We set the table for 12 and we ended up with 50, literally from around the world, Russia, Venezuela, Colombia, Algeria, Bangladesh, Zimbabwe, there was no area of the world that was left out of this table of concern. And I would say look at the recent arrest of Sarah Wykes, a U.K. human-rights worker promoting the EITI in Angola, so it knows no boundaries.

Let me close with some more positive ideas on lessons learned. Number one, there are some excellent ideas being pioneered at the local level. I think Vinod has demonstrated one of them, and the budget project is another. Certainly within TI we are doing procurement monitoring, we are developing educational materials, advice centers, in countries as diverse as Palestine, Azerbaijan, Colombia, Mexico, and so forth. My view is if we are to have an impact at the scale necessary to really make a difference, we are going to need to put more resources and energy into drawing together the lessons learned from these individual experiences and applying them to the local conditions in other countries.

The second positive, or lessons learned, if you will, is the keen interest and passion of local civil society to demand governance, and we need to enhance that capacity so that they can be effective components.

Third I think is the growing recognition of the relevance of experience in other countries, that what works in one country while it needs to be adapted is frequently very relevant for other NGOs working in the field, and so this is both North-South and South-South. For example, when we had chapters in Africa considering monitoring on an African convention against corruption, they called me up because we had experience monitoring a different range of conventions. I was unable to go and talk with them, but our chapter from Nicaragua went, and the representative from Nicaragua explained that when the Inter-American Convention was being considered in his country, the president who signed it was completely corrupt and so they were very circumspect about the value of this convention.

However, by the time this Nicaraguan chapter representative was making his presentation in Africa, that first president who had signed the convention was in jail,

put in jail under the provisions of the convention by the subsequent leader of the country. That story resonated not just in Latin America, but in our African chapters as well.

Finally, the power of networking. Landmines are probably best known among the NGOs for the power of the network. Certainly, TI I think is another such organization where the power of concerted advocacy is really bringing about change.

With those remarks, David, thank you again for including me, and I look forward to the discussion.

(Applause)

MR. DE FERRANTI: We will have some time for questions, so let's start taking questions now.

MR. CHAMALA: My name is Serge Chamala with the Embassy of the Democratic Republic of Congo. I have a question. My country is also facing a vicious cycle of mismanagement and bad governance. I was wondering what can be the alternative to our civil society? Because as we stand right now it is really not functioning very well and either very weak and corrupt or just nonexistent. What can be the alternative? Maybe a regional grouping like -- and maybe the IMF can play that role of what the civil society is supposed to do.

My second question is also again I will use my country as an example where the institutions are very, very weak and there are lots of priorities. Is democracy really the way to go or is it some kind of well-organized dictatorship to put things in order and then after that move on to building democratic and other institutions that will help the state? Thank you.

MR. DE FERRANTI: Ngozi?

MS. OKONJO-IWEALA: Thanks, Serge. I will try. First of all, I do not

know whether to start from your last question. Of course, democracy or a well-organized dictator, this is a question that has been debated. I wish Fukuyama was here. Maybe he should be responding to that. No matter how imperfect some of our democracies are, I tend to think that that model may be one that -- societies in a way well because it gives a chance for people to have a voice and to try to express themselves through their representatives. We've got serious problems where democracies are very imperfect and maybe the models we are using may not be as well adapted. I happen to think that the model in Nigeria, we have got a model that resembles very much the American one because we tried the British one, somehow it did not yield the kind of return that we needed. The Prime Minister and the President, there was always an issue about who had more power. We went to the American one, it is so costly, and that leads to a lot of corruption by the way as people struggle to find money to run campaigns. And I always say when I hear here and written in the newspaper that the threshold for you to enter as a serious candidate in this country you have got to be able to mobilize \$100 million, and \$35 million is the minimum, I was so shaken. If this is the kind of model we are going toward in my country, people are running looking for money, and where is it going to come from? You know where. And nobody discusses this issue.

But regardless of all that, I still think that democracy, because the well-intentioned dictator somehow when they start staying in power for a long time, and we have many examples, those good intentions seem to fritter away and very bad intentions come into play, so we have to watch out.

On the issue of civil society, I think that where civil society is weak and is being built up or nurtured, that external restraints can help. What do I mean by that? You have some subregional and regional conventions and even international ones that the



country signs on to that can be used as a means. You can always say we have got to do this because the Great Lakes region has agreed that this is the way all of us should operate, or the E.U., or -- in the case of West Africa, we actually use that very effectively for our trade reform which was very touchy. Nobody wanted us to reform the multiple tariff system and the non-tariff barriers and we were able to inch into it by saying we signed up to -- and everybody is going into it, we are not, so some external restraints can help for a while. But ultimately your indigenous civil society somehow has to build up and this is where outside civil society can also play a role in trying to encourage and find real individuals who will build up NGOs that are also accountable. It will take time, but I believe strong in it.

MR. DE FERRANTI: Thank you. Next question?

QUESTION: My name is Eric -- I represent -- I am also a lawyer from Nigeria. My question goes especially to building capacity for judicial reform, because ultimately when you have these budgetary things and you have maybe budgetary institutions and maybe some erstwhile dictator or now a representative break some of the rules, how do you enforce it?

On the issues we have had especially in Nigeria is that the issue of the judiciary, for instance, no one wants to talk about it. I have practiced for 10 years in Lagos, the most cosmopolitan city in Nigeria and I can tell you the horror we went through just to initiate a lawsuit, more so than initiating a lawsuit on behalf of an international client. So the issue of judicial reform while we are talking about capacity building, if for instance my NGO decides that the government of Nigeria or the government of Dr. Ngozi is not doing very well according to the rules which our government sets out, I will want to address that. We definitely would need to go besides

maybe the ombudsman besides talking to them, at some point we may decide we want to sue and if all the capacity of the judiciary is organized the way it is, ultimately the little man does not stand a chance of going to the court and to move his suit in court. How can we get the NGOs, Transparency International, the World Bank, I have been talking to the World Bank, they say the persons who have to initiate judiciary reform is the country. The country has to request for judiciary reform. That means Nigeria. I am interested in judiciary reform, but the World Bank refers me back to Nigeria. So if President Obasanjo for instance is interested in moving judiciary reform, it can be put in the World Bank agenda which is what I was discussing with Ngozi on the side here. But as an individual, how can we help as an NGO who are supposed to be the demand side, and we are demanding, you can read the blogs and the blobs are demanding that we want judiciary reform? How can this thing stand? Help us get judiciary reform.

MR. DE FERRANTI: Thank you. Ngozi, and then I think Nancy, and Vinod, if you would like.

MS. OKONJO-IWEALA: Maybe Nancy.

MS. BOSWELL: You have done your first piece of advocacy right here. Clearly it is what needs to be replicated at home. In the first instance, civil society has to continue to press if you want change of your government whether it is judicial or any other kind of reform, pressure at home is certainly effective.

I think there is also sharing that can be done among civil society organizations that have worked on judicial reform. There is a lot of work that has been done, and I think it would help you disaggregate what do you mean by judicial reform, which aspects of it are most pressing in your own country, and you might find that you can work on certain pieces without a World Bank program, that there are ways of

approaching the problem short of a comprehensive judicial reform program.

MS. OKONJO-IWEALA: The issue of judicial reform is one of the large pieces of institutional reform in the agenda that we have that has not been completed. The judiciary in Nigeria, again, used to be one of the best in Africa in the 1960s and the 1970s to the extent that our judges were being borrowed by other countries. Actually, if you go many African countries now you find Nigerian judges in Swaziland, Gambia, and so on. But, again, under the military dictatorship, this institution was totally undermined to the point where a lot of corrupt judges and so on were the norm. And very lengthy processes in the courts, very many delays, and so there is no question that this needs reform.

I think one of the first that was done is to tackle the issue of corruption in the judiciary and I think that economic and financial transformation has done a decent job. Due to the investigations, the judicial council was able to suspend two judges, fire two others, many others retired and so on, and if you look at Danny Kaufmann , indication for bribery, you can see that in the judiciary it shows visibly that this is coming down.

So with that we now have a basis to go in and look at the processes within the judicial system itself and the institution as a whole. And the attorney general was charged with doing that reform where we were, a study of how to strengthen the judiciary and the legal system was done, but implementing that is now the next stage.

Some states like Lagos and others have actually gone on their own and tried at the state level to do some reforms which are working, and on commercial issues in the Federal Capital -- Alternative Court that is faster, that can process business issues is being set up. So I think we are going about it in a bit of an opportunistic fashion, but

the in next of reforms I strongly believe that this is one of the areas that has to be focused on.

MR. DE FERRANTI: A question now from me to the panelists, and then back to audience questions. What should those who are trying to help, whether they are donors or others, not do? What should they not do? Or what should they not overdo, perhaps I should say? We have heard from several of the speakers that it is very important that steps be homegrown, locally owned, lots of words, same concept, it has to come from within. We have also heard from Frank and others about the importance of not overpromising, not expecting that this is going to be a silver bullet. We are at a time when there is now a high tide of enthusiasm around working not only on governance generally, but also specifically on the demand side.

So those who are trying to help, what should they not do, including not overdo in the sense of overwatering a cactus, by which I mean my own career as a gardener came to a sharp halt when I had a small cactus and I said this is doing well, I will put some water on it and the next day I did the same thing, and then one day I just touched it a little bit and it fell over.

So my question in any order you would like is from your various perspectives, those who are trying to help your country, your organization, in your perspective, what should they not overdo or not do? Nancy, do you want to start?

MS. BOSWELL: One thought that comes to my mind goes back to Frank's comment about impatience and how long it takes to seed civil society and provide it with what it needs to be effective. I think there is a temptation to resort to external consultants to go in and fix the problem, and I really think that that is an attempt to shortcut and that it is counterproductive.

MR. DE FERRANTI: Vinod?

MR. VYASULU: I would agree with that. Also on the question of the agenda, I think that donors should not push the development of a program very much. It has to evolve within the groups, within the society through a lot of discussion. Sometimes in the pressure to get the project going there is a push on the project and the project design and so on. I think that that is something not to be done.

MR. DE FERRANTI: Ngozi?

MS. OKONJO-IWEALA: I think that one thing that -- people should not do is talk to each other. There is a tendency for that to happen. I mean it seriously. There is a tendency to have these meetings and in the meetings they are talking to each other here and the people you are trying to help are not there. So the first thing is we are talking to each other, and I am here, too, so the first thing we have to do that. The first thing we have to do is you cannot do everything so you have to determine how you engage on the ground. Like Nancy said, it is going to be a long process of identifying valid organizations that you can build and work with because I think the one nice thing here as David pointed out is that it has to come from the country and from the ground. So how do you not go into a country and the first person who manifests or NGI, your trapped and you find yourself working with that thinking they represent civil society in the country, and they do not. So how do you go in and begin a process of identifying the valid organizations helping them to build their capacity and passing on the knowledge? Twinning especially in the area of budget, if you mean business, you should be twinning with an organization in the countries of interest and passing on the skills and the resources to do that, so that is what I would tell you.

MR. DE FERRANTI: Other questions?

MR. DOUGLAS: I am Bill Douglas from the -- program at SAIS. It seems to me in any country, the heavy hitters in civil society are business, labor, and agriculture with their respective interest groups, the Chamber of Commerce, trade unions, federation of agricultural co-ops, et cetera. It seems to me they have the competency to be on the demand side for transparency in government, they have trained staff, they are membership organizations not dependent on foreign donors, they know what is happening on the ground. Who is better to hold the ministry of education to account than the teacher's union? Who is better to hold the ministry of commerce and industry to account than the chamber of commerce and the society of industry? Who is better to hold the ministry of justice to account than the bar association, et cetera?

What role do you see for these interest groups as part of civil society in demanding accountable government?

MR. VYASULU: I would say that from my experience in India, in some cases it works, but many of these associations have a long history of their own and they have their own very narrow viewpoints. One can work with teachers associations, but when teachers use the association to justify not going to school, you have a problem. So, yes, I would say that we have got to support them, but we have also got to insist on certain accountability among themselves.

The business associations in India have only one objective which is to get whatever tax concessions they can in every budget. So I think that if they do not behave responsibly, we cannot take them seriously.

MS. OKONJO-IWEALA: I agree with a lot of what Vinod said. I think it is an excellent question, by the way, but I share a lot of these comments.

In Nigeria we have had some effective work. The Nigerian Bar

Association at certain periods was very active and tried to hold the ministry accountable, and the Nigerian Labor Congress was excellent in holding the government accountable in what was happening with the oil subsidies, when we tried to phase out the subsidy. So you have particular instances. But then there is a lot of subversion that goes on in those organizations and they have axes to grind. So if you find the heads of the organizations have somehow been co-opted in some way, then you cannot respect them and therefore they cannot hold government accountable.

If the association of the staff union of universities, even if they have a legitimate case, so they go and try for 8 months and the children in the universities are sitting at home for 8 months and they are not taught, then the government loses respect and they cannot hold you as accountable. So we have these issues. They can play a role, I agree, but it depends on they manage themselves and their own accountability.

MS. BOSWELL: If I could just add, because I agree with what has already been said, that the business is primarily looking for business. But one of our colleagues from Kenya pointed out recently that a lot of the people who should be gatekeepers are actually facilitators of corruption. So if we are looking at bankers, lawyers, accountants, and engineers, both within the developing world and in the OECD countries, they have to look on both sides to make sure that they are not facilitating the problems.

MR. DE FERRANTI: Let me add an additional perspective since we are missing Tom Heller who had to go to a plane. To your excellent question I think he would want to come in. I will go by means of an example. Mexico for 71 years under the PRI Party has every so often a pact, *pacto*, in which everybody came inside the tent, and this was a carefully managed process which really illustrates some of these problems.

All of the power bases were all co-opted, so this is a risk where bringing everyone in and they become in the case of the labor leaders, the leaders become more a part of the club than they do representing -- you probably know, but just to give that additional perspective. I think there was a question right behind.

MR. GILL: Cole Gill , science and technology policy fellow at the U.S. Department of Energy. We were talking about speedy parallel court systems, transparency, and local demand, as well as publishing of government records. I would ask the three panelists to comment a bit on the Right to Information Act, what we have here as the Freedom of Information Act, especially the Indian Right to Information Act, the central act that went into force in 2005 which currently touches on all three of those issues.

MR. DE FERRANTI: Who would like to start?

MR. VYASULU: Ours is a new act, it is barely 2 years old, what is being used by all kinds of people. The last thing I read in the newspapers was in the Indian Army somebody who did not get promoted to general, he used the Right of Information to get the minutes of the meeting that denied him promotion, and it is being used in all kinds of places. We will have to wait and see what happens, but it is one of the most progressive things they have done.

MS. OKONJO-IWEALA: In Nigeria we have just passed after a long time of languishing the Right to Information Act and I think it is wonderful. I think it is one of the bases of if you want a genuine civil society that you have got to have this.

Everything is always in implementation. This is brand new, barely off the approval block, so I do not know how it is going to be implemented, but I can imagine some of my civil service colleagues trying to dig up that information you want that you



have a right to is going to be a serious challenge. So that is where I worry a bit, but at least we have started by having it passed.

MR. DE FERRANTI: Nancy?

MS. BOSWELL: I just want to make a distinction that is not frequently made between our FOIA, our Freedom of Information Act, which permits citizens to request information as opposed to an Administrative Procedure Act or other requirements, affirmative obligations on the government to publish. I think we need to focus on that because the government needs to have that obligation to publish routinely and only put a burden on citizens to request what is not otherwise provided. I think unfortunately too many countries emulate the FOIA without picking up on the other piece of the equation and then citizens have to turn around and request and request, as Dr. Ngozi said, the implementation becomes a real challenge.

MR. DE FERRANTI: I think we have time for one more question.

MR. WORKSMAN: Thank you. Jake Worksman with the World Resources Institute. I was really interested in the comment by Dr. Ngozi about the importance of sectoral strategy, and obviously coming from Nigeria I imagine that the sector that you are most interested in is the extractive industries sector. I was wondering from the other panelists whether similar kinds of sectoral strategies have emerged from your work where you see a particularly promising sector rather than addressing corruption more generally, but to focus in on the sector. Thank you.

MS. OKONJO-IWEALA: I think maybe Vinod should start.

MR. VYASULU: There is another debate going on in India about an extractive industries policy. There was a lot of iron ore, bauxite, and things like that, so now the debate is on and I do not know where it will go.

MS. BOSWELL: From a TI perspective, we have done a lot of industry sector work. In addition to the EITI work, we have worked with the private international banks to come up with know your customer, due diligence rules, we have worked in the construction industry to try to get them to adhere around common standards. We are acting as the secretary for a water network, trying to look at that sector. Forestry is another one where we have been asked to help facilitate a lot of NGOs that are interested in that particular sector. So very much supportive of approaching it from that perspective.

MS. OKONJO-IWEALA: I have just one thing to add. I believe that the key thing is within the country to do a proper analysis, not just talk of fighting corruption or transparency broadly, that does not lead to anything. They should be quite analytical about it and to embed it within a comprehensive framework of reform, because when it is systemic, one thing feeds into another, so if you just take it in isolation, you might get anywhere. But in doing that, you also need to identify within that system what are the key areas where the country is losing the most money in a big way because corruption occurs, and so that is how the sectoral comes in and it could be the extractive industries, it could be in forestry in some countries which is also an extractive industry, it could be in procurement where the money is disappearing and this is also one of the areas within Nigeria. So I think you have to do a proper diagnosis.

MR. DE FERRANTI: And it could be in the social sector, it could be in any sector, but during the 1990s, many countries substantially increased their spending on the social sectors and many a finance minister, maybe Ngozi, I do not know as well, found themselves saying I am spending all this money, I am trying to get better health and education, but what am I getting for it? And I go and ask the ministry of education

and the ministry of health and they do not know, and that is very frustrating. So that I think is part of it.

MS. OKONJO-IWEALA: You are so right. In fact, our new education minister just gave a talk in which he showed the education budget increased, and yet when you look at the results, the output from the system, 50 percent of the children or more not passing their qualifying exams. So what are you getting?

MS. BOSWELL: We have that in Washington, D.C.

MR. DE FERRANTI: Briefly, to close the session, we have heard quite a number of themes that have been nicely revalidating throughout the morning and in Frank's talk and today including the importance of transparency, first of all. If you do not have the information or access to it, how could you proceed to accountability, an important point that both Vinod and Ngozi emphasized. Also that civil society organizations need to have capacity and a lot needs to be done in that area. I think many have emphasized that.

Then on the supply side, professionalizing, to use Ngozi's term, the budget and the people who work on it. And there was a theme this morning from Bob Greenstein's remarks about the U.S. experience which then came back in both Ngozi's and Vinod's experiences which is about the possibility for a virtual cycle of feedback from the demand to the supply side and on back to the demand, namely, that if independent organizations can get a foothold, get a little bit of capacity, start demanding better performance, it raises the game of the government, Ngozi noted that, and the higher game of the government, more data more available, enables the demand side to life their game even higher. So that may be an area to explore.

The last thing I want to say in this session is to go back to where my

opening remarks began which is this emphasis on governance and the demand side is no longer new. What are the challenges? Frank laid out some. I would like to leave one as food for thought, and it is the following. We now have a thriving universe of people, words, language, debate, about corruption. We have another universe about governance. And I've got nine more, transparency, accountability, democracy building, media, rent seeking or competitive approaches, civil society, local government, community-driven development. So those of you who like -- diagrams, there is obviously a lot of overlap here, but not -- and so something for us to think about going forward is are we at risk with all these different universes who unfortunately do not always talk to each other as much as would be helpful, descending upon countries with the same degree of external blueprints and preconceived ideas that are the very things that are part of what they are trying to overcome. So should we be thinking about how we can structure in our minds a little bit how all these pieces fit together and enable the various players to see how they fit together and start by saying within a country starting to take the point about start with what the country perceives and understands as the problem, start with the problem and then back up and say what are the priorities for the solution. So in some cases perhaps strengthening an independent monitoring organization is absolutely critical. But in another case that maybe this substantial portion of the population simply does not have the votes. You may want to get at that through strengthening an independent monitoring organization, but you need to recognize that the key strength at that point is that a huge percentage of the population are simply excluded. So start with the problem which has to come from careful country diagnosis, then say what are the appropriate solutions, and then get all these universes talking to each other in a way that can identify who is best equipped in what way to help.

I leave that as food for thought, and we actually finished 2 minutes early which never happens in Washington, but I do want to reemphasize we got a wonderful -- next panel and we do need to start sharply at 4:00, so please have a break and come right back.

(Applause)