



# **PUBLIC EXPENDITURE MANAGEMENT**

## **COUNTRY ASSESSMENT AND ACTION PLAN (AAP) FOR HIPCs**

**QUESTIONNAIRE  
BENCHMARKS  
EXPLANATIONS  
STANDARD TABLES**

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**Table of Contents Page**

<b>Preface.....</b>	<b>3</b>
<b>Abbreviations and Acronyms .....</b>	<b>4</b>
<b>I. Overview.....</b>	<b>5</b>
<b>II. Coverage of the Institutions to be Assessed.....</b>	<b>7</b>
A. Involvement of Different Levels of Government .....	7
<b>III. Budget Formulation .....</b>	<b>8</b>
Indicator 1~ Coverage of the budget or fiscal reporting entity.....	8
Indicator 2 ~ Degree of spending being funded by inadequately reported extrabudgetary sources.....	10
Indicator 3 ~ Reliability of budget as a guide to future .....	12
Indicator 4 ~ Inclusion of donor funds .....	14
Indicator 5 ~ Classification.....	16
Indicator 6 ~ Identification of poverty-reducing spending .....	17
Indicator 7 ~ Integration of medium-term forecasts.....	19
<b>IV. Budget Execution.....</b>	<b>20</b>
Indicator 8 ~ Evidence of budget execution problems – Arrears .....	20
Indicator 9 ~ Effectiveness of the internal control system .....	22
Indicator 10 ~ Tracking surveys are in use.....	25
Indicator 11 ~ Quality of fiscal information .....	26
<b>V. Budget reporting .....</b>	<b>27</b>
Indicator 12 ~ Regularity of timely internal fiscal reporting.....	27
Indicator 13 ~ Regular fiscal reports track poverty reducing spending.....	28
Indicator 14 ~Transactions are recorded in the accounts in a timely fashion.....	29
Indicator 15 ~ Timeliness of audited financial information .....	30
<b>VI. New Indicator.....</b>	<b>31</b>
Indicator 16 ~ Efficiency and effectiveness of the public procurement system .....	31
<b>VII. HIPC AAP Process Guidance for Reassessment Cycle 2003-2004.....</b>	<b>33</b>
<b>VIII. Further details and contact people .....</b>	<b>36</b>
<b>IX. Templates for Tables.....</b>	<b>37</b>

## PREFACE

The Executive Boards of the World Bank and International Monetary Fund have identified the capacity to track poverty-reducing public expenditure as critical to the success of the Enhanced HIPC initiative. In 2001, the Boards discussed a Fund/Bank paper entitled "Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPCs)." At that time staff reported on the preliminary assessments of the capacity of HIPCs to track poverty-reducing public spending. Staff were requested to follow-up with country authorities to finalize the assessments, prepare action plans to improve public expenditure management (PEM) systems in HIPCs, identify existing and planned donor assistance and any gaps that may remain, and report on progress in reforming PEM systems as part of regular reviews of Bank- and Fund-supported programs.

In April 2002, Public Expenditure Management Assessment and Action Plans (AAPs) had been finalized for 24 HIPCs, based on a set of 35 questions covering the critical elements of the PEM systems. From these questions, 15 indicators were chosen as representative of the quality of the PEM system deemed necessary for tracking poverty-reducing public spending. The indicators were grouped into three broad categories: budget formulation, budget execution and budget reporting and rated 'a-c' with scores referenced against a benchmark designed to reflect a minimum standard required to track spending adequately.

The AAPs were carried out jointly by the Bank and the Fund in collaboration with the country authorities and the results were reported in the Board paper "Actions to Strengthen Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries". In considering this Board paper, the Boards requested that a further complete reassessment be reported to them. In executing that request, staff have identified 28 relevant HIPC countries.

This document provides guidance for country and Bank/Fund staff undertaking the AAP exercise in 2003-04. Sections III to VI elaborate the revised set of 16 indicators, and their related benchmarks, for assessing the quality of PEM systems, including a trial indicator for government procurement. The document was prepared by staff from the PREM group at the World Bank and the Fiscal Affairs Department (FAD) from the International Monetary Fund.

**ABBREVIATIONS AND ACRONYMS**

AAP	Assessment and Action Plan
CPAR	Country Procurement Assessment Report
HIPC	Heavily Indebted Poor Country
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
ORT	Other Recurrent Transactions
PAF	Poverty Action Fund
PEM	Public Expenditure Management
PETS	Public Expenditure Tracking Survey
PRSP	Poverty Reduction Strategy Paper
SAI	Supreme Audit Institution

## I. OVERVIEW

The aim of this document is to guide an **assessment of the quality of the public expenditure management systems** in each Heavily Indebted Poor Country (HIPC) and reflect this in the public expenditure management assessment and action plan, and the associated table of 16 key indicators. These assessments will serve three main purposes:

- to assess the existing capacity for tracking overall public spending, including poverty-reducing spending;<sup>1</sup>
- to create an understanding of risks associated with implementing poverty-reducing spending in, especially, but not solely, the context of receiving debt relief; and
- to clarify what donor and technical assistance should be provided to improve systems for managing poverty-reducing and other public spending.

These assessments and the ensuing action plans will focus on the primary dimensions of PEM performance:

- Budget formulation, covering the design of basic budgetary institutions and aspects of the process to prepare the annual budget;
- Budget execution, covering core aspects required to implement the budget; and
- Budget reporting, covering in-year, and end-of-year financial statements.

This document provides 16 core questions to probe the standard of PEM in a country, and to inform the judgment about the correct assessment for each of 16 key indicators. Each indicator is described, including a new trial indicator concerning government procurement. In each case the requirements for meeting a reasonable performance against the indicator is described as a benchmark. These benchmarks are struck at a level to indicate reasonable, rather than world-leading, practice. Expanded explanations are designed to assist the carrying out of these assessments.

The process for conducting the assessments is also developed in greater detail in Section VII. Generally, the assessment should be viewed as a comprehensive assessment to support development, implementation, and tracking of a government-lead reform process. This is at root a collaborative effort, and good coordination between Government, Bank, and Fund will be required from mission scheduling through to report completion, and beyond.

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<sup>1</sup> Tracking is defined as the identification and reporting of budgeted and actual outlays for poverty reduction.

Completed assessments generally provide five related outputs:

- (i) a summary indicators table (Table 1);
- (ii) a donor support table, indicating current donor assistance in support of the action plan or in any of the 16 core areas (Table 2);
- (iii) an update of the status of actions committed to in the previous AAP (Table 3);
- (iv) a summary action plan table, indicating short- and medium-term actions planned by the country to redress weaknesses identified in the prior assessment (Table 4); and
- (v) a country assessment and action plan narrative that provides additional context, detail, and argumentation supporting the assessment, action plan, and donor support summary tables. The formats for Tables 1, 2, 3, and 4 are provided at the end of this document.

This instrument focuses on public expenditure management in general, with emphasis on poverty reducing spending. The definition of what constitutes poverty-reducing spending is country determined, often contained in each country's Poverty Reduction Strategy Paper (PRSP).

The Boards of the World Bank and the Fund and many donors have indicated strong interest in these assessments and the related action plans. The Boards have now issued three papers relating to this work. These papers provide considerable background to the development and use of this instrument. The titles of the Board documents and the internet addresses through which they can be accessed follows:

- March 2001: Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC): <http://www.imf.org/external/np/hipc/2001/track/index.htm> and <http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm>
- March 2002: **Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC)** <http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm> and <http://www.imf.org/external/np/hipc/2002/track/032202.htm>
- March 2003: **Update on Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending:** <http://www.imf.org/external/np/hipc/2003/track/030703.htm> and <http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm>

## II. COVERAGE OF THE INSTITUTIONS TO BE ASSESSED

### A. Involvement of Different Levels of Government

- A. What amount of total government poverty-reducing spending is carried out by subnational levels of government?
- a. Is it 0-10 percent of total?
  - b. Is it 10 percent to 50 percent?
  - c. More than 50 percent?
- B. What amount of expected additional poverty-reducing spending (following receipt of HIPC debt relief) will be executed by subnational levels of government?
- a. Is it 0-20 percent?
  - b. Is it 20 percent to 50 percent?
  - c. More than 50 percent?

*Explanation:* Many developing countries are devolving substantial spending authority to lower levels of government - regions, localities or villages. In cases where much of the poverty-reducing spending is carried out at levels of government other than central government, the quality of financial management system at these levels of government should also be examined. Such an examination should occur when such spending is significant, that is more than 10 percent of total government poverty-reducing spending or where as a matter of policy more than 20 percent of additional poverty-reducing spending will be carried out by other levels of government).<sup>2</sup> Accordingly, the AAP for a country assessed as 'b' or 'c' on either of these criteria should cover practices across all levels of government. In cases where 'a' is the answer for both questions, then the AAP can focus satisfactorily on central government solely.

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<sup>2</sup> See the Bank-Fund 2001 Assessment and Action Plan (AAP) for Bolivia for use of the instrument with subnational government. Where this questionnaire is being applied to a country not receiving HIPC debt relief, Question B is not relevant AAPs are available electronically at the Bank's and Fund's internal websites:

<http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm>

<file://Imfnt1s/depts/fad/databases/hipc/hipchome.htm>

### III. BUDGET FORMULATION

#### *Indicator 1~ Coverage of the budget or fiscal reporting entity*

- *Benchmark 1: Answer A: Fiscal reporting covers the Government Finance Statistics definition of the general government sector, i.e., including central, regional, and local governments, and all government operations, whether funded through the budget or not.*

- Q1. How well does the coverage of fiscal information match the GFS definition of the general government sector?
- a. Very close fit
  - b. Quite close fit
  - c. Considerable differences

*Explanation:* This question seeks information on the comprehensiveness of fiscal information. As such, it is not concerned with whether the legal form of the budget is narrow or wide, but whether coverage of timely fiscal information is adequate.

Some governments choose not to or are unable to report the general government activities of state, regional or local governments in proposed budgets, in-year reporting, or annual financial statements. Given the increasing tendency for poverty-reducing spending to occur at subnational government levels, this can lead to a misstatement of the total poverty-reducing spending effort. Accordingly, sound tracking through time requires spending information on all levels of government, even when this is not the way that the legal form of the budget is executed. This may require establishment of regular reporting by subnational general government, and the consolidation of this information at central government level.

Further, some countries choose not to include in their budgets all aspects of the general government activities carried out by central government. There are further more specific questions about transactions being executed outside the budget in Question 2 (extrabudgetary funds) and Question 4 (donor funding).

A description of the general government sector and its subsectors is provided in the GFS Manual, 2001, pp.10–14.<sup>3</sup> The general government sector excludes public corporations which may carry out quasi-fiscal activities, whose identification and measurement are beyond the scope of this questionnaire. Nonetheless, the country assessment narrative should comment in situations where quasi-fiscal activities may be significant, relative to the size of general government sector, and/or where recent reforms may increase the relative importance of

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<sup>3</sup> IMF, *Government Finance Statistics Manual 2001*.



quasi-fiscal activities, particularly with respect to poverty reducing activities. Such an example would be cases where health providers become public corporations with the ability to retain fees, receive donor grants, borrow, etc.

The judgment about whether the answer should be (a) or (b) will depend on whether there are any substantive discrepancies between the definition detailed in the GFS and the practice in the country. Answer (a) would require an assessment of the following:

- Fiscal information matches the GFS definitions of the general government sector with at least 95% coverage (by value); and.
- All entities associated with poverty reduction, which might be identified in the PRSP, and covered by the GFS definition of general government are included in the fiscal reporting.

For the coverage to be meaningful, the consolidated reporting of fiscal information should be of a reasonable quality and on both an ex-post and an ex-ante basis. To merit an (a) a country should produce both ex-post and ex-ante fiscal reports that accord with the above standard. Ex-post information should also be sourced from routine accounting systems. The country assessment narrative should consider the issue of the timeliness of such reporting.

Answer (c) requires the following:

- Fiscal information matches the GFS definitions of the general government sector with less than 75% coverage (by value) in any year.
- Any major entities or tiers of government associated with poverty reduction and covered by the GFS definition of general government are not included in the fiscal reporting.

***Indicator 2 ~ Degree of spending being funded by inadequately reported extrabudgetary sources***

- *Benchmark 2, Answer A: Government activities are not funded through inadequately reported extrabudgetary sources to a significant degree.*

Q2. To what degree are general government activities funded through inadequately reported extrabudgetary sources?

- a. Not significant (estimate level as a share of total spending)
- b. Significant (estimate level as a share of total spending)
- c. Very significant (estimate level as a share of total spending)

*Explanation:* Fiscal reporting should provide a comprehensive picture of general government revenue, expenditure, and financing. Some governments undertake activities outside the budget, including the following:

- Spending from retained fees or other revenues by ministries through mechanisms, such as revolving funds<sup>4</sup>.
- Extrabudgetary funds.

This question is designed to assess the extent of revenues, expenditures, and financial transactions that are not included in the annual budget law (or equivalent) and/or are inadequately reported in the fiscal information. Where the use of extrabudgetary funds and other off-budget revenues/expenditures play a large role in resource allocation, the ability to track fiscal activity, including poverty-reducing spending, may be compromised. This risk may be mitigated by formal reporting requirements, which can allow the authorities to produce consolidated fiscal information, covering all sources which make up general government activities. This is particularly important for HIPC's, where funds (such as Road and Social Funds) may be off-budget, significant, and considered pro-poor spending and eligible for increased funding as part of the debt relief initiative.

The estimate of unreported extrabudgetary activity should include the proportion of general government spending, which is not included (even for informational purposes) in the annual budget law or consolidated fiscal reports, and also is unreported for in-year budget monitoring or end-of-year fiscal reporting.<sup>5</sup>

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<sup>4</sup> It might be difficult to identify some forms of extra budgetary activities, such as tax expenditures, but where these can be identified but not quantified they should be noted in the assessment narrative with some comment on their possible size and relative importance to poverty reduction.

<sup>5</sup> For example, in the United States, while the Social Security and the Medicare Trust Funds are not funded through the annual budget law, they are included in the President's Budget and other reports for information purposes, providing a more complete picture of general government spending.

Response A is appropriate where extrabudgetary sources are estimated at 3 percent or less of total spending; Response C, is appropriate where extrabudgetary sources are more than 10 percent of total spending. Response B is appropriate for all amounts between 3 percent and 10 percent.

The issue of the inclusion of donor funds in fiscal reports is considered under Indicator 4 and should not be duplicated under this indicator.

**Indicator 3 ~ Reliability of budget as a guide to future**

- *Benchmark 3, Answer B: Budget outturn data are quite close to the original budget.*

Q3.	How would you describe the level and composition of the budget outturn at an administrative or functional level relative to the original budget's appropriations?
a.	Very close
b.	Quite close
c.	Not close

*Explanation:* Where the *level or composition* of the budget outturn regularly varies considerably from the budget, that budget will not be a useful *ex ante* statement of intent. There may be many sources of disturbance to a budget during the year, but the value of the original budget (not including any supplementary budgets) is as a guide to the fiscal path being taken, as a tool for allocating spending consistent with government policy priorities, and as a planning exercise to support optimal resource use. Evidence of systemic problems with the accuracy of the budget include:

- Systematic underbudgeting for certain items of (usually recurrent) spending, leading to approval processes for new spending outside of the regular budget that can result in substantial changes to the budget—either in terms of level or composition.
- Considerable undercollection of revenue relative to the budget's estimates, leading to reduced spending through cash rationing or inflated deficits.

The determination of the appropriate response to this question relies on an empirical assessment of the expenditure outturns against budget at aggregate and subaggregate levels. As budgets are usually adopted and managed on an administrative (vote) basis—and poverty-reducing spending is commonly defined using administrative and economic classification—then the administrative basis is preferred for assessment. However, where the administrative classes are too numerous (e.g., more than 20 primary spending units), or where functional or program classifications are the basis for defining poverty-reducing spending, other bases for assessment should be examined. In countries where functional data are supplied this subaggregate assessment can be at the highest functional level.

In many countries, there is a tendency for systematic underbudgeting of recurrent expenditure. To determine the degree to which there are recurring problems with budget formulation, it may be necessary to assess components of spending—the split between capital and recurrent; and within recurrent between personnel costs and “other recurrent transactions” (ORT). In one country, for instance, in the five years to 1999-2000, total

recurrent expenditure exceeded the budget by about 9.0 percent of GDP.<sup>6</sup> Within categories of ORT spending it may be possible to tell whether overexpenditures occur within a small number of input types—such as internal and external travel. If this is so, then resources are being drained away from the proper objectives identified in program budgets.

The judgment about whether the answer should be (a) or (b) will depend on the empirical assessment of the past three years of budget outturn (care should be taken to ensure that the budget and budget outturns have the same coverage). Answer (a) requires the following:

- No more than two years out of the three years with more aggregate variance than 5 percent of total budgeted expenditure.
- An average of no more than 10 percent variance at vote or functional<sup>7</sup> level in at least two of the three years (excluding interest on debt). The assessment should pay particular attention to expenditures associated with poverty reduction, as commonly identified by the PRSP, while greater variance in non poverty reduction areas may be noted in the assessment narrative.

(If possible, it will be useful to identify whether the same variation exists for domestic- and foreign-financed expenditures, and record this in the AAP report.)

Answer (c) requires the following:

- More than two years out of the past three with aggregate variance of more than 15 percent of total primary outlays.
- An average of at least 20 percent variation at functional level in at least two of the three years (excluding interest on debt). See above for the focus on poverty reduction.

Answer (b) requires performance better than under (c), but less good than (a).

The country assessment narrative should elaborate on cases where specific shocks can be identified as the main cause of the variance between the budget and the budget outturn (this would involve some quantification of the impact of the shock on the budget). The frequency of such shocks, and whether any stabilization or fiscal insurance mechanisms exist to deal with such shocks should also be noted. However, the impact of the shock should not be ‘netted out’ in the above empirical assessment.

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<sup>6</sup> World Bank, *Malawi Public Expenditures—Issues and Options*, September 2001, Annex 1, p. 66.

<sup>7</sup> Excluding debt, there are 13 functional categories for 1986 GFS and 10 categories for 2001 GFS.

**Indicator 4 ~ Inclusion of donor funds**

- *Benchmark 4, Answer A: Budgets and/or fiscal reports at all levels of government include, without exception, grants projected to be provided by donors, and the capital and current expenditure of all multilateral and bilaterals on government activities.*

Q4.	Are donor funds included in central, state and local governments' budget(s) and/or fiscal reports?
a.	All
b.	Incomplete
c.	None

*Explanation:* Countries have different practices, rules and regulations for controlling and accounting for funds provided by donors and these should be clearly explained in the narrative. In cases where donor funding is not included in the budget and/or other fiscal reports, it is impossible to track all government resources allocated to poverty-reducing purposes. This requires consideration of the following:

- Whether both capital and current donor funds are included *ex ante* in central, state and local governments' budgets.
- Whether the coverage of grants, loans, and foreign-financed expenditures included in the original budget presentation are the same as those included in outturn data, and the baseline spending for current and previous years is also included.<sup>8</sup> If there is a timing discrepancy between the approval of donor funds and the recipients budget, any prospective flow of funds should be formally incorporated into the budget. e.g. through a supplementary appropriation, when confirmation of the approval of donor funds is received.
- Whether donor data are provided in a timely way, i.e. no slower than the data provided for the rest of the general government sector.
- Where countries receive substantial in-kind assistance, whether this is also included in the budget presented to the public and captured in fiscal data.

The response to this question is likely to require discussion with donors and line ministries, and perhaps the central bank, for clarity on the amount of donor-funded activity, which is not

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<sup>8</sup> For example, in Uganda's Poverty Action Fund, activities or programs are added or removed from time to time. When a change occurs, the baseline of spending for that activity or program is also adjusted, so that additionality can be clearly illustrated.

being included in the original budget and budget outturn data. Meeting the benchmark requires *full ex ante and timely ex post reporting of all donor-funded activities*.

***Indicator 5 ~ Classification***

- *Benchmark 5, Answer B: Budget expenditures are classified on an administrative, economic, and detailed functional or programmatic basis.*

- Q5. Which of the following best describe the types of classification that apply to the budget and budget expenditures?
- a. Administrative, economic, functional, and programmatic
  - b. Administrative, economic, and functional (to subfunctional level) or Administrative, economic, and programmatic
  - c. Other

*Explanation:* A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional, and program. Where standard international classification practices are applied, then the tracking of poverty-reducing and other spending can be facilitated. However, many countries apply only partial and/or not internationally recognized classification systems.

In particular, an assessment of the classification system requires consideration of the following:

- Whether classification on the basis of function involves coding individual transactions, or whether it is based on amalgamating certain (usually administrative) subitems and items of the national classification system used for budget presentation.
- The level of detail to which functional classification applies, including its relationship to any program classification.

Under the UN-supported Classification of Functions of Government (COFOG), which is the functional classification applied in GFS, there are ten main functions at the highest level and 69 subfunctions at the second level. In cases where functional classification relies on coding to the second-level subfunctional categories, this provides sufficient delineation of activities to register whether or not they are broadly poverty reducing. In some countries, this level of functional classification may broadly correspond to the number of programs being used—for this reason, either a programmatic classification or subfunctional classification to this level is considered sufficient for meeting the benchmark. While there is no standard programmatic classification, the main issue to assess is whether the classification base used generates suitably reliable and delineated data, equivalent to the subfunctional classification applied in GFS.



***Indicator 6 ~ Identification of poverty-reducing spending***

- *Benchmark 6, Answer A: Poverty-reducing expenditures are clearly identified.*

- Q6. What is the principal means for tracking poverty-reducing spending?
- Use of the existing budgetary or treasury accounting classification system (either pre-existing or through the use of a so-called “virtual poverty fund”)
  - Use of a separate institution (“an actual poverty fund”)
  - Other—describe

*Explanation:* The ability to identify poverty-reducing spending clearly is the *sine-qua-non* of receiving HIPC debt relief and is an important element of implementing PRSP objectives through the budget and for reallocating resources. Such tagging relies on public documentation of the budget items considered poverty reducing, given the PRSP. Beyond debt relief, a good classification system, clear identification of government policy priorities in resource allocation, and the ability to track whether these funding patterns occurred, are essential to sound PEM.

The preferred approach to tagging involves the use of an existing classification system that complies with international standards—where poverty reducing spending, as defined in the PRSP, is explicitly linked to the budget classification. In addition to this, *tracking* will require the identification of a base year, prior to the start of the debt relief, consistent with the classification schematic.

Where comprehensive classification systems are not in place, some countries are tagging specific appropriations in their budget as poverty reducing—this has been named a “virtual fund” because it involves no separate institutional, governance, or execution devices from those used generally in budget management. Such “virtual funds” reduce the problems for tracking created by a lack of a comprehensive and robust functional or programmatic classification, and do not create the further problems often associated with separate institutional structures. Generally, they have involved the application of a special poverty-reducing code within a consolidated and reliably depicted line item budget. Establishing special tracking mechanisms for expenditures financed from HIPC resources only (answer “c”) does not meet the benchmark, as these mechanisms fail to provide sufficient information about the total poverty-reducing effort.

The use of institutional poverty funds is generally considered to be poor practice, as it reflects considerable weaknesses in current classification and recording, and leads to fragmentation in the budget process.

The Uganda Poverty Action Fund is a typical virtual fund—it pools all sources of revenue funding from the subset of pro-poor programs, including funds made available from donors and through debt relief. A description of how this Fund works can be found at

<http://poverty.worldbank.org/files/Uganda%20IPRSP.pdf>. A brief description of PAF's operation can be found at <http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm>.

***Indicator 7 ~ Integration of medium-term forecasts***

- *Benchmark 7, Answer A: Multi-year expenditure projections are integrated into the budget formulation process*

- Q7. How would you describe the application of the out-year estimates (medium term) for spending?
- a. Integrated into the budget formulation cycle
  - b. Projections exist, but are not integrated into the budget formulation cycle
  - c. Projections exist only for a few selected sectors, or not at all

*Explanation:* There are various practices concerning the use of medium-term forecasts. For tracking poverty-reducing expenditures, the ease with which the additional spending effort can be identified will depend on the following:

- Whether there exists a multiyear forecast of the ongoing costs of current policies on a sufficiently detailed basis, to allow for the separation of pre- and post-debt relief spending baselines.
- Whether there is a formalized medium-term spending plan that allows a comparison of the pre- and post-relief pattern of poverty-reducing expenditures over time (though not a test of genuine additionality).
- Whether these out-year estimates appear to be reliable.

The best information is provided by a multiyear forecast of the costs of unchanged policy. In some cases, this is adapted through an MTEF, or similar rolling annual exercise to include the out-year effects of some proposed policy change. In such cases, a judgment needs to be made not just about the existence of such exercises, but also about the rigor with which they have been compiled. Medium-term projections, which are endorsed by cabinet or other form of relevant executive or legislative authority, which provide the starting point for the annual budget process, and which are of high quality, would merit the assignment of the benchmark level at “a.”

Assessment requires an understanding and inspection of the core documents in the budget formulation process, such as the “call circular.” This assessment needs to be made whether or not a PRSP with medium-term forecasts exists. At the starting point of a new budget cycle, the narrative should refer directly to the preexisting medium-term forecasts. In several countries, out-year estimates appear to be only thinly related to the existing policy base, or specific estimates change through time with little obvious substantive reason.

#### IV. BUDGET EXECUTION

##### *Indicator 8 ~ Evidence of budget execution problems – Arrears*

- *Benchmark 8, Answer A: Small stock of expenditure arrears, with little accumulation of arrears over the previous year*

Q8.	What do you estimate as the level of the stock of expenditure arrears at the end of the last financial year?
a.	Very few or none
b.	Some (up to 5 percent of total expenditure)
c.	Significant amount (more than 5 percent of total expenditure) and/or no information on arrears is available

*Explanation:* Countries use different internal control procedures to limit actual spending to what is authorized in the budget. French heritage countries tend to use visa approvals, while British heritage countries tend to use warrants at various levels of detail. These procedures are of uneven quality. Indications of the effectiveness of these different measures include the following:

- Whether payment arrears are endemic.
- Whether the budget is amended substantively (and repeatedly, year after year) through supplementary budgets or cash rationing.
- Whether control has deteriorated to such a level that nonstandard forms of financing such as promissory notes have been employed.
- Whether commitments are monitored and controlled.

All countries should attempt to meet obligations as they fall due, otherwise they become a form of nontransparent financing. In a cash-rationed system, the monitoring of arrears and management of commitments tends to require constant vigilance. Management information should be available at the Ministry of Finance concerning the stock of arrears, the monthly movements in arrears, and the level of commitments.

If cash rationing is a feature of the control system, the decisions made about which activities should receive cash and which should not, become a very important part of the resource allocation system. Assessors should reflect on whether there is a means to protect higher priority spending, such as poverty-reducing expenditures. Certain types of spending, such as health services, can experience severe deteriorations in service delivery from late or no payment of invoices.

For the purpose of this assessment, arrears are defined as expenditures that have been incurred by government, but not paid within 30 days of receipt of the good or service or invoice (whichever is later). Accepted business practice may differ between countries, and local law may specify a specific time period. In such cases, local legal codes should be respected, and the actual definition noted in the AAP. This is not the same as a common (i.e. non-codified) precedent of late payments and situations where penalty charges or interest is incurred due to late or delayed releases (even if this has become a normal occurrence) should be considered in arrears from the time the additional cost is incurred. However, 30 days is the generally accepted timeframe. They represent government liabilities that have not been honored within the appropriate timeframe.

Arrears are not the same as outstanding commitments, obligations or encumbrances. Encumbrances represent a reservation of spending authority by operating units, prior to actually incurring any expense, and as such provide a tool for program managers to avoid over-spending. Commitments or obligations generally represent the contracting for an expenditure (e.g., signing a contract to purchase), but the goods or services may or may not have been received. An actual government financial liability is incurred after the goods or services have been received—economic value has been transferred to the government. It is from this point that one begins to measure liabilities. Where invoices are delivered to government at the same time of receipt of the good or service, the calculation of arrears as liabilities older than 30 days should be straightforward. In some cases, vendors may invoice after providing the good or service, and this date should be the starting point for calculating arrears.

Governments (typically the Treasury) should regularly produce tables showing the age profile of payables. Typically, these tables will show government payments 30, 60, 90, and greater than 90 days overdue. This can be the basis for assessing the amount of arrears, as long as there is reasonable confidence that the information is relatively complete. Some caution is required in the definitions used to produce the table. In countries using *ex ante* visa controls, it is not uncommon for governments not to recognize an arrear or liability until after the invoice has been independently verified by the controller. This added visa requirement can be used to under-report arrears—if cash flow is short, the controller may simply stop verifying invoices. Accordingly, tables based on length of time expiring from receipt of invoice are generally preferable.

Certain subcategories of expenditure will be considered an arrear at less than 30 days. For example, failure to meet a scheduled payroll payment produces an immediate arrear. Similarly, failure to make a scheduled domestic or foreign debt payment or scheduled transfer payment is also considered an arrear immediately.

If possible, the narrative should comment on the composition of arrears—particularly between foreign and domestic arrears, current wages, payments to pension or other insurance funds etc.— as well as duration of the age profile i.e. the split between long-standing and short-term arrears.

***Indicator 9 ~ Effectiveness of the internal control system***

- *Benchmark 9, Answer A: Internal control is effective.*

Q9. How would you describe the internal control system?

- a. Effective
- b. Partial
- c. None

*Explanation:* Internal control, sometimes called compliance management control, comprises a series of procedures and arrangements designed to minimize the risk of fraud, waste, and abuse, as well as provide reasonable assurance that management objectives are being achieved and policy direction is being followed. Robust systems of internal control are vital for ensuring that resources are directed to where the authorities want them to go, in respecting rules and procedures, in assuring the accuracy of records and reports, as well as of established policy priorities. There are numerous components to a properly functioning system of internal control, including:

- The control environment,<sup>9</sup> which broadly reflects the values of the organizations of government.
- Control activities, such as those reflected in the policies and procedures manuals produced by central control agencies in centralized systems and in spending units in decentralized systems.
- Information produced from the accounting system.
- Monitoring of the performance of control systems.

Countries with different public expenditure system heritages will organize these internal controls differently. Anglophone-tradition systems tend to rely on internal controls imbedded in management practices, with a robust internal audit office (either central or within each major ministry) to check on the functioning of internal controls ex post. Francophone-tradition countries tend to be organized differently, using central ex ante reviews of documents. This ex ante visa system is, effectively, the primary internal control mechanism. In some Francophone systems, the internal control may also go beyond checking documents for accuracy to monitor overall system performance, looking behind the documents to assure that the underlying contracting and financial systems are operating properly.

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<sup>9</sup> Generally, whether members of an organization respect the rules and procedures of the organization, understanding their importance and abiding by them, or whether rules are seen as hindrances and to be undermined or only nominally complied with.

It is not possible to check all aspects of the internal control system, but assessments should focus specifically on the quality of the internal audit system because effective internal audit provides a vital check on the robustness of the components of internal control. In particular, the assessments should look for clear signs of the influence being exercised by the operation of internal audit. Such influence requires the regular preparation of internal audit reports, the review of them by managers, and evidence that they have been acted upon.

Typical internal audit review should provide an independent stream of advice about the following:

- Whether the system of internal control and degree of compliance with its related procedures are sufficient to provide reasonable assurance that material errors and irregularities will be detected.
- Whether established plans, procedures, laws and regulations are being complied with.
- Whether assets (liquid and fixed) are being adequately protected.
- Whether financial and operation reports to management or cabinet are factual and reliable.
- Whether resources are being used economically and efficiently.

An effective internal audit function as required for the achievement of the benchmark (answer 'a') will be one where:

- Officers responsible for internal audit or control know system-wide error rates from their review of financial documents and transactions, and monitor this over time (this information should be requested for the past three years), both in aggregate and by administrative unit.
- Material error rates in routine financial documents are 5 percent or less.
- The control/audit office shifts resources internally to focus more attention on administrative units with higher-than-normal error rates or that pose a known risk for mismanagement of resources.
- In the course of normal review, the office regularly reviews compliance with past recommendations, and can readily provide summaries of outstanding recommendations and correction rates.

- Where significant cases of fraud or abuse have been detected by the system in recent years, and remedial action has been taken to correct systemic weaknesses, and those responsible have been subject to disciplinary action in accordance with local law.
- The country's Supreme Audit Institution (SAI) makes use of the work of the internal control/audit office to conduct its audits, and errors detected by the SAI generally do not involve the internal control/audit, or have previously been identified by the internal control/audit and documented action has been taken by the internal office.

It may be instructive to obtain several anecdotal stories of action taken, and follow up with the spending ministries involved to assess independently whether these cases are accurately described by the internal control/audit office.

A partial rating is warranted where the above conditions generally are not met, or where the coverage of the internal control system does not extend to all large administrative units and most smaller units.



**Indicator 10 ~ Tracking surveys are in use**

- *Benchmark 10, Answer B: Tracking surveys are used, where necessary, to supplement internal control, but may not yet be a regular feature of the PEM system.*

- Q10. Is internal control supplemented by public expenditure tracking surveys (PETSs) that follow funds to the ultimate service provider or beneficiary?
- a. Yes, PETSs are a regular feature of the PEM system, or PETSs are no longer required as the PEM system itself can reliably track resource transfers through to service delivery units and through them to the final uses
  - b. Yes, PETSs have been trialed, and are in the process of becoming a regular feature of the PEM system, or an alternative PEM system that can reliably track resource transfers (as defined in ‘a’) is being put in place
  - c. No, tracking surveys have not been used or have been used and are no longer to be used, and the underlying PEM system cannot reliably track spending

*Explanation:* In recent years, the World Bank has championed the use of public expenditure tracking surveys which seek to estimate the amount of public money that is actually delivered through the budget system to front-line service delivery units, including decentralized or deconcentrated spending entities. These surveys provide a double check on the quality of internal control systems and are more sharply focused than regular external audits. The results so far from the PETSs conducted in greenfield environments suggest that the majority of public money does not reach its formally intended destination, but instead “leaks” to public intermediary administrative costs or private interests *en route*.

Assessment on this issue requires an examination of recently completed PETSs, and if necessary, a review of the terms of reference for any PETS which has been started but not yet completed. Given the relative recent introduction of PETSs as a check on the quality of control systems, the benchmark requires a ‘b’ rather than an ‘a.’

Underlying this question is the assumption that internal control and internal audit systems are not functioning well. ***If such systems are well functioning, then PETSs need not be a regular feature of the system, and an ‘a’ is warranted.*** However, for HIPC countries the onus is on the country to make the case that PETSs are no longer needed. PETSs can still be useful tools to assess the general effectiveness of internal controls and internal audit.

Where countries have undertaken PETSs, either with the support of an external partner or on their own, a copy of the survey should be obtained for this assessment, and be reviewed, and used as input into assessing the PEM system. Poor-quality surveys would warrant a ‘b’. The PETS report may also shed light on the appropriate assessment for Indicator 9.

**Indicator 11 ~ Quality of fiscal information**

- *Benchmark 11, Answer A: Satisfactory reconciliation of fiscal and banking records is undertaken routinely.*

- Q11. Is there regular reconciliation of all government bank accounts (those held in the central bank and the commercial banks) with the government's accounting records?
- a. It occurs satisfactorily in a timely and routine way
  - b. It occurs satisfactorily, but not in a timely way
  - c. It does not occur satisfactorily.

*Explanation:* Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants—this is an important part of internal control and a foundation for good-quality information for management and for external reports. One very important process of checking involves reconciliation between accounting information and banking information related to the same transactions. The actual practice of reconciliation will depend on the nature and number of bank accounts. Properly routinized reconciliation should see regular comparison (daily, weekly or, at worst, monthly) between each bank account and the corresponding accounting records (recorded in the general ledger or cash books). If reconciliation is practiced comprehensively and properly, higher-level reconciliation of the fiscal sector with data from the banking sector should prove straightforward.

Assessment for this indicator requires examination of some typical reconciliation reports. A number of such reports should be examined, for both revenue and expenditure accounts. This is especially important in countries maintaining a multiplicity of accounts, to see whether divergent records are kept of the same sets of transactions and if these divergent records are satisfactorily adjusted by subsequent work to determine and explain their source. Reconciliation which leaves unexplained differences between banking and accounting records is not satisfactory. Reconciliation which occurs less often than monthly is not sufficiently timely. Further evidence of poor-quality reconciliation may come from a large “statistical discrepancy” in monthly fiscal reporting. One particular source of discrepancy may be different coverage of the government sector in fiscal management from that captured in the monetary survey.

To merit an ‘a’ rating, reconciliation should occur no less frequently than monthly.

(Note that if reconciliation is done well and routinely, the end-of-year closing of accounts for the fiscal year can occur more easily and expeditiously.)

## V. BUDGET REPORTING

### *Indicator 12 ~ Regularity of timely internal fiscal reporting*

- *Benchmark 12, Answer B: Internal budget reports are received within four weeks of the end of the relevant period.*

Q12. When are budget-tracking reports from line ministries, other spending units and the treasury received by the central financial authority?

- a. They are received within two weeks of the end of the relevant period
- b. They are received between two weeks and four weeks of the relevant period
- c. They are received more than four weeks after the end of the relevant period

*Explanation:* The ability to “bring-in” the budget relies on the ministry of finance being supplied with timely and sufficiently regular information from the spending units so that (if necessary) new actions can be planned and taken to get the budget back on-track. Such information is also needed by the spending units for managing the affairs for which they are held accountable. In countries with centralized treasuries and where good-quality integrated financial management systems operate, the provision of such reports should be straightforward. Even where treasuries are decentralized and systems are manual, financial reports from the spending units, detailing actual expenditure, should be received by the ministry of finance within one month of the month to which the reports refer. Better quality internal management reports should also have some commitment information submitted.

Assessment will require consideration of the actual practice of monthly report lodging as opposed to the stated policy or regulation. Ministries of finance should keep records of the date that monthly reports were received—countries should be given the relevant grade when at least 90 percent of spending units comply with the timeliness criteria, covering 90% of line ministry spending by value. Assessors should seek some examples of the returns submitted, and they should also ask whether data from the reports are re-entered centrally to compile higher-level fiscal reports. Such re-entering, while necessary in some countries, is a poor practice which introduces new risks of error. The country assessment narrative may also be used to highlight any systemic problems, such as delays in reporting by particular spending units, such as decentralized units or those with particular poverty reduction responsibilities.

***Indicator 13 ~ Regular fiscal reports track poverty reducing spending***

- *Benchmark 13, Answer A: Good-quality classification of poverty reducing spending is reflected in the in-year budget reports*

Q13. What in-year reports are published for tracking budget expenditure by function?

- Good-quality functional classification or virtual poverty fund is presented
- Functional or virtual poverty fund presentation is made in the in-year reports, but there are quality concerns with its compilation
- There is no routine expenditure tracking on a functional basis

*Explanation:* Functional classification is necessary for making broad assessments of the extent to which the overall government spending program is pro-poor. In systems using a virtual poverty fund, or where the current expenditure system is robust and allows tracking of poverty-reducing spending, detailed information, equivalent to that produced by a more complete functional classification, should be easily and reliably produced on a regular basis.

Alignment between the chart of accounts used to code actual payment transactions and the classification system related to function in the budget should allow good-quality information to be presented. In a properly developed program budgeting system, if ministries provide their detailed quarterly reports broken down to at least program level, they are providing sufficient information required for a functional presentation (monthly reports are preferable and any discrepancy from this should be noted in the narrative). When functional reporting relies on high-level bridge tables, the information reported is more likely to suffer from quality problems.

While the preference is for monthly budget reports to be made public, this is not necessary to meet the benchmark answer.

***Indicator 14 ~Transactions are recorded in the accounts in a timely fashion***

- *Benchmark 14, Answer A: Routine transactions are entered into the main accounting system(s) within two months after the end of the fiscal year*

- Q14. What is the longest period between the end of the fiscal year and the routine booking of transactions ?
- a. Within two months
  - b. Between two months and six months
  - c. Other

*Explanation:* The accounting books should be closed at the end of the year. In some cases, it may make sense for them to be left open for a very short period to allow for booking of transactions that clearly occurred within the year. In Francophone countries there is often a relatively long complementary period for closing the accounts, as this allows actual payments to be made on payment orders issued within the year. However, the temptation can be for books to remain open or complementary periods to be extended to allow the full budget authority to be used up or for receipts to be “window-dressed.” In noncomputerized systems, this can be especially tempting, as information takes some time to move from line ministries and banks to the center. Under a properly functioning manual system, the period to allow routine entries (excluding non-routine accounting and audit adjustments) should be brief—certainly no longer than two months. In a computerized system, the period should be far shorter still, as much of the routine reconciliation is already done by the system.

The benchmark allows for achievement of a minimum condition, which should apply for well-functioning manual systems and for all functioning computerized systems. In Francophone-heritage systems, the complementary period is taken to be the minimum time allowable for routine booking of transactions—accordingly, to merit an ‘a’ will mean that the complementary period is no longer than two months.

***Indicator 15 ~ Timeliness of audited financial information***

- *Benchmark 15, Answer B: An audited record of the financial outturn should be presented to the legislature within twelve months of the end of the fiscal year*

Q15. How soon after the end of the relevant year is the audit report on the annual accounts (either short form audit report accompanying the final accounts or as part of *loi de reglement*) presented to the public and/or the legislature?

- Within six months
- Between six months and one year
- Other

*Explanation:* Substantial lags in the publication of final audited accounts reduce their relevance and marginalize the discipline that auditing should bring to record keeping and reporting, and reduce the effectiveness of spending unit accountability for financial results. Delays can come from at least three sources:

- Accounts may not be closed at year end, allowing new entries to be recorded for the prior year.
- The process of checking, reconciling, and compiling the final accounts in preparation for auditing may be delayed because of insufficient accounting resources.
- The audit office or court may have insufficient resources to form a timely judgment on the truth and fairness of the accounts.

In Francophone systems the *loi de reglement* can only be presented to parliament once the *Cour des comptes* has certified that the *comptes des gestion* and *comptes administratifs* are fully compatible. Occasionally the *loi de reglement* may be adopted without verification of the *Cour des comptes* – in assessing performance against the benchmark consideration should be given to the reasons for this and whether the uncertified accounts may still be deemed sufficiently robust.

It is a second-order issue as to whether the accounts are formally presented to the legislature or just generally made available.

## VI. NEW INDICATOR

### *Indicator 16 ~ Efficiency and effectiveness of the public procurement system*

- *Benchmark 16, Answer A: The procurement system promotes efficiency and effectiveness in the expenditure of public funds through clear and enforceable rules that promote competition, transparency and value for money.*

Q16. To what degree does the public procurement system provide for efficient and effective use of public funds?

- a. The public procurement system is based on clear, consistent rules that promote competition and value for money, and within a governance environment with sufficient controls to provide for enforcement and accountability.
- b. The system, while promoting competition and value for money, operates in a weak governance environment that lacks effective controls, does not enforce rules, has poor accountability structures and fails to measure and report on procurement performance.
- c. The procurement system has unclear rules and weak enforcement, enabling inefficient use of public funds and contributing to a lack of transparency and accountability.

*Explanation:* A significant portion of public funds is expended through the public procurement system for the purchase of goods, works or services. A well functioning procurement system ensures that such funds are used properly and efficiently, that the majority of public contracts are subjected to an appropriate level of competition, that they deliver value for money and minimize the opportunities for fraud, corruption and waste. Generally, a well functioning procurement system is characterized by the following: (i) a clear and comprehensive set of rules that promote transparency and competition; (ii) clear accountabilities for decision making and well kept records; (iii) well trained procurement professionals; (iv) mechanisms for enforcement of the rules including a process by which bidders' complaints can be heard and settled; and (v) regular internal and external auditing of spending institutions. In recent years, the World Bank has championed the carrying out of Country Procurement Assessment Reports (CPARs) which constitute a thorough analysis of the entire public procurement sector and is carried out jointly with the government and interested donors.

Assessment of this indicator should begin with an examination of any recent CPAR which should provide an appraisal of the risks inherent in the procurement system under review. Where necessary (e.g., where the CPAR analysis may not achieve the level of specificity that may be needed to provide a sharp picture of the real risks), this could be supplemented by more focused analysis and tracking of a number of large and medium transactions. Such findings could then be used to provide a judgment on the extent to which leakage of public

funds may be occurring including through inefficiency and corruption. This should enable agreement on the number of measures that may be needed to minimize such risks.

Other elements that can point to the performance of the procurement system include:

- The percentage of public contracts which are awarded by open competitive bidding, both on the basis of numbers of contracts and on the basis of value;
- The proportion of contracts awarded using 'exceptional' or 'emergency' procedures that may undermine transparency and competition;
- The timeliness of public procurement procedures, including the extent to which public contracts are awarded and performed in time to facilitate the efficient implementation of projects and the efficient delivery of public services;
- The value for money achieved by the public sector, which may be measured by a comparison of prices paid by public-sector purchasers with general market prices and/or the level of prices paid against targets set by government for each spending institution;
- Regular publication of information on contracts awarded by public-sector purchasers, including contract prices and the identity of the bidder to whom the contract is awarded;
- As a measure of efficiency of implementation of public contracts, determining if the majority of contracts are completed within the contracted time for completion and within the original contract price.



## VII. HIPC AAP PROCESS GUIDANCE FOR REASSESSMENT CYCLE 2003-2004

**The HIPC AAP process provides an opportunity to consolidate PEM diagnostics work in HIPCs.** It supports a comprehensive (holistic) look at PEM system performance, and lays-out a coherent plan of reform and improvement. The preparation of the AAP also may provide an opportunity to help the government develop a strategy of reform and agree on a program of further diagnostic work that can be programmed over the next several years. The process for the assessment should be country-led: the assessment is first conducted by the government and then discussed with others. Indeed, Bank-Fund-donor involvement in the process can become direct capacity-building where these institutions are supporting the government in developing strategies and actions.

### Background

**A good PEM system provides the government with tools to manage its affairs.** The overarching objective is to build a PEM system for the country that enables the government to manage its public resources well and achieve national objectives, including those set out in their PRSP, wherever available. It is not sufficient to simply get the policies right — the institutions and systems that execute those policies need to be robust enough to ensure implementation.

The AAP is intended to:

- assess public expenditure management systems against a high-level set of *de minimus* performance indicators
- summarize the results of the assessment
- prepare a revised action plan summarizing actions already underway and planned for strengthening PEM systems, with an emphasis on those reforms designed to strengthen performance relative to the indicators and in relation to the PRSP and
- summarize donor activity with reference to the action plans, and whether additional donor assistance is required to fulfill the action plans.

**This is the second round of the AAP process.** Through comparison with the previous assessment (for countries where they exist), it will start to provide a dynamic view of progress in PEM reform amongst HIPCs. The revised Action Plans should therefore take account of the lessons learned from previous initiatives to reform PEM systems.

**The aim is to support the development and recording of a government-led reform program.** The AAP should serve as a vehicle for aligning the work of the Bank, IMF, government, and other donors behind a common assessment, strategy and action plan, which is currently deemed best practice. The AAP should be viewed as a comprehensive assessment rather than a mere update of the last assessment.

## Approach

**The process for undertaking the assessment requires coordination, and is a collaborative effort principally between the Government, the Bank and the Fund.** At a minimum, the AAP requires agreement between the Bank, Fund, and Government on:

- Mission schedule (timing, duration, participation)
- Mission process (lead and team composition, modalities of government participation, form of donor consultation)
- Performance against the indicators (Table 1) and previous Action Plan (Table 3)
- A revised action plan to correct the identified weaknesses in PEM (Table 4). The Action Plan should be prioritized and time-bound, based on key weaknesses identified through the assessment process and government objectives as laid out in the PRSP. This should also take account of all relevant donor and technical Assistance (TA) delivery (Table 2)
- The written AAP narrative, summarizing the findings and highlighting specific issues
- The strategy for PEM work at present and in future, including identification of additional diagnostic needs
- Table of donor activity in PEM areas (Table 2) and identification of actions requiring donor assistance, where such assistance currently does not exist
- Agreement to publish the AAP once finalized, which is a new feature of the this AAP round.

The process should include:

- Assessment initiation. The designated lead institution for the AAP, (the Bank or the Fund) should jointly send a letter to authorities informing them of this work, with a copy of the prior AAP and action plan implementation update. For the Fund, this letter should be over the signature of the Director of FAD. For the Bank, it should be at the discretion of the mission chief. A copy of the new guidance should also be sent, with a request that the Government undertake the assessment themselves, and complete it by a specific date. The letter, or a follow-up letter, could propose a date for the mission, and mission duration. The proposed mission date should be after the Government has had a reasonable opportunity to complete the assessment, such that the mission would seek to hold a dialogue with government based on the self-assessment. The mission team, in consultation with the government and area departments, should jointly identify the most appropriate form of consultation with relevant donor(s).
- Assessment review. For consistency in approach and quality assurance, mission teams are encouraged to present at a debriefing meeting their main findings and to share comments and lessons learnt with members of the PREM public sector group and IMF FAD on return from mission. A draft of the AAP should subsequently be shared for review and comment, at least including: PREM public sector group; IMF FAD designated reviewer; IMF Area Department; and, where appropriate, relevant donors

for the country. Finalization of the AAP must await approval by the Bank and Fund reviewers.

- Assessment clearance. A joint WB-IMF letter seeking final review and clearance of the assessment and action plan should be sent to the Government, with a copy of the assessment attached. The request for clearance should include a specific request for agreement to publish the results. Clearance can be on a lapse of time (no objection) basis, but ideally would be a formal letter from the government approving or agreeing to the assessment.

## VIII. FURTHER DETAILS AND CONTACT PEOPLE

### **At the Fund**

The HIPC AAP exercise is being coordinated through FAD. The main administrative contact is Ms. Nataly Sabharwal ([nsabharwal@imf.org](mailto:nsabharwal@imf.org)). Additional substantive guidance can be obtained from sending an email to [FADPEMAAP@imf.org](mailto:FADPEMAAP@imf.org).

### **At the Bank**

The HIPC AAP exercise is being coordinated through PRMPS. The main administrative contact is Mr. Junghun Cho ([Jcho@worldbank.org](mailto:Jcho@worldbank.org)). Additional substantive guidance can be obtained by sending an email to Bill Dorotinsky ([wdorotinsky@worldbank.org](mailto:wdorotinsky@worldbank.org)).

### **Guidance Updates**

Guidance updates and reference material will be posted to:

<http://www-wbweb.worldbank.org/prem/prmps/expenditure/hipc.htm>

In order to facilitate data entry, the specific country template tables 1-4 are available for download from the Bank and Fund websites, and must be used and submitted for each assessment. These tables will form specific workbooks for each country. ‘Pictures’ of these standard tables are shown in the next section. These ‘pictures’ are not to be used for lodging data.



**Table 2: Overview of Technical and Donor Assistance in Public Expenditure Management in [Country]**

Donor/ Provider	RECENT/ ONGOING assistance by major project		PLANNED assistance by major project	
	Description	Dates	Description	Dates
WORLD BANK				
IMF				
IDB				
EU				
Bilateral 1 [Name]				
Bilateral 2 [Name]				
Others [Names]				

A standardized list of TA donors/providers is included in the spreadsheet version of this table.

Recent activities are those initiated within the last 12 months.

**Table 3**  
**Implementation Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending: [Country]**

#	Actions <sup>1</sup>	Relates to Indicator <sup>2</sup>	Timing (S/M) <sup>3</sup>	Status (FI/II/NS)*	Date Achieved**	Comments***
<b>Actions to strengthen budget formulation</b>						
1						
2						
3						
N						
<b>Actions to strengthen budget execution</b>						
1						
2						
3						
N						
<b>Actions to strengthen financial reporting</b>						
1						
2						
3						
4						
N						
<b>Actions to strengthen public procurement</b>						
1						
2						
N						

<sup>1</sup>Actions reflect the descriptions held by FAD-PREM in the March 2003 Board Paper and should relate to the earlier action plans developed in prior AAPs.

<sup>2</sup>Show to which of the 16 indicators from the AAP the action chiefly relates.

<sup>3</sup>S=Short term action (within 12 months of action); M=medium term action.

\* FI=fully implemented, II=Implementation initiated, NS=Not started (FI in blue reflects status as FI at the time of March 2003 board paper. Mission team should update the status for all other actions)

\*\*Date achieved for FI reflects the action status in the March 2003 Board Paper.

\*\*\* Comments may explain any changes in the nature of proposed actions or changes to the timing of their implementation.

Table 4. Action plan to upgrade PEM capacity in [Country]

	SHORT-TERM MEASURES (Within next 12 months)			MEDIUM-TERM MEASURES (12 months to 3 years)				
	No.*	Action **	Relates to indicator no.	TA Provider***	No.*	Action**	Relates to indicator no.	TA Provider***
<b>FORMULATION</b>								
Comprehensiveness								
Classification								
Projection								
<b>EXECUTION</b>								
Internal Controls								
Reconciliation								
<b>REPORTING</b>								
In-Year Reporting								
Final Audited Accounts								
<b>NEW</b>								
Procurement								

\* Actions should be numbered.

\*\* Actions should describe the process recommended to improve the PEM systems' performance in particular areas, such as the consolidation of government bank accounts into a Treasury single account or the introduction of a GFS compliant accounting system, rather than simply listing individual activities, such as training events, TA missions or the provision of equipment.

\*\*\* A standardized list of TA donors/providers is included in the spreadsheet version of this table