

# **Guyana: Tracking Poverty-Reducing Expenditures**

## **Draft Assessment and Action Plan**

**October 26, 2001 (revised)**

A World Bank mission visited Georgetown from September 24-29, 2001, to prepare a preliminary assessment of Guyana's capacity to track poverty reducing public expenditures and to outline an action plan for upgrading that capacity over the short and medium term. The mission was joined by the World Bank Country Coordinator and by a local IMF staff on secondment from Ministry of Finance (MoF). The initial draft was discussed with Guyanese officials at the conclusion of the mission though not all key parties could be present. It was agreed that Guyanese authorities would provide written comments on the draft subsequent to its revision by Bank and Fund staff in Washington.

The assessment consists primarily of four sections. The first and largest of these is a review of expenditure management according to the 15 benchmarks developed in the HIPC tracking paper prepared for the IMF and World Bank Boards. Second, it examines the recent and ongoing technical assistance (TA) efforts in public expenditure management. Third, it discusses the identification of poverty programs in the budget and the establishment of an expenditure baseline. And fourth, it proposes areas in which future actions may be needed to improve public expenditure management in the short and medium term. Tables 1 through 3 at the end of this document summarize the initial findings and recommendations.

The mission wishes to thank the Guyanese authorities for their excellent preparation for the mission and their dedication to contribute to the assessment.

### **Issues and Benchmarks**

#### ***Budget Formulation***

- *Benchmark: Budget reporting follows GFS definition of consolidated general government.*

The budget document (consisting of both recurrent and capital budgets) presents a consolidated picture of central government. All spending by regional authorities is clearly presented in the budget as part of the overall spending of the central government. These regional expenditures are subject to the same reporting mechanism as central spending agencies. In addition, there are autonomous or semi-autonomous agencies that may receive subsidies from the central government but whose activities and receipts are otherwise not included.

- *Benchmark: Government activities are not funded through extra budgetary or off-budget sources to a significant degree.*

This is generally true although there are some issues of concern. Government operates a single consolidated fund and all receipts are to go through this fund, including revenues that may be earned through fees for public services. (Generally, non-tax revenue is only a small contributor to the budget – about 8% in 2001). It appears that there may be exceptions for certain semi-autonomous agencies (e.g., Georgetown General Hospital), which receive government transfers but are entitled to keep receipts without contributing them to the Consolidated Fund.

Contingent liabilities such as pensions are funded through direct appropriations for payments to current pensioners (i.e., a PAYGO system) ; there are no separate funds held for them.

The Government operates a contingency fund that is off-budget. It is always constituted with an amount equal to 2% of the annual budget, but it does not appear anywhere in the actual budget document and is operated outside of the Consolidated Fund.

There are a few autonomous entities that contribute funds to the central government but not into the Consolidated Fund. These include entities such as the Lottery and GGMC. (For example, a portion of lottery profits would go to the government but in a separate account.) Use of these funds is subject to review by the Auditor General and may appear in his annual report, however, there is otherwise no official public accounting of their use. There are no reliable estimates of the magnitude of these flows, but some suggest they could amount to about 9% of the total non-interest expenditures of the government (or 3% of GDP). Separately, the Auditor General has estimated that there are total balances of about G\$16 billion that reside in off-budget accounts.

- *Benchmark: Budget outturn data are quite close to the original budget.*

Recurrent expenditures of the budget tend to be quite close to the original budget amount. While the social sector in some countries may be more subject to under-spending, in Guyana the actual expenditures tend to fit very closely to the budget. For example, in 2000 estimated expenditures for non-employment portion of the Education Delivery program was within 5% of the initial budget (over rather than under). Likewise, in Primary Health Care Services, there was only about 8% variance. Based on other summary data provided to the mission, the overall picture seems to be similar. This may represent an improvement over some past years; the PER analysis showed the year 1998, for example, as having significant variances overall.

As might be expected with capital projects, the variance between the budget and the actual expenditures is much more substantial. In the case of under-spending, some reasons mentioned were continued difficulties with the Tender Board, including artificially low thresholds. As for overspending, the reasons may be varied, ranging from cost overruns to faster than expected progress on individual projects.

- *Benchmark: Budget includes capital and current expenditure financed by donors.*

The capital budget does include all expected expenditures whether domestically financed or from donors. Moreover, the budget document provides a very clear layout of what proportion of each project's cost is to come from domestic versus donor resources. The budget is also supplemented by project profiles that provide more detailed and descriptive information about each project.

- *Benchmark: Budget is classified on an administrative, economic and functional basis.*

The recurrent budget is essentially classified only on administrative and economic bases – although some ministries have the first stages of a programmatic structure. For each spending agency or region the budget document presents anywhere from one to seven “programs” and the appropriations by detailed economic classification within that. Although the broad programmatic classifications can in some cases serve as a proxy for functional classifications (e.g., with Ministry of Health), for most agencies they tend to reflect a more administrative classification. For example, the Ministry of Local Government and Regional Development has programs such as Main Office, Ministry Administration, and Regional Development. Likewise, for the Ministry of Education the budget provides no distinction between primary, secondary, and tertiary education; instead there is a single category for “education delivery.”

There is a more detailed programmatic structure (with three levels) that is being established with assistance from Canada – and which is published in a separate volume of the budget. In the future this may yield a more meaningful budget classification and one more consistent with GFS. However, currently that structure is primarily for presentation purposes, as it is only used in budget preparation in a few ministries, and is not used by MoF for expenditure reporting.

As for the capital budget, the classification is little more than an administrative one. Under each spending agency or region is a list of projects they are responsible for executing. The actual expenditure reporting provides neither a functional classification nor a programmatic one. Consequently it is difficult to know the totality of expenditures in support of a particular program or function.

Likewise, capital projects in the budget document tend to lack detail by economic classification. Typically, the appropriation is for the project as a whole, and in the rare cases where there are subcategories by object of expenditure, the classifications differ from those used for the recurrent budget. Consequently, it is impossible to summarize capital expenditure by economic classification.

- *Benchmark: Poverty-reducing expenditures are clearly identified in the budget.*

The budget document does not explicitly categorize expenditures as to whether they are poverty reducing or not. However, as part of the enhanced HIPC preparation the government has internally identified specific poverty reducing spending in the budget.

Under the original HIPC the government had identified spending by the ministries of Education, Health, and Housing & Water as poverty reducing, along with a few very specific poverty alleviation programs. For the enhanced HIPC, the government has identified other projects or activities outside these sectors (and created new projects in the existing sectors) that qualify broadly as poverty reducing. For each of these they have indicated the specific budgetary code or chart of accounts code that matches that line item.

Consequently, the government can extract the specific poverty-reducing program data from the general budget and provide a summary report on it – both in terms of budget allocations and actual expenditure.

- *Benchmark: Multi-year expenditure projections are integrated into the budget cycle.*

There are no multi-year expenditure projections that are incorporated into the budget, nor are any projections required of line ministries as an input into the budget preparation process. The only multi-year forecasting is in the context of the IMF program and the aggregate targets that are established.

While there may be individual project documents that forecast the outlays beyond the budget year, these are not aggregated and incorporated formally into the overall budget formulation process. Thus, the capital budget also lacks any indication of future expenditures.

Likewise, future liabilities such as pensions are not forecast in the budget but included only for the budget year.

### ***Budget Execution***

- *Benchmark: Small stock of expenditure arrears, little accumulation of arrears over time.*

Budget Office uses the monthly outturn reports to closely monitor the expenditures and liabilities of each spending authority. Future releases (or warrants) are determined by the content of the monthly outturn report and thus cash needs of the spending authority. Although there are no direct controls over liabilities, the Budget Office verifies that the total expenditures plus the liabilities do not exceed the annual vote. When such excesses are likely to occur the Budget Office will request that funds be vired from other line items within the agencies budget to offset before seeking a supplemental appropriation. The Budget Office also uses the reports to monitor the liabilities to see that they are being cleared.

- *Benchmark: Internal audit is active*

Accounting is decentralized, with each line ministry responsible for managing its own payments. The Permanent Secretaries are responsible for assuring the financial accuracy

of the reports that they submit to MoF on behalf of their agency. Although there are substantial pre-audit procedures in place, there is no effective ex-post control or inspection activity. MoF agree that in principle the Accountant General's department would have an inspection unit that could perform this task within the spending agencies. However, the Accountant General's department has traditionally been plagued by inadequate equipment and facilities, lack of qualified staff, and a lack of institutional support.

In contrast, the Auditor General's office will sometimes use its annual report to comment on the internal control systems within the spending agencies. Among the Auditor's General's concerns have been the inadequate separation of roles in the payment and verification process. The Auditor General has also commented on the cumbersome nature of the payment process noting that there are two dozen accounting entries necessary for funds to go from the Consolidated Fund to the final payment of the beneficiary. The accounting system has reportedly changed little at all since independence and is still strictly based on manual records. Inadequate facilities and procedures for recordkeeping would exacerbate the difficulty of conducting internal audit.

- *Benchmark: Tracking surveys supplement internal control*

There are no public expenditure tracking surveys conducted. However, there are often detailed records maintained by regional authorities that could help facilitate such surveys. For example, within the health and education sectors, purchases are often made centrally by the ministry and then distributed by regional authorities who must keep records on what was released to a particular school or local health facility. These records are supposed to serve as justification to the central ministry, but they could also be used in conjunction with tracking surveys.

- *Benchmark: Fiscal and banking reconciliation is undertaken routinely.*

As noted earlier, Guyana operates a decentralized payment system. Consequently, overall bank reconciliation depends upon the collaboration of spending units. Some central ministries, including the Ministry of Health, may be up to date on reconciliation of fiscal and banking accounts. However, the Auditor General has noted that the vast majority of government accounts – of which there are hundreds – remain un-reconciled. The substantial delays in reconciling accounts is a particular problem among regional authorities.

### ***Budget Reporting***

- *Benchmark: Internal budget reports from line ministries received within four weeks of the end of the relevant period.*

Monthly outturn reports from line ministries are received at MoF within 1-2 weeks of the end of the period. Reports on capital expenditures take about 2-3 weeks from the period

end. These reports are submitted manually according to a prescribed format that matches the budget estimates format (i.e., the same chart of accounts). Upon reception and validation they are entered into a central database at MoF for analysis and reporting.

- *Benchmark: Functional classification is reflected in the in-year budget reports*

MoF does generate in-year budget reports according to its partial program classification structure. However, as previously indicated, that programmatic classification is an inadequate proxy for a functional classification of the budget. Some tracking may occur at a sub-program and activity level within a couple ministries due to the piloting of an “electronic vote book” (an Access database for recording expenditure by program and activity). However, this more detailed tracking is not used consistently by the pilot ministries, and is not used at all by the MoF.

- *Benchmark: Closure of the accounts occurs within two months after the end of the fiscal year.*

Accounts close promptly at the end of the year. However, it is not uncommon for ministries to nevertheless seek to use the prior year’s budget to pay liabilities they incurred during that year. MoF permits this to occur only under very limited conditions.

- *Benchmark: Audited accounts presented to the legislature within 12 months of the end of the fiscal year.*

The Auditor General presents his report on the accounts of the ministries, departments, and regions within 12 months of the end of the budget year. The report represents not only a financial audit but also a review of value-for-money issues.

Unfortunately, the report details extensive weaknesses in financial systems and significant irregularities in the accounts. Although Public Accounts Committee (PAC) has generally accepted the findings in the report and sought a response from Government, no actions have been taken.

The independence of the Auditor General’s office is being enhanced by legislative changes that will permit it to report directly to the PAC and to receive its budget from Parliament. The Office of the Auditor General is also taking steps to enhance the qualifications of its staff.

### **Existing technical assistance reforms**

The primary technical assistance to improve public expenditure management has been the Canadian International Development Agency’s (CIDA) Guyana Economic Management Program (GEMP). During the four-year period that the program has been active, it has resulted in the introduction of elements of program budgeting in four pilot entities. This has included the presentation of budget estimates in a programmatic format, and the

development of a Microsoft Access database for budget formulation and expenditure tracking by program, subprogram, and activity. GEMP has also initiated important diagnostic work into the institutional and legislative changes that may be needed in order to introduce modern government budgeting and accounting practices. They have also pioneered work with other countries in the Caribbean region that can be used to benchmark Guyana against “best practice.”

Some of the success of GEMP has been muted, however. The electronic vote book was intended to be only a temporary tool for budget monitoring and not a substitute for a more integrated and secure financial management information system. Moreover, since the MoF is prevented from using the reports as an official record, spending agencies have still been obligated to maintain the manual ledgers for official record-keeping. Thus, the vote book became a parallel system rather than a replacement.

The Inter-American Development Bank (IDB) has also provided some assistance in the past by developing a communications infrastructure for linking computers between at least a couple of key ministries, such as Education and Finance. IDB’s upcoming public service reform project has envisioned improving the financial management systems at the ministries of Education and Health. However, there has been interest expressed in integrating this with what is already planned under GEMP in order to ensure consistency between MoF and the line ministries.

IDB also envisions strengthening the strategic planning and management capacities of selected ministries. While not directly related to financial management, this would have a complementary impact. Indeed, at each of the major institutions there needs to be better linkages between policy planning and budgeting, the evaluation and monitoring of expenditures, and capacity to attract and retain qualified staff. Certainly some of the strengthening in technical areas of financial management and accounting require an enabling environment to take hold, such as complementary reforms in public service management.

Still, GEMP has been the focal point of the government’s budget reform efforts. During the next twelve months GEMP has three primary agenda items:

- preparing the business case for an integrated financial management system,
- preparing an assessment of legislative changes that are necessary to upgrade financial management practices, and lastly,
- defining an action plan for upgrading the role and capacity of the Accountant General’s Department and the Treasury.

If these steps are completed to the satisfaction of all parties, GEMP would be expected to proceed to an implementation phase.

The steering committee for GEMP has recently reaffirmed its support for this immediate work plan. All parties agree that the financial management information system, legislative changes, and institutional strengthening will take concentrated efforts to prepare for. However, once GEMP succeeds in establishing action plans for the different areas, the government may be able to get other donors on board to assist in the

implementation of the FMIS and the other components of reform. Since CIDA's funding for the follow-on phase is expected to be only about C\$ 15 million, it is very likely that additional funding would be required to implement the action plans.

The changes being studied by GEMP are important because they could potentially offer a roadmap to replace the manual recordkeeping and line item-focused control systems, to introduce more reliable internal control and audit, to establish a legal basis for reform, and to integrate budget tracking with the payment and accounting systems.

### **Identification of Poverty Reducing Expenditures**

Guyana has clearly demonstrated a capacity to report comprehensively on social sector spending under the original HIPC – with data going back to 1997. Moreover, for the enhanced HIPC the government has done an excellent job in identifying other poverty reducing spending in the budget that it can track going forward. Activities have been identified in various sectors, along with the specific budget code for each, and the amount of appropriation.

While there may be margin to debate why some things are in the list and other things are excluded, it is overall a reasonable baseline from which to measure the amount of poverty spending and the additionality of E-HIPC resources. Because of the legacy of the original HIPC relief, the list of poverty reduction activities is divided into two categories. The first category – used for the original HIPC – is comprised of the total budgets for the ministries of Health, Education, and Housing & Water, along with a few specific poverty alleviation programs. (There were also targets agreed to for the composition of spending within those sectors, e.g., to monitor spending maintenance and teaching supplies). The second category – proposed for the enhanced HIPC – identifies more specific projects and some recurrent activities across a wide variety of sectors. While many of these are new projects, some are ongoing projects that would be supplemented by HIPC resources.

The government has attempted to identify the amount they expect to spend in 2001 on each of the activities identified under E-HIPC by the source of funding (e.g., domestic, external, E-HIPC). However, this can only be considered illustrative since the resources are fungible and it will be impossible to distinguish between activities in the overall poverty-reduction list were funded with HIPC versus non-HIPC resources. Still, the government has clearly identified the amounts spent for each activity during 2000 (i.e., before E-HIPC) and the amounts budgeted for 2001. Since the amount of E-HIPC relief for 2001 is given, the additionality should be easy to calculate once data on 2001 actual expenditures becomes available.

As noted previously, poverty-reducing activities have been defined more precisely under E-HIPC than under the original HIPC. Going forward, the government may wish to consider reconciling these two approaches and refining the list of activities included from the social sectors. In other words, there may be components of the Education, Health, and Housing & Water budgets that are clearly more poverty-oriented than others and

these perhaps could be isolated from the rest. The program-based classifications that are in use in the Budget Estimates could provide a partial basis for doing this with the recurrent budget. Ideally, the budget classification system should permit reporting at a sub-program if not an activity level as well. However, reliance upon manual accounting procedures does not permit sub-program monitoring to occur easily at this time.

### **Issues to Be Addressed in the Short and Medium Term**

The mission finds that there is no need for “bridging” mechanisms in order for Guyana to report on the level of poverty spending. Government systems will already permit timely reporting on the programs they have identified as combating poverty. However, in order to improve the broader public expenditure management systems in the medium term, there are a number of actions that will be critical for Guyana to undertake. In fact, without action in these areas it may be difficult to assess accurately the real benefit of public expenditure. Problems in internal control and bank reconciliation can bring into question the reliability of the expenditure data reported by MoF. In addition, outdated budget execution procedures, severe weaknesses in internal audit, an overemphasis on line items, the lack of a regular evaluation processes, and flaws in the procurement process are all things that could contribute to unproductive spending that does not impact on poverty.

The issues listed below are ones that need to be addressed over the medium term in order to enhance reliability of expenditure data generally and to enhance the effectiveness of public expenditures. Although they are primarily actions that require a medium term horizon to achieve, there are indeed preparatory steps that the government should be undertaking in the short-term (over the next one to three years). Several of the activities may be within the scope of the current GEMP technical assistance. However, other donor assistance – yet to be identified – could be needed to complement their work or to assist in other areas. (See Table 3).

- *Reduce the amount of extra-budgetary funds.*

*Short-term:* Reduce the number of special accounts where funds can be held outside the Consolidated Fund.

- *Improve internal audit by enhancing the capacity and rationalizing the role of the Accountant General’s Department, including the accounting units in line ministries and regions.*

*Short-term:* Use GEMP to build internal consensus on what should be the future role and functions of the Accountant General’s Department and the Treasury. This should include redirecting some resources away from pre-audit and a building up of a system of random audits, inspections, and performance review. Determine what legislative changes, executive orders, or financial support would be necessary in order to implement these changes. Develop a detailed action plan. Take some immediate steps to improve

working conditions and enhance job-related training within the Accountant General's Department.

*Medium-term:* Implement the proposed reorganization and begin recruiting staff that are more qualified. Begin implementing a clear internal audit function within line ministries and regions, including issuance of audit reports.

- *Improve the programmatic classification of the budget and ensure integration with the expenditure control and reporting processes.*

*Short-term:* Modify the current budget classification structure so that it reflects a more robust functional/programmatic orientation, and one that is more compatible with GFS. This can probably be accomplished in the context of GEMP, which has already done some work in this area. In addition, the classification used for capital/development projects needs to be reconciled with that used for the recurrent budget. Currently, the two budgets' formats have little in common.

*Medium term:* Ensure that the classifications used for budgeting and accounting are consistent with each other (i.e., as budgeting moves to a more programmatic basis, the accounting must support it). Begin to reorient expenditure control away from the detailed economic classification and toward the program and sub-program classifications (while still continuing to capture data by economic category). MoF could provide greater flexibility to line ministries across detailed economic classifications, and introduce more reporting and control at a sub-program level.

- *Automate expenditure management and accounting and enforce a policy of routine reconciliation of fiscal and bank accounts.*

*Short-term:* Use GEMP in order to reach consensus on user requirements for a financial management information system (FMIS). This would include articulating the justification, the key priorities for such a system among the different users, and the feasibility of maintaining it after initial donor support has subsided. Determine the initial funding sources and the system that will best meet needs of the government. With respect to bank reconciliation, began identifying high priority agencies or regions where assistance with account reconciliation can begin to be targeted.

*Medium-term:* Roll out implementation of the FMIS to a limited number of users across line ministries and regions. With implementation of the new system, accounting units should be able to track expenditures at all levels of the program and activity structure. The system should also provide for tracking of capital expenditures under a consistent classification regime. Ensure that routine reconciliation is conducted of fiscal reports and bank accounts.

- *Incorporate the results of public expenditure tracking surveys and public expenditure reviews into the annual budget process.*

*Short-term:* Pilot an initial expenditure tracking survey to confirm the extent to which resources and services within a given sector reach the intended beneficiaries at the local level. Donor assistance has yet to be identified for help with this.

*Medium-term:* Assign responsibility for future expenditure tracking studies. Begin incorporating output measures and performance reviews formally in the budget preparation process.

- *Implement reforms of the tender process*

*Medium-term:* Implement the outstanding recommendations made for reform of the tendering process, including the readjustment of tender ceilings.

- *Introduce a medium term budgetary framework*

*Short-term:* As an initial step toward implementing a medium term expenditure framework (MTEF), the government should develop a projected resource envelope for the PRSP over a three-year horizon. This is essential in order to link the PRSP to the annual budget process and to form a basis for prioritization of programs within the PRSP – both across sectors and within sectors. The three-year forecast should include an analysis of the current composition of expenditure and the projected composition resulting from the PRSP for the sectors that are covered by the document. (Technical assistance has yet to be identified for this area.)

*Medium-term:* Lessons learned from putting the PRSP into a fiscal/financial framework could be incorporated into development of a full MTEF that includes all public expenditures. This should articulate the relative priorities of the government each year at sector and sub-sector levels. Over the medium term MoF should begin developing policies on how the MTEF would be established, the relative roles of different institutions or ministries in formulating it, and its relationship to the annual budget process.

- *Enhance the public sector accountability structure in order to ensure appropriate follow-up on major findings of the Auditor General, particularly as it concerns irregularities in the use of public resources.*

*Medium term:* Establish a stronger legislative basis to ensure that there are appropriate sanctions for misuse of public funds. Steps already taken to strengthen the autonomy and capacity of the OAG are moves in the right direction. However, there also need to be effective enforcement mechanisms.

**Table 1: GUYANA: TRACKING POVERTY-RELATED SPENDING IN HIPC<sub>s</sub>**

BUDGET MANAGEMENT		Benchmark	ASSESSMENT	
			Desk Assessment	Mission Assessment
Formulation	<b>COMPREHENSIVENESS</b>			
	1. Budget reporting follows GFS definition of consolidated general government.	A	B	A
	2. Government activities are not funded through extrabudgetary sources to a significant degree.	A	A	B
	3. Budget outturn data (levels, functional allocation) are quite close to that of the original budget.	B	B	B
	4. Budget includes capital and current expenditure financed by donors.	A	A	A
	<b>CLASSIFICATION</b>			
	5. Budget classified on an administrative, economic, functional basis.	B	B	C
6. Poverty-related expenditure clearly identified in the budget .	A	A	A	
Formulation	<b>PROJECTION</b>			
	7. Multi-year expenditure projections integrated into the budget cycle .	A	B	B
Execution	<b>INTERNAL CONTROL</b>			
	8. Small stock of expenditure arrears; little accumulation of new arrears over past year.	A	B	A
	9. Internal audit is active.	A	A	B
	10. Tracking surveys supplement internal control.	B	B	C
	<b>RECONCILIATION</b>			
11. Fiscal and banking reconciliation undertaken routinely.	A	C	C	
Reporting	<b>REPORTING</b>			
	12. Internal budget reports from line ministries/Treasury received within four weeks of the end of the relevant period.	B	C	A
	13. Functional classification is reflected in the in-year budget reports.	A	A	B
	<b>FINAL AUDITED ACCOUNTS</b>			
	14. Closure of the accounts occurs within two months after the end of the fiscal year.	A	A	A
15. Audited account presented to the legislature within 12 months of the end of the fiscal year.	B	C	B	

Notes: Shading: Meets benchmark

**Table 2: Guyana: Overview of Technical and Donor Assistance in Public Expenditure Management**

Donor / Provider	RECENT / ONGOING assistance by major project		PLANNED assistance by major project	
	Description	Dates	Description	Dates
World Bank	1. Public Expenditure Review 2. Financial Sector Reform Program – provided some training for staff of Office of Auditor General. 3. Country Procurement Assessment Report	2000 2000-01  1999		
IMF	Resident advisor to Bank of Guyana			
CIDA	Guyana Economic Management Program (GEMP 2) – Reinforcing introduction of program budgeting in pilot ministries; review of legislative framework; business case for financial management information system; diagnostic on strengthening Treasury/Accountant General’s Department.	2001-2002	GEMP 3 – Partial funding for implementation of FMIS; preparation of new budget legislation, expansion of program budgeting.	2002-
IDB	Established local area network (LAN) at 2 pilot ministries.		Public Sector Modernization Program – Focuses on strengthening payroll system, human resource management, and some support for GEMP-led improvement of budget systems in MOH and MOE.	2001-2002
DFID	Technical assistance to improve strategic planning and management information systems at Ministry of Education			

**Table 3. GUYANA: Action Plan to Upgrade the PEM Capacity to Track Poverty-Related Expenditure**

BUDGET		SHORT- TERM MEASURES		MEDIUM-TERM MEASURES	
		Action	TA provider and timing	Action	TA provider and timing
Formulation	<b>Comprehensiveness</b>	Reduce the amounts in extra-budgetary accounts	None needed		
	<b>Classification</b>	Improve programmatic classification to better reflect functional rather than administrative categories.	Can be done via GEMP	Fully integrate the programmatic classification with the accounting and reporting process.	Possibly through GEMP.
		In the 2002 budget document identify the poverty-related expenditures established in 2001.	None needed		
<b>Projections</b>	Establish a projected resource envelope for the sectors covered in the PRSP.	Possibly World Bank	Develop a Medium Term Expenditure Framework (MTEF)	TBD	
Execution	<b>Internal Controls</b>	Develop user requirements for a financial management information system (FMIS)	GEMP	Implement FMIS	Possibly GEMP, IDB, others TBD.
		Develop an action plan for strengthening capacity and reorganizing Accountant General's Department to focus on ex-post audit.	GEMP	Conduct public expenditure tracking surveys (PETS)	TBD
	<b>Reconciliation</b>	Reduce the tardiness in account reconciliation at key ministries.	TBD	Implement internal audit procedures that focus more on system audits, inspection, random checks. Recruit better trained staff.	TBD
Reporting	<b>Reporting</b>			Enforce a policy of routine reconciliation of fiscal and banking data.	TBD
	<b>Final Audited Accounts</b>			Establish reporting by sub-programs to better reflect functional rather than administrative use of expenditures.	TBD
				Ensure appropriate follow-up on findings of irregularities in Auditor General's report.	TBD

\* In addition to the above, the mission notes that actions are needed in reform of the procurement process.

