

THE GAMBIA: TRACKING POVERTY-REDUCING EXPENDITURES
DRAFT ASSESSMENT AND ACTION PLAN (AAP)

October 5, 2001

Introduction

Mr. Feridoun Sarraf (Senior Economist, FAD), visited Banjul from June 21 to 29, 2001, and prepared a draft AAP for The Gambia.¹ Mr. Naresh Aggarwal, FAD resident treasury advisor in Banjul, assisted the mission and participated in discussions with the authorities. The mission discussed and agreed, in principle, with the authorities on the draft, and made clear that after review by the Fund and the World Bank the draft would be resubmitted to them. This version incorporates the comments of the two institutions, which is being submitted to The Gambian authorities for their final approval.

A preliminary report on the desk assessment of The Gambia's capacity to track poverty-reducing expenditures was prepared in late 2000 in Washington jointly by the Bank and Fund on the basis of then available information to the staff of both organizations. Since then some major developments have taken place. An attempt has been made to identify all poverty-reducing expenditures (regardless of their source financing) in the 2000 budget as a basis for tracking these kinds of expenditures in subsequent years, as prescribed in The Gambian I-PRSP. Also, a special account has been opened at the Central Bank of The Gambia (CBG), which will be used for HIPC debt relief flows. Based on a supplementary budget for HIPC-financed expenditures in 2001 that was approved by Parliament in June 2001, the Accountant-General's Office (AGO) will operate this account, as a sub-account of the treasury's main account. Although this latter arrangement will only monitor HIPC-financed (not all) poverty-reducing expenditures, it is helpful in tracking HIPC-released inflows and outflows, but as explained further below, this should not replace or undermine the need for monitoring all poverty-reducing expenditures.

While these arrangements have been very useful, additional steps will be needed to integrate the recent initiatives in the budgeting process from 2002 onward. No plans have been developed to this effect, yet. Moreover, the quality and timeliness of accounting and fiscal reporting, though improved, suffer from a series of structural shortcomings, which, if not attended, may create additional problems in tracking poverty-reducing expenditures, even if a meaningful identification of poverty-reducing expenditures is in place.

¹ HIPC Assessment and Action Plans are designed to assess the capacity of the authorities to track poverty reducing public spending; to list planned and ongoing assistance that will upgrade that capacity; to identify any gaps that could be filled by additional assistance; and to prepare an Action Plan comprising ongoing, planned and proposed new measures to enhance budgeting and expenditure tracking capacity.

This draft AAP reviews the capacity of the public expenditure management (PEM) in general, and poverty-reducing expenditures in particular, and recommends actions that are needed to improve the capacity of PEM and monitor the poverty-reducing expenditures. The draft AAP comprises three sections.

i) A revised and updated assessment of the capacity for planning, budgeting, and monitoring of government expenditures, including poverty-reducing expenditures. This is made through the evaluation of the existing situation in regard to the basic benchmarks that have been developed by the Bank/Fund staff and reported to the Executive Boards of both organizations.

ii) A list of the recent, ongoing, and planned technical assistance from the Bank, the Fund and from other relevant bodies that could be expected to help upgrade the PEM system.

iii) A series of recommendations to help improve the PEM system, especially with regard to tracking poverty-reducing expenditures. It is very important to note that many of the PEM reforms planned, in particular the principal investments in the development of an Integrated Financial Management Information System (IFMIS), and the introduction of a Medium Term Expenditure Framework (MTEF); Public Expenditure Review (PER); Program Budgeting System (PBS); and full integration of the recurrent and development budgets, which should make a substantial difference to tracking capacity, will only bear fruit in the longer term. Given the relatively weak capacity at present to track expenditures, these medium-term reforms will need to be complemented by some short-term measures in the form of bridging mechanisms, that can help upgrade capacity over the critical period up to the floating of HIPC completion point. These short-term proposals are designed to be consistent with, and avoid any duplication or potential conflict with, the major medium-term reforms.

Assessment of Capacity to Track Poverty-Reducing Expenditures

The assessment focuses on the three main components identified in the earlier paper presented to the Fund and Bank Boards²—budget formulation, budget execution, and budget reporting—and the specific benchmarks used in that paper. The assessment used in the preparation of the Board paper was undertaken against 15 main benchmarks. The results for The Gambia against each of the fifteen benchmarks are reviewed under each of the 15 bullet points below.

Budget formulation

² “Tracking Poverty Reducing Public Expenditures in HIPCs”

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

The budget document (a unified document showing the recurrent and development expenditures, but as two separate budgets) is confined to the central government as defined by the GFS Manual. The local governments' budgets are planned, executed, and reported at the local levels. The central government's spending agencies have branch offices throughout the country, which implement government programs. There has not been any attempt to prepare a statistical report on the general government, combining the central and local governments' transactions.

Presently, the scope of local government operations in The Gambia is limited. There are plans to expand these operations in the future. While the role of local government could be more relevant in the future, at present almost all poverty-reducing expenditures are undertaken by the central government. This assessment, therefore, is confined to central government capacity to track its spending.

A Social Security Fund provides social insurance services to enterprise and small business sectors, which are financed through their contributions, and remain outside the government budget. However, pension contributions of government employees, as well as, payments to government pensioners are included in the budget.

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

Some offices of the central government do raise minimal administrative fees and service charges, but with few exceptions, they are required to remit these fees to the central treasury. Two major exceptions are school fees, which are spent by schools, but are reported by School Boards to the National Audit Office (NAO) rather than the AGO, as well as, hospital charges that are remitted to the Drug Revolving Fund. These exceptions are not significant compared to total expenditures. However, using the accumulated balances of so-called "below-the-line accounts" is creating some additional financing for government operations in the course of the budget execution, which are not included in the budget of the year in which they are spent, but in fact were reported in the budget of the year in which these accounts were remitted from the government budget, but were not spent in that year. This is an accounting and bank reconciliation issue rather than off-budget or extra-budgetary transactions. Supplementary appropriations have not been frequent in The Gambia, but a major one was approved by Parliament in June of this year on the HIPC-financed additional spending, detailed in several sections of this paper.

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

Since the government accounts from 1991-92 to December 1997 have been finalized and submitted to the Auditor-General only in May 2001, it is difficult to provide a clear assessment. The budget document provides actual figures of two years before the budget

year, though these data do not seem to be supported by firm accounting reports. However, as an indicator only, one could establish that the outturn data are close to the original budget, noting that unpaid bills at the end of each year may change this picture. The Internal Audit Unit (IAU) of the Department for Finance and Economic Affairs (DOSFEA) could provide a total of these unpaid bills at any time.

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

The development expenditures of the budget document do include all spending from donor funds, known at the budget preparation time, which are expected to be received during the budget year. However, if in the course of the year, new flows, resulting from fresh negotiations materialize, they could be spent without preparing a supplementary budget, except for the possible additional local counterpart funds that would need a supplementary budget. In general, The Gambia has a good system of recording and reporting of external grants and loans, which has recently been introduced with the assistance of the FAD resident advisor. However, since all in-year flows are not submitted to parliament as they occur and some of them are only captured in the accounting phase, this benchmark is not ranked as completely perfect.

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

The recurrent part of the budget is classified on the basis of administrative units (as cost centers) under each spending agency, followed by an object/economic classification. No functional or program classification exists in the recurrent budget. The development part of the budget is classified on the basis of projects (as cost centers) under nine broad functional categories, followed by a sort of brief object/economic classification, which does not match with the object/economic classification used for the recurrent budget. The projects are not classified on a programmatic basis, but are only listed within main functions. Moreover, the development budget is not classified by administrative units or even main spending agencies, but only by functions, meaning that after the budget approval, the DOSFEA separately notifies spending agencies on their projects. The object/economic classifications of both recurrent and development budgets are not useful for economic analysis, but represent an old and unreformed itemization of expenditures for accounting purposes only.

In a related context, it should be noted that the separation of recurrent and development budgets is based on their source of financing rather than the nature of their operations. All operations financed from external grants and loans and their government counterpart funds are regarded as development expenditure, some of which include substantial recurrent expenditures. It should also be noted that unlike recurrent expenditures, which are paid and accounted for by the AGO using the treasury main account, each project has independent bank accounts into which donor funds are remitted. Government counterpart funds are remitted as advance to other special bank accounts. These accounts are operated by project managers in the spending agencies, called project authorities. The project authorities are required to report the summary of their transactions to the IAU of the DOSFEA, which reach

the AGO for the preparation of government final accounts; but these reports are not made available in a timely manner. In number of projects, the AGO operates the domestic component of the project accounts on behalf of the project authorities.

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

After the introduction of HIPC initiative, a Task Force, comprising several divisions of the DOSFEA, identified certain object/economic items of the recurrent budget under selected administrative units, as well as, certain projects of the development budget, as poverty-reducing expenditures in the 2000 budget, as a basis for monitoring these expenditures in the following years. The authorities have submitted these identified expenditures in a document to the World Bank and the IMF for their comments.

The Gambian authorities have therefore identified all poverty-reducing expenditure, regardless of their source of financing. It was not the mission's mandate to comment on the scope and relevance of the identified expenditures to the reduction of poverty, as the relevant departments of the Bank and Fund will discuss these with the authorities in the future. However, the mission would like to comment that since this identification has used the existing budget and accounts classifications, with some additional effort, as described in relevant sections of this report, a timely recording and reporting of these identified expenditures, along with other government expenditures, would be possible.

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

At the budget preparation phase, most spending agencies do submit to the DOSFEA their estimated expenditures for an additional two years beyond the budget year. The DOSFEA uses these data, to a certain degree, in the preparation of the budget. However, these out-year estimates are not included in the budget document as an indicator of future expenditures, and remain as working data for the analysis of the spending agencies' budget bids in the DOSFEA.

Budget execution

- ***Benchmark: Small stock of expenditure arrears, little accumulation of arrears over the past year.***

Since no commitment recording is practiced in the budget execution process, payment arrears could only be identified through the payment vouchers arrived at the IAU of the DOSFEA for pre-auditing, but not processed for payment by the AGO due to non-availability of cash. This definition of arrears does not include payments due to public enterprises (for utilities, etc.), as spending agencies do not regularly process payment request for these kinds of expenditures. With this narrow definition, at the end of 2000 unpaid bills amounted to D 40 million or 3 percent of total expenditure and net lending for the same year (very small as a percentage of GDP).

- ***Benchmark: Internal audit is active.***

Spending agencies use their approved annual budgets as a quantum of spending authority for sending their payment vouchers to the DOSFEA, within quarterly allocations advised by the DOSFEA. These quarterly ceilings are converted into an overall cash limit set by the DOSFEA. The IAU performs a pre-audit exercise, including the availability of quarterly cash quota determined by the DOSFEA in the context of a cash rationing system. These cash ceilings are not communicated to the spending agencies, but used only by the IAU as quarterly limits for processing spending agencies' payment vouchers.

All Vouchers involving expenditures of budgeted funds, other than expenditures incurred out of special bank accounts by the project authorities are pre-audited by the IAU before authorizing payment through the AGO.

For projects with special bank accounts, the project authorities make payments without submitting vouchers to the DOSFEA (There are a few exceptions where special bank accounts are operated by the AGO where vouchers are submitted to the IAU for authorizing payment). Where the project authorities operate their bank accounts, payments are controlled by themselves. However, the project authorities, at the end of each month (at the end of each quarter up to the year 2000), are required to submit an account of expenditure in the form of 'Journal vouchers' – to the IAU, which finally end up at the AGO for the preparation of government accounts. In practice, however, there are substantial delays in submitting these data from project authorities to the AGO.

- ***Benchmark: Tracking surveys supplement internal control.***

No tracking surveys are conducted in terms of checking on actual outputs and delivery of services provided by spending agencies.

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

The fiscal/banking data reconciliation process is weak. The AGO verifies the transactions reported by the CBG in the form of debit and credit scrolls of the treasury main account with the transactions appearing in the AGO's daily cash sheets (called cash book); recording revenues, payment of salaries, pensions, and so-called "other charges"-- collection of all other expenditure items--which is closed daily and a closing balance worked out.

The FAD resident advisor has developed a simple Excel-based treasury main cash book in which daily cash balance of the treasury account is worked out for reconciliation with the cash balance shown by the CBG. The entries in this cash book represent the total of receipt and payment transactions recorded in various cash sheets, mentioned above. Thus reconciliation of the treasury account is now possible, but there is a need to train staff in the AGO to be in charge of this activity.

In the case of special bank accounts operated by the AGO, separate cash books for each special bank account are maintained. However, in the case of special bank accounts operated

by the project authorities, no reconciliation could be done by the AGO. These accounts are expected to be reconciled by the respective project authorities, and reported to the AGO along with reporting of their monthly transactions. Instructions need to be prepared and sent out to relevant spending agencies to this effect.

Budget reporting

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

As noted above, in The Gambia, the main source of reporting is the AGO itself, except for transactions of special bank accounts operated by selected spending agencies for the implementation of certain development projects, financed totally or partially from donor funds. Some donors insist in establishing these bank accounts to be able to ensure the project implementation and the provision of agreed counterpart funds from the government budget. However, until now monthly reports from associated spending agencies with these arrangements are not received in a timely manner, even though they are required to submit these within three days after the end of each month. Moreover, the AGO itself needs additional, but simple procedures for improving its own monthly reporting. This is addressed separately below in the section of actions that need to be taken as bridging mechanisms for a timely reporting of expenditures.

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

There are no functional data as noted above, except for nine very broad categories and for development expenditures only.

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

This and the next benchmark are the weakest points in The Gambian PEM system. Until 1999 the AGO had not closed government accounts for the past 10 years. Reportedly, missing accounting documents did not allow the AGO to close these accounts. In February 2000 the AGO submitted the accounts of 1991-92, 92-93, 93-94, 94-95, 95-96, 96-97 and for the period from 1st July 1997 to December (after 1997, the calendar year is the fiscal year), to the National Audit Office (NAO), and they are now awaiting the Auditor-General's decision.³ The AGO now is working to close the accounts for the years 1998, 1999 and 2000, which are still to be completed and submitted to the Auditor-General.

³ In late 2000, the AGO submitted the final accounts for 1992-97 to the NAO, but the Auditor-General did not find these submissions suitable and complete for auditing purposes, and returned the same to the AGO, requesting further work to be done. Seemingly, the issue of missing accounting records has been the major problem for the preparation of the final accounts in a way to be acceptable to the Auditor-General. In their February 2001 resubmission, the AGO have explained the issues of missing records in each case, and now it is

(continued)

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

In the absence of the closing and auditing of accounts since 1991 as described above, no audited accounts have been submitted to the legislature since then.

Summary of Assessment and Major Issues

According to this assessment, the arrangements for budgeting, accounting, and reporting of government expenditures, including poverty-reducing expenditures in The Gambia have certain strengths, which chiefly include a unified budget document for recurrent and development expenditures; a central accounting system for the most part of the government payments in the AGO; and a strong and functioning pre-auditing task in the DOSFEA. However, there are also certain weaknesses in the PEM system that need to be addressed for proper tracking of all government expenditures. These include the lack of monthly fiscal reporting system; a fragmented and unreformed budget classification; the lack of a proper reconciliation of fiscal and banking data; and long delays in closing and auditing of government final accounts. The summary of this assessment is shown in table 1, but that summary should be reviewed along with the above notes under each benchmark. As it can be observed, this field assessment is different, in some rankings, from the desk assessment that was prepared late last year in Washington by the Bank and Fund staff. But The Gambia remains in the group of HIPC countries that require substantial upgrading of capacity to track poverty-reducing expenditures. In particular, three developments should be noted:

First, the authorities have decided to treat all HIPC-financed spending in 2001 as development expenditure, which unlike recurrent expenditures, benefits from a better functional and operational classification. However, some of these projects will support existing poverty-reducing operations, and a well-analyzed and careful budgeting, therefore, is needed for all poverty-reducing expenditures (regardless of their source of financing) from 2002 budget onward.

Second, although the creation of a HIPC account in March 2001 in the CBG for banking of HIPC-financed transactions for practical reasons, is a good idea, this account and its treatment should not be turned into a permanent feature in the PEM system; as poverty-reducing programs are not limited to the operations financed from the funds released under the HPIC initiative. There are several other programs (both recurrent and development) that are considered as poverty-reducing operations, which have already been identified, though as a very preliminary exercise, for discussion with the Bank and Fund staff. Moreover, for cash management purposes, the AGO and the CBG should work out an arrangement to prevent

up to the Auditor-General to re-examine the accounts and submit his report to the Parliament with his own assessment and comments.

accumulation of idle balance in this account, whilst the government needs to borrow for its treasury main account. This may be addressed through routine but temporary exchanges between these two accounts or payment of interest by the CBG to the government on the balances of the HIPC account.

Third, it has been a good decision to assign the operation of HIPC account, as a sub-account to the treasury main account, to the AGO rather than the spending agencies (project authorities), as is the case for most development projects at present. In this way, accounting and reporting will be central and very simple, as data on transactions should be instantly available to the AGO.

But this temporary budgeting and accounting arrangements will have to be integrated into the 2002 and future budgets, ensuring that the interaction between these projects and the existing poverty-reducing programs of spending agencies (recurrent and development alike) are known, well analyzed, and their coordination is assured. There is a risk of turning HIPC-financed expenditures into a third kind of budget in the form of an addition to the existing recurrent and development budgets, especially under the existing system where there is no clear difference between recurrent and development budgets, except for their source of financing. A reliable and comprehensive program/project/activity classification will be essential to avoid this likely risk. Another main concern is the lack of timely reporting of expenditures that applies to all expenditures in The Gambia. Until this problem is addressed properly, the separate banking arrangement for selected transactions will not provide for tracking poverty-reducing expenditures, as the banking transactions are not substitute to a proper system of recording and reporting of government transactions.

Ongoing and Planned Assistance to Upgrade Capacity to Track Expenditures

Table 2 shows ongoing and planned technical assistance in capacity building in the PEM area, that is relevant to the ability to track government expenditures, including poverty-reducing spending. There are three principal providers of assistance in particular whose recent past, ongoing, and planned programs and projects should serve to augment the capacity to track expenditures over the next few years.

Since August 2000 FAD has been providing assistance in the area of budget execution and treasury functions, including the accounting system for external loans and grants, and general government accounting. The World Bank, and on a smaller scale, DFID have been providing assistance in the area of public expenditure review (PER) of the education, health and agriculture sectors. Additionally, in last two years DFID provided short-term advisory assistance to the National Audit Office.

However, the Bank will soon be the main provider of assistance in PEM capacity building that will enhance the ability to track expenditures. In late June 2001, the Bank and The Gambian authorities negotiated an IDA credit of \$14 m for the Capacity Building for Economic Management Project (CBEMP). The borrower will contribute additional \$1.0 million to the project cost. Within the project, about \$ 6.5 million is allocated directly to

improving and modernizing the government budgeting, accounting, and reporting systems, including the introduction of; MTEF; PER; PBS, and IFMIS, which are further detailed below. The remainder of the project funds will be allocated to a wide range of reforms, some of which will also have indirect impact on the PEM system improvement. These include: statistical systems; macro fiscal analysis; central banking; revenue management; government procurement, and judiciary system reforms.

The CBEMP's main component for improving resource planning and budgeting will include upgrading and modernizing the macro-fiscal framework; sector strategies; MTEF and the establishment of expenditure ceilings; PERs; PBS; streamlined guidelines for the preparation of budget; training; and development of associated information systems. A phased and pilot-based approach has been suggested for these activities.⁴ It is envisaged that the medium-term strategies for the education, health and agriculture sectors will be completed by 2001, and program classification and integration of the recurrent and development budgets will be completed by the 2003 budget. The accounting and reporting side of the PEM will also be reformed through the introduction of a computerized and networked recording and reporting system for government transactions. The activities will include: planning and development of system architecture and software application; production of online IFMIS to be piloted in the AGO, DOSFEA, and few selected spending agencies; changed accounting procedures; preparation of manuals and training materials; and roll out of the system to remaining spending agencies over a period of five years.

As detailed in the CBEMP document, completion of all activities of these budgeting, accounting and reporting reforms, if the project starts in late 2001 as envisaged, will take four to five years to produce final results (see the CBEMP document for details). Clearly, the introduction of these reforms, especially the PBS, which will entail a program structure in budget preparation, combined with a computerized accounting and reporting system should provide a different and advanced PEM system to track both poverty-reducing and other expenditures in The Gambia. However, taking into account the weaknesses in the present still largely manual systems; the administrative capacity in The Gambia to implement reforms; the planned long timetable; and the experience of other countries, including several other Anglophone African countries, it should also be recognized that progress in upgrading the capacity to track poverty-reducing spending as a result of work on these essentially medium-term projects will be limited over the next three years. More specifically;

i) While the development of the MTEF, and other budget preparation reforms will not in fact enhance the capacity to track poverty-reducing spending within the next two-three years, it should much improve the realism of budget allocations and thus serve to demonstrate a credible intention to switch more resources into poverty-reducing spending, but realistically only for the period after 2003;

⁴ DFID have confirmed their interest in joining the Bank on selected PER exercises.

ii) Even if the pilot departments for the IFMIS which could be operational by 2003 were to include some departments where poverty-reducing expenditures are significant, this will not give a comprehensive assurance that all poverty-reducing spending is being properly accounted for; and

iii) The absence of a full functional and program budget classification in all sectors as well as a reformed object/economic classification and accordingly the development of a new chart of accounts (which is not included in the CBEMP) will remain an obstacle to overall PEM reform, and need to be addressed as soon as possible. The development of a revised budget classification system will be particularly critical. This classification will need to cover the four classic dimensions of a good budget classification system--administrative, functional, program, and a GFS-based object/economic classification. It will be used for both the MTEF and PBS; and it will need to be reflected in the Chart of Accounts that will be used by the IFMIS for recording and reporting of expenditure transactions.

In the circumstances, it is desirable for the authorities to consider the introduction of bridging mechanism approaches, building on what they have already initiated to date, to enhance the capacity to track expenditures over the next three years.

A Program of Short-Term Reforms and Bridging Mechanism for Tracking Poverty-Reducing Expenditures

This section identifies some measures, in the form of bridging mechanisms that could be taken to enhance the capacity to track all government expenditures in this interim period, with special emphasis to the immediate need of tracking poverty-reducing expenditures.

- ***The 2001 supplementary budget***

As mentioned earlier, given the existing definitions and budget classifications, the authorities have decided to treat the 2001 HIPC-financed operations (part of poverty-reducing expenditures) as development projects. This decision makes budgeting of these expenditures simple and practical because the title of projects allows for an easy judgment for their classification as poverty-reducing expenditures or otherwise. In practice, in the 2001 supplementary budget, all projects will be HIPC-financed; as the other projects financed from external or domestic sources have already been approved in the original 2001 budget.

However, the supplementary budget that was submitted to Parliament in early June 2001 is limited to only one page document, which contains an allocation of HIPC- released funds only to main functional categories, and does not identify the projects, as is the case in the development budget documentation. The mission was advised that, due to time shortage, the DOSFEA was not able to finalize their negotiations with spending agencies. They added that as the Parliament debates these overall functional ceilings, they would identify the relevant projects in the same format as documented in the existing budget document. **The mission would strongly advise that these projects are identified as soon as possible and submitted to Parliament and published, as is the case for budget documentation and**

publication in The Gambia. Obviously, additional work is needed to complete this task across the government agencies and DOSFEA.

- ***Format of the 2002 and subsequent Development budgets***

As indicated in the assessment section, one of the weaknesses of the development budget is the lack of its administrative classification. This serious shortcoming, which is unusual, reduces the transparency of the budget, and prevents the Parliament and public from identifying the share and responsibility of spending agencies in implementing government development projects. **The mission would strongly recommend that in addition to the presentation of the total cost of projects at functional level, details of all projects (and in particular marking of those projects identified as poverty-reducing), should be listed under each spending agency.**

- ***Timeliness of reporting of government expenditures, including poverty-reducing, and other expenditures***

In the absence of a timely recording and reporting of government transactions as a whole, any additional requirements such as reporting on poverty-reducing expenditures could only add new dimensions to the problem. Unlike the presence of a reasonably good budgeting practices and documentation, accounting and reporting of government transactions have always been a problem area in The Gambia. Although with the technical advice of the FAD resident treasury advisor, in the recent past, certain procedural improvements, including general accounting practices, accounting framework for external loans and grants, and more recently accounting for HIPC-financed expenditures have been introduced, the implementation of these procedures requires a dedicated and detailed work, mostly in the AGO.

With the implementation of IFMIS, these problems will be addressed, but until that happens, a number of immediate actions are needed and could be taken to speed up reporting of transactions, which is most needed by DOSFEA management for tracking expenditures and general fiscal reporting. These are detailed below:

i) **Simple computerization of cash books in the AGO:** The AGO maintains four manual cash sheets, called cash books, which summarizes transactions executed each day, one for receipts and three for payments. In the receipts cash book, transactions are classified and recorded under following heads: Taxes on Income; Taxes on Goods & Services; Taxes on International trade; Govt. Service Charges; Non-Tax revenues, Interest & Dividends; Repayment of loans; Capital revenues; Development receipts and Receipts under below-the-line accounts. On the payment side, the AGO maintains three cash books: (1) salaries; (2) pensions and (3) other charges. While adequate classification of expenditures is available in the salary and pension cash books, the cash book for other charges gives details of expenditure under three heads – Other charges (recurrent); Development expenditure (with no break up of expenditure under loans, grants and GLF) and Below-the-line.

At the end of each day totals of the cash books are struck under each column and the same along with original vouchers is passed on to the Accounting Unit in the AGO. The Accounting Unit verifies the totals and entries in the cash book with the original vouchers. The vouchers are then detached and kept aside for being sent to the computer unit at the end of the month in batches for inputting the data for generation of general ledger and other account statements. (A COBOL based software package is being used for compiling the general ledger).

The mission recommends that these cash sheets should be maintained on computer on Excel- based spreadsheets. It will improve the technical competence of the staff in the AGO and speed up the first stage of accounting process. Head-wise totals from these cash books could be picked up and entered in Consolidated Cash Book for revenues and expenditures (which could also be on Excel-based spreadsheet) for generating data for fiscal reporting. The Consolidated cash book for receipts and payments could be introduced immediately as per the model designed by IMF resident advisor, with a very minimal training. There are sufficient stand-alone PCs in the AGO.

ii) **Speeding up the generation of general ledger:** There are considerable delays in the generation of general ledger, partly due to late entry of vouchers data. **It is recommended that the vouchers for the month should be dispatched to the computer unit on a weekly basis instead of accumulating them till the end of the month and sending them in one lot. The computer unit should also be geared up to input the data on weekly basis to speed up generation of general ledger.**

iii) **Training in new accounting procedures:** A simple training is needed in the relevant divisions of the DOSFEA and AGO. **It is recommended that the staff in the AGO, DOSFEA, and selected the spending agencies should be trained in the new accounting procedures for external loans and grants, as well as, on the above-mentioned excel-based cash books entries in the AGO to ensure proper accounting and reporting of government transactions.**

- ***Introducing new object/economic classification to the budget***

The budget preparation and documentation for 2003 will be substantially different, as some of the budgeting improvements introduced by the CBEMP, including selected sector strategies and program structure for their implementing agencies should be ready for use in the second part of 2002 for the preparation of the 2003 budget. The program structures should provide for operational programs of selected spending agencies, and their distinct recurrent activities and investment projects (as new cost centers) under each program. This should clearly define poverty-reducing expenditures.

As the MTEF and sector strategies, PERs, and program structures are extended to other sectors and spending agencies, the program structures that will appear in the 2003 budget, will be gradually extended to all spending agencies' budgets, the format of which will have already been established in the 2003 budget.

Moreover, as mentioned in the assessment section, the existing object/economic classification of expenditures in The Gambia is very old and not suitable for economic analysis, budgeting, and accounting. As noted, this is an addition to the reform initiatives listed in the CBEMP. **The new object/economic classification needs to be introduced with or without a program structure for all cost centers in the recurrent and development budgets. It should be noted that unlike program classification that could be introduced gradually and in a phased manner, the object/economic classification should be introduced as a one-off reform, as it needs to be integrated in the government chart of accounts that will begin with the 2003 budget. Additional technical assistance needs to be sought for this initiative.**

- *Rationalizing below-the-line accounts*

There are several hundred accounts in The Gambian accounting system, some supported by corresponding bank accounts and some sharing the treasury main account. The recording and reporting of transactions of both types of accounts remain outside the treasury's accounting process, at least until these transactions are reported to the AGO. Although some of these accounts, including revenue transitory accounts or remittance accounts of embassies or project accounts (mainly requested by external donors) are normal accounting practices in a number of countries, in The Gambia several other accounts of different natures remain outside treasury main books, which makes reconciliation of government accounts with banking data very difficult. Recently some actions have been taken toward rationalization of these accounts, and a number of them were closed down, but new accounts may have emerged. It is recommended that a study be undertaken to, **streamline, remove, and integrate these below-the-line accounts into the treasury main account as the case may be.**

Most of the recommended measures in this section can be implemented in the next two-three months, as for some of them work is well advanced or is underway, but needs further attention and action. However, some other measures need to be implemented before and in parallel to the CBEMP. These are: Preparing a detailed and GFS-based object/economic classification before May 2002 to be used in the preparation and implementation of the 2003 budget, as well as, studying and rationalizing below-the-line accounts. These would require more time, and further technical assistance would be needed.

Table 2. THE GAMBIA: 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	PER in Agriculture, Education and Health sectors.	2000-2001	Negotiating a project for Capacity Building and Economic Management Project.	2001-2006
IMF	Government accounting and other treasury functions	2000-2001	Depending on the approval of FAD; the authorities have requested.	2002
IDB	N.A.		N.A.	
USAID	Non		Non	
PNUD	N.A.		N.A.	
DFID	PER in Health sector	2000-2001	They have confirmed their interest to join the Bank when PERs are conducted.	

Table 3. THE GAMBIA: Action Plan to Upgrade the PEM Capacity to Track Poverty-Related Expenditure (PRE)

		SHORT- TERM MEASURES		MEDIUM- TERM MEASURES	
	Classification	Action	TA provider and timing	Action	TA provider and timing
Formulation		Object/economic classification of expenditures	IMF 2002	Phased program classification along with MTEF and PERS	World Bank and possibly DFID 2002-2005
	Comprehensiveness	Provision of detailed projects of the 2001 supplementary budget, and inclusion of spending agencies of development projects in the 2002 budget. Inclusion of externally-financed components of development budget in the identification of poverty-reducing expenditures.	No need for TA		
	Multiyear projections			MTEF	World Bank 2002-2005
Execution	Internal controls	Studying and rationalizing below-the line accounts.	IMF 2002		
	Reconciliation	Timely reconciliation is needed	IMF 2001		
Reporting	Reporting	Replacing the manual cash book entries in the AGO with an Excel spreadsheet, and maintaining HIPC-financed transactions cash book in Excel spreadsheet	IMF 2001	IFMIS	World Bank 2002-2006
	Final Audited Accounts	Accelerating the closure of final accounts of the past years and submitting to the NAO.	No need for TA	Non	