



THE GAMBIA: TRACKING POVERTY-REDUCING PUBLIC SPENDING—SECOND ASSESSMENT AND ACTION PLAN (AAP)

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In collaboration with the Gambian authorities**

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Abbreviations and Acronyms

AAP	Assessment and Action Plan
AGD	Accountant General's Department
BTL	Below-the-line accounts
CBEMP	Capacity Building and Economic Management Project
CBG	Central Bank of Gambia
CFAA	Country Financial Accountability Assessment
COFOG	Classification of Functions of Government
D	Dalasi (local currency)
DOSFEA	Department of State for Finance and Economic Affairs
DRF	Drug Revolving Fund
GFS	Government Finance Statistics
GL	General Ledger
GLF	Gambia Local Fund
GPAA	Gambia Public Procurement Agency
HIPC	Heavily Indebted Poor Country
IAU	Internal Audit Unit
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
LDMU	Loan and Debt and Management Unit
MDG	Millennium Development Goals
MTEF	Medium Term Expenditure Framework
NA	National Assembly
NAO	National Audit Office
NEFCOM	National Emergency Fiscal Committee
PEM	Public Expenditure Management
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Program
VCB	Vote Charge Book

I. INTRODUCTION

In 2001, the staff of the Fund and the Bank jointly undertook a comprehensive assessment of the public expenditure management (PEM) system in The Gambia.² The assessment was based on 15 benchmarks in the areas of budget formulation, execution, and reporting. The objective of the exercise was to assess the capacity of the PEM system to track poverty-reducing public expenditures in the context of the Enhanced HIPC Initiative and ascertain how the international community could further help in strengthening existing systems. Based on the assessment, an action plan was agreed with the authorities to strengthen the PEM system and technical assistance needs were identified.

The 2001 assessment concluded that the PEM system in The Gambia needed “substantial upgrading.” Only 5 of the 15 benchmarks were met—three (out of seven) in budget formulation and two (out of four) in budget execution. Budget classification system was in need of substantial improvement both for budgeting and accounting purposes, and some externally-financed expenditures were not included in the government budget. In the area of budget execution, the assessment noted that the central pre-audit function was established and the stock of expenditure arrears was relatively small. On the other hand, fiscal and banking data were not regularly reconciled and no expenditure tracking surveys had been undertaken. Budget reporting was the weakest area in the PEM system. The assessment noted that there were substantial delays in preparing budget execution reports, and that government final accounts had not been properly prepared in the past, resulting in a failure to submit audited accounts to the legislature for many years.

Staff review of the implementation status of the action plan indicated that The Gambia had initiated work on 7 out of 10 planned actions.³ Among the short-term actions, work was underway to rationalize below-the-line accounts (BTL) and closing the 2000 accounts. Medium-term actions under implementation included work on introducing a new economic and functional classification, a medium-term expenditure framework (MTEF), and an integrated financial management information system (IFMIS). Work on one short-term and two medium-term actions had not been initiated.

The Executive Boards of the two institutions have asked the staff to carry out another comprehensive review of the PEM system. The review is intended to measure progress made in strengthening the PEM system since the last assessment, identify areas that require further strengthening and clarify what donor and technical assistance should be provided to improve systems for managing poverty-reducing and other public spending.

Strengthening PEM system is an important element of The Gambia’s poverty reduction strategy (see Box 1 below). Progress in this area is one of the triggers for reaching

² “The Gambia: Tracking Poverty-Reducing Expenditures: Assessment and Action Plan (AAP).”

³ “Update on the Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending, SM/03/90, March 11, 2003.”

completion point under the Enhanced HIPC Initiative. A well-functioning PEM system provides assurance to donors, as well as other stakeholders, that public resources, including those provided through debt relief, are being used for their intended purposes. This is important for sustaining donor support which is crucial for achieving the Millennium Development Goals (MDG).

**Box 1. The Gambia: The Five Pillars of the Strategy for Poverty Alleviation
(SPA II)**

The SPA II aims at eradicating poverty over the long term by increasing national income and reducing inequality through interventions in specific priority areas. The strategy is based on five broad program areas. These are:

- **Pillar 1: Creating an enabling environment for promoting economic growth and poverty reduction:** Growth and poverty reduction are to be pursued through (i) improved macroeconomic management; (ii) implementation of a private sector development program linked to privatization and divestiture; (iii) strengthening public expenditure management; and (iv) improving the allocation and efficiency of public spending.
- **Pillar 2: Enhancing the productive capacity and social protection of the poor and the vulnerable:** To increase the income earning potential of the poor and protect the vulnerable, government interventions are aimed at (i) strengthening and modernizing agriculture; (ii) increasing the viability of small and micro-enterprise sector; and (iii) setting up social protection mechanisms to support the destitute and vulnerable members of the society.
- **Pillar 3: Improving coverage of the basic social services as reflected in the Millennium Development Goals:** This program area covers (i) expansion and improvement of the quality and the stock of educational services; (ii) revitalization of the Primary Health Program; (iii) increasing access to water, sanitation, and sewage services; and (iv) expansion of networks or utilities (such as roads, transport, telecommunications, and electricity) to poorly served areas.
- **Pillar 4: Building capacity of communities and civil society organizations to play an active role in the development process:** Political empowerment of communities is envisaged through decentralization and local government reform to enable them to play an active role in identifying priorities and ensuring resource allocation to those priorities. This pillar also aims at establishing a platform for dialogue and participation among government, civil society organizations, development partners, and other stakeholders.
- **Pillar 5: Mainstreaming cross-cutting development issues in policies and programs:** This pillar aims to coordinate various on-going programs to ensure focus on poverty reduction outcomes at community levels. Areas covered under this pillar include environment, population, HIV/AIDS, gender, and nutrition.

The mission, in collaboration with the authorities, prepared an assessment of the capacity of the PEM system to track poverty-reducing public spending. In preparation for this exercise, the authorities had provided the staff with a self-assessment of the PEM system. This assessment was based on guidelines for assessing existing systems which were prepared by the staff of the Bank and the Fund. The mission expresses its gratitude to the

authorities for their excellent cooperation in preparing this assessment. It would also like to thank the World Bank's Public Expenditure Review (PER) mission for sharing its preliminary findings and assessments.

II. ASSESSMENT OF CAPACITY TO TRACK POVERTY-REDUCING PUBLIC SPENDING

A. Coverage of the Assessment

This assessment covers the PEM system at the central government level. The scope of subnational governments in the country is quite small. In 2003, expenditures by subnational governments, net of central government transfers, constituted 4 percent of general government expenditures. There are plans for expanding the scope of subnational governments in the future and a new Local Government Act has been passed by the National Assembly (NA). However, effective implementation of the Act and subsequent devolution of spending authority to these entities will take sometime. Currently, almost all poverty-reducing public spending in The Gambia is carried out by central government spending agencies. Subnational governments are, therefore, excluded from this exercise.

This assessment is based on 16 indicators. These include the 15 indicators used for the 2001 assessment and one new indicator on procurement added for this exercise. The following section presents assessment for each indicator under budget formulation, execution, and reporting. The discussion under each indicator presents context, detail, and argumentation supporting the assessment. The assessment is summarized in Table 3. An action plan to further strengthen the PEM system, based on the authorities' own reform agenda, is discussed in Section III and summarized in Table 4. Planned and on-going support from development partners in this area is reported in Table 5. Finally, the status of implementation of the 2001 action plan is presented in Table 6.

B. Budget Formulation

Indicator 1: Coverage of the budget or fiscal reporting entity.

Benchmark: (A) Fiscal reporting covers the Government Finance Statistics (GFS) 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.

Assessment: (A) This benchmark is met. The coverage of the budget is limited to the central government only as defined in the GFS Manual. However, the scope of subnational governments is small at present. Almost all poverty reducing spending is carried out by central government spending agencies.

The institutional coverage of the budget is the central government. Spending agencies covered by the budget include all departments of state (15), subvented agencies (23), the Presidency, Judiciary, the legislature, and independent agencies (3). Central government spending agencies have branches throughout the country which carry out public spending. The budget has two parts—recurrent and development. Up to 2003, these were prepared as separate budgets but presented in a unified document. In 2004, the two budgets have been integrated.

Some self-raised revenues of spending agencies and the associated expenditures are not fully integrated with the central government budget. In addition to their appropriations, some spending agencies also generate revenues on their own, mostly in the nature of administrative fees and service charges. However, these revenues are not remitted to the consolidated fund and expenditures out of such revenues are also not reported to the Accountant General's Department (AGD). Estimates of such non-reported revenues are not available but they are believed to be very small.

Local governments fiscal reports are not consolidated with the central government reports. There are seven area councils. Budgets of these entities are prepared, executed and reported at the local levels. As noted above, expenditures of these area councils constituted about 4 percent of general government expenditures. There has been no attempt so far to prepare a comprehensive fiscal report of the general government by consolidating the budgets of the central government and the area councils.

The proportion of general government expenditure not captured by fiscal reporting is very small. Therefore, in the mission's judgment, this benchmark is met.

Indicator 2: Degree of spending being funded by inadequately reported extrabudgetary sources.

Benchmark: (A) Government activities are not funded through inadequately reported extrabudgetary sources to a significant degree (3 percent or less of total spending).

Assessment: (C) This benchmark is not met. In 2001, some government expenditures were financed by unreported borrowing.

Until 2002, government expenditures were also executed through a large number of BTL accounts. Many of these were accounting funds receiving bloc transfers from the budget and were mainly used to finance expenditure on goods and services. Details of expenditures financed out of these transfers, however, are not reported though transfers are covered by fiscal reporting. Since January 2003, with technical assistance from the Fund, the authorities have suspended the operations of about 80 percent of such accounts (most of the remaining accounts are those that are required for standard accounting purposes) and regular

budget-line items opened for bringing the revenues and expenditures accounted for under such accounts into the budget.

Nevertheless, though minimal, some fiscal operations are still being financed through self-raised revenues. These include:

- **Revenues retained by collecting agencies:** As noted above, revenues collected by some government-owned agencies, usually in the form of fees and service charges, are not remitted to the consolidated fund. In some cases, these fees are not even recorded in government accounts. School fees and hospital charges make up most of such revenues. The total amount of such fees collected during the year is not known but is believed to be small.
- **Revenues remitted to special funds:** These are mainly accounting funds set up by the government and financed by earmarked revenues and/or transfers from the budget. These funds also operate as BTL accounts. One of the largest such funds is the Drug Revolving Fund (DRF). The revenues of this fund include budgetary transfers and earmarked health center fees.⁴ The proceeds of this account are utilized for purchase of medicines. Only the portion of expenditures financed out of health center fees constitute extrabudgetary financing. The magnitude of such operations, however, is very small. The amount of health center fees transferred to the DRF amounted to only D4.9 million in 2002 and D2 million in 2003. Other such funds include the Fisheries Development Fund, the National Forestry Fund, and the Trust Fund for Needy Students. Like the DRF, these funds also finance government expenditures but these are not fully reflected in the budget or fiscal reports. However, expenditures financed out of these funds are very small.

Government spending funded through above sources is less than 3 percent, and on this basis, this benchmark would be met. However, it recently became known that there were large amount of unprogrammed, off-budget expenditures in 2001 financed by off-budget sources. Detailed information on these expenditures are not available. In light of this development, the mission's assessment is that this benchmark is not met.

⁴ Not all such fees are earmarked for the DRF. User fees collected by health centers and hospitals associated with the Bamako Initiative retain their fees.

Indicator 3: Reliability of budget as a guide to future.

Benchmark: (B) Budget data are quite close to the original budget.

Assessment: (C) This benchmark is not met. Budget data based on final government accounts are not available for the past three years. Based on available data, outturns for two years are quite close to budget at the aggregate level. However, at the vote level, outturns for some departments deviate from budget figures by more than 20 percent.

As the preparation of General Ledger (GL) is in arrears (see Indicator 14 below), actual outturn figures for two of the past three years are not available. No expenditure figures for 2003 are available based on government accounts. This analysis, therefore, is based on available data for 2000–2002. The data for 2000 are based on the GL which had been prepared in June/July 2003. The figures for 2001 are those reported as preliminary actual figures for that year in the 2003 budget document. The 2002 figures have been compiled by the World Bank’s resident MTEF expert using information from the Vote Charge Books (VCBs) and other ancillary records. However, neither the 2001 nor the 2002 figures are final.

At the aggregate level, budget appropriations and outturns are quite close for two of the three years (Table 1). In 2000, the deviation of total domestically financed expenditures from budget appropriations is only about 2 percent while in 2002, it is about 4 percent.⁵ In the case of 2001, however, the deviation is about 18 percent.

However, the deviations at the department level show considerable variation across the three years. For 2000, only one department exhibits deviation of more than 20 percent.⁶ However, the allocation for this department constituted only about 0.3 percent of the total budget. Several departments show larger variation in 2001 and 2002. However, as the GL for these two years have not yet been prepared, the authorities do not accept the finality of the figures. In their opinion, for some departments, the deviations cannot be so large.

This benchmark would be met if the assessment was based on figures for 2000 which are based on the GL. However, based on outturn for the past three years (with data for two of the years not based on the GL), the benchmark is not met.

⁵ These figures exclude expenditures on externally financed project. Comprehensive information on these projects are not reported to the AGD in a timely manner. Moreover, realization of these expenditures could vary during the year for reasons that are beyond the authorities’ control.

⁶ The deviations related to DOSFEA and Miscellaneous are ignored in the discussion as part of these are off-setting. DOSFEA handles certain centralized vote for which provisions are made under Miscellaneous vote in the budget. During the course of the year, funds are vired from Miscellaneous vote to meet these expenditures which are then charged to DOSFEA.

Table 1. The Gambia: Deviation of Outturn from Budget 2000–2002
(In millions of Dalasis)

Departments	2000			2001			2002		
	Budget	Actual	% Variation	Budget	Actual	% Variation	Budget	Actual	% Variation
Office of the President	60.54	71.84	18.66	49.74	43.51	-12.53	59.40	54.00	-9.10
National Assembly	5.60	5.51	-1.74	6.87	5.61	-18.29	7.33	9.33	27.23
Judiciary	7.23	6.26	-13.41	8.60	4.54	-47.26	9.41	7.52	-20.03
IEC	3.97	3.97	0.00	5.74	8.15	42.05	2.68	1.32	-50.83
PSC	0.50	0.53	7.96	0.51	0.37	-27.78	0.52	0.48	-6.82
National Audit Office	2.58	2.55	-1.45	3.51	2.80	-20.39	3.44	3.50	1.87
Dept. of State for Defense	42.46	45.93	8.16	44.15	38.53	-12.74	48.64	51.75	6.41
Dept. of State for Interior 1/ Dept. of State for Tourism & Culture	45.40	49.38	8.76	52.99	84.65	59.75	56.94	61.61	8.20
Dept. of State for Foreign Affairs	4.92	4.58	-6.92	5.32	3.07	-42.34	6.58	6.39	-2.88
Dept. of State for Justice	39.67	43.74	10.27	56.57	49.36	-12.74	64.96	75.50	16.22
Dept. of State for Justice	5.68	5.70	0.21	7.15	6.02	-15.85	6.84	5.58	-18.44
DOSFEA	52.00	79.91	53.67	68.67	59.20	-13.79	80.64	67.90	-15.80
Pensions & Gratuities	32.13	37.08	15.39	32.13	33.74	5.00	38.27	19.29	-49.60
Miscellaneous 2/	106.54	64.68	-39.29	92.38	70.56	-23.62	130.88	166.67	27.35
Dept. of State for Lands 3/	13.47	12.93	-4.02	14.26	9.16	-35.75	14.51	10.53	-27.47
Dept. of State for Agriculture	23.10	23.21	0.46	24.62	18.41	-25.21	30.48	25.82	-15.29
Dept. of State for Works 4/	9.67	8.93	-7.61	13.05	17.69	35.54	13.36	13.96	4.52
Dept. of State for Trade, Industry & Emp.	5.93	5.48	-7.59	7.43	3.90	-47.55	9.39	10.32	9.88
Dept. of State for Education	148.25	158.91	7.19	173.51	142.00	-18.16	177.61	169.75	-4.43
Dept. of State for Health	94.20	91.31	-3.08	110.35	40.36	-63.42	133.60	99.32	-25.66
Dept. of State for Youth Affairs	6.26	6.28	0.33	6.84	6.35	-7.22	7.40	5.97	-19.28
Dept. of State for Presidential Affairs, Natural Resources 5/	2.41	0.13	-94.71	12.46	7.22	-42.03	13.07	9.05	-30.73
Total	712.54	728.84	2.29	796.86	655.20	-17.78	915.94	875.55	-4.41

Source: The Gambian authorities.

Note: Debt service budget and expenditure figures are excluded in the above table.

1/ In 2001 & 2002 the name changed to Dept. of State for Interior & Religious Affairs.

2/ For 2000, D45 million was added to expenditure under this vote being the provision under budget line item "Transfer to Development Fund" which was not captured in the General Ledger.

3/ In 2001 & 2002 the name changed to Dept. of State for Local Government & Lands.

4/ In 2001 & 2002 the name changed to Dept. of State for Presidential Affairs, Works, Communication, & Information.

5/ In 2001 & 2002 the name changed to Dept. of State for Fisheries, Natural Resources, & the Environment.

Indicator 4: Inclusion of donor funds.

Benchmark: (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 multilaterals and bilateral government activities.

Assessment: (B) This benchmark is not met. Budget captures only those donor funds that are known to DOSFEA at the time of the budget preparation.

Donor funds are coordinated by various agencies. United Nations Development Program (UNDP) funded activities are coordinated by the Office of the President. DOSFEA deals with programs of multilateral institutions and bilaterals. Some bilateral grants, especially where no counterpart funds are required, are negotiated and co-coordinated by the Department of Foreign Affairs.

The Loans and Debt Management Unit (LDMU) at DOSFEA monitors receipts of grants and loans but not comprehensively. Most projects have separate bank accounts and special conditions for their financial operations and others operate on government bank account at the Central Bank of The Gambia.⁷ When donors make direct payments to suppliers or contractors outside the country, they do not routinely and comprehensively report these to the spending agencies and the LDMU. Full inclusion of all donor funds in the budget requires cooperation of donors regarding timely reporting of their operations and routing these through the DOSFEA. Sometimes departments do not report external grants received or expected during the year in their budget submission to the DOSFEA as required by the budget circular. These inflows are, therefore, not recorded by LDMU.

Consequently, the budget does not include all donors financing of government activities. All donor activities recorded by LDMU at the time of budget preparation are included in the budget. As noted above this information is not comprehensive. Moreover, additional financing negotiated and realized during the year (which may or may not be recorded by LDMU) are not included in budget documents. This, to a certain degree is unavoidable, since donor activities cannot be timed according to the government budget cycle. When such financing requires counterpart funding, approval for the same is sought through virement from other votes. In addition, expenditure by budget-line items under projects as organized in the budget is not comprehensively recorded in fiscal reports because self-accounting units do not regularly submit this information to DOSFEA and the AGD (see Indicator 11 below).

⁷ Sub-units of spending agencies implementing externally financed project for which they maintain bank account themselves are referred to in this document as self-accounting units.

Absence of effective aid coordination among the various government agencies as well as regular and complete reporting by donors imply that donor inflows are not comprehensively integrated in to the budget, either ex ante or ex post. Therefore, this benchmark is not met.

Indicator 5: Budget Classification

Benchmark: (B) Budget expenditures are classified on an administrative, economic, and functional or programmatic basis.

Assessment: (B) This benchmark is met. Budget classification has improved significantly with the introduction of a new classification system in the 2004 budget. Budget is now classified on an administrative, economic, and functional basis.

A new classification for the budget based on the GFS was introduced in 2004. The new system, which is based on the recommendation of the IMF resident expert, classifies revenues and expenditures on an administrative/economic/object/item basis. The administrative classification is complete and detailed. The new unified classification system for both recurrent and development budgets has been integrated into the government accounting system which remains on a cash basis. At present even cash accounting and reporting is not functioning properly (see below) and the introduction of accrual accounting classification would further stretch the limited capacity available in the AGD. The new system represents a substantial improvement in budgetary classification and would greatly help in budgeting, accounting, and economic analysis of government fiscal operations.

In the absence of a program structure in the budget, functional classification of expenditures is being derived through bridging. With the assistance of the World Bank's MTEF resident expert, the administrative classifications have been mapped to the GFS functions and a functional classification has been introduced at the main function and sub-function level. These new classifications are expected to enhance transparency and credibility of the budget document. Moreover, they will create a sound base for the introduction of a programmatic classification in the future, as the spending agencies gradually will be selected for the introduction of such classification. Presently, the 1986 Classification of Functions of Government (COFOG)/GFS has been introduced, but since its difference with 2001 COFOG/GFS manual is marginal, especially at the sub-function level, this can be easily converted if so required.

Development projects, for the first time, were listed under the vote of their respective spending agencies in the 2003 budget. In the past, development projects were listed in the budget document under broad functions with no reference to the organization holding the vote. Although in practice, this was known to the government, the National Assembly did not know which government organization was responsible for implementing a development project. This classification is also integrated into the government accounting system.

Budget classification is one area where significant improvement has taken place since the last assessment. This benchmark is met.

Indicator 6: Poverty-reducing expenditures are clearly identified.

Benchmark: (A) Poverty-reducing expenditures are identified through existing budgetary or treasury accounting classification system (either pre-existing or through the use of a so-called “virtual poverty fund”).

Assessment: (A) This benchmark is met. Existing budget classification system is used to identify poverty-reducing public expenditures.

The SPA II identifies three areas as priority sectors for poverty alleviation. These are education, health, and agriculture (see Box 1 above). It is estimated that about 80 percent of poverty-related expenditures are incurred by agencies falling under these three departments of state. In addition, the SPA also emphasizes cross-cutting issues such as governance, gender, environment, and rural development as strategic for reducing poverty.

Poverty-related expenditures are identified through existing budget classification system. An interdepartmental task force was set up to identify expenditures that are directly related to poverty. The budget lines identified comprise both recurrent and development expenditures. In the budget for 2003 and 2004, an auxiliary (off-system) code has been assigned to these line items to facilitate tracking of such expenditures. The disaggregation of administrative classification of the budget into sub-units facilitate identification and tracking of poverty-reducing expenditure as those sub-units that are engaged in service delivery are clearly separated from other sub-units of a spending agency.

In short, special codes assigned to budget-line items help to identify poverty-reducing spending. This benchmark is met.

Indicator 7: Integration of medium-term forecasts.

Benchmark: (A) Multi-year expenditure projections are integrated into the budget formulation process.

Assessment: (B) This benchmark is not met. No MTEF has yet been prepared.

No MTEF has yet been prepared. In the budget circular, spending agencies are required to indicate their expenditure needs for two years beyond the budget year. However, these are not based on any overall resource envelope derived from a macroeconomic framework or proper sectoral policy analyses and their expenditure impact.

Sectoral medium-term projections, which serve as inputs for the MTEF, have also not been properly prepared. In the past, the authorities have undertaken public expenditure reviews in some sectors but these have not been updated. Preparation of sectoral medium-term expenditure projections have also been hampered by the lack of information on overall and sectoral resource envelope as well information on past expenditures. In addition, the lack of clear communications with donor community regarding the size of the latter's possible interventions in the medium term also contribute to uncertainty on the size of the sectoral resource envelope. Donors are currently considering sector-wide approach (SWAp) in health and education sectors which will hopefully lead to a formalized MTEF for these sectors.

Delay in producing government accounts is perhaps the principle bottleneck in the preparation of an MTEF. Government accounts have not been finalized since 1999 (see Indicator 14 below). No reliable expenditure data is available since then that could be used for medium-term expenditure projections. As noted above, the MTEF resident expert has prepared some preliminary actual figures for 2002 revenue and expenditure transactions. Data for 2003 are expected to be prepared soon on the same basis.⁸ It is expected that these figures will provide a basis for medium-term expenditure projections. Moreover, the authorities have initiated, with the assistance of UNDP, work on a medium-term plan which is also expected to help the MTEF exercise.

Medium-term expenditure projections are not integrated into the budget formulation process. This benchmark, is therefore, not met.

C. Budget Execution

Indicator 8: Evidence of budget execution problems–Arrears.

Benchmark: (A) Small stock of expenditure arrears, with little accumulation of arrears over the previous year.

Assessment: (C) This benchmark is not met. The stock of arrears is high and appears to have increased over the past three years.

The stock of government payment arrears is high. At end-December 2003, accumulated arrears amounted to D222.6 million or 11 percent of the 2003 budget. Table 2 provides a breakdown of the arrears. However, information on the age profile of arrears is not available.

⁸ It is expected that the advisor will also prepare data for 2001 on the same basis.

Table 2. The Gambia: Arrears as at December 31, 2003
(In millions of Dalasis)

Particulars	Amount
Telephone bills of Govt. Depts.	63.67
Water, electricity, and sewerage bills of Govt. Depts.	35.36
Maintenance of government vehicles	1.57
Cost of air tickets of Govt. Depts.	3.48
Centralized purchase of vehicles 1/	25.60
Essau - Kerewan Road bridge 1/	92.93
Total	222.61

Source: The Gambian authorities.

1/ Arrears related to suppliers' credit.

Mechanism for monitoring and controlling of expenditure commitments has been strengthened. The National Emergency Finance Committee (NEFCOM) was set up in September 2002 in the DOSFEA to monitor commitments to be made by the spending agencies. Based on a quarterly cash flow projection plan, NEFCOM sets monthly limits for expenditures for each spending agency which may be less than requirements due to cash shortages.⁹ Spending agencies are required to obtain clearance from NEFCOM before entering into commitments. NEFCOM also keeps track of its approvals processed by the spending agencies through the Internal Audit Unit (IAU) of DOSFEA to the AGD. However, like any other cash rationing system, this creates uncertainty for spending agencies with respect to cash availability, thereby reducing smoothness in budget execution. DOSFEA officials believe that, on balance, this system avoids or minimizes adverse effects of cash rationing on service delivery by spending agencies.

In the 2001 assessment, this benchmark was met. At that time, arrears as at end-2000 were reported to be D40 million only (about 3 percent of total government expenditure and net lending). However, the authorities have now clarified that this figure did not include arrears with respect to suppliers' credit. The stock of arrears at end-2003 is significant. Therefore, this benchmark is not met.

Indicator 9: Effectiveness of the internal control system.

Benchmark: (A) Internal control is effective.

Assessment: (B) This benchmark is not met. Internal audit is limited to pre-audit work.

⁹ These limits exclude salaries and debt service, but include domestically financed development expenditures.

Internal control in the spending agencies is weak. Internal controls are designed to ensure compliance with applicable laws and regulations, reliability of financial reporting, and effectiveness and efficiency of operations. Weaknesses in financial accounting and reporting are symptoms of weaknesses in the internal controls at the spending agencies. There are also no procedures to check on the functioning of internal controls. This is, in part, due to the absence of full internal audit function at the DOSFEA (see below).

There is an IAU in the DOSFEA but its operations are mostly limited to pre-audit work. The objective of internal audit is to review the reliability and integrity of information and to ensure compliance with policies and regulations, safeguarding of assets, and economical and efficient use of resources. However, the work of the IAU is limited to verification of requests for payments against approved budgets and against the quarterly allocation and monthly ceilings approved by NEFCOM. The IAU does not comply with standards for the professional practice of internal auditing. Nor does it utilize manuals and/or guidelines to assist the staff in carrying out their work. Moreover, there seem to be duplication of this work among the IAU, NEFCOM, and the AGD. None of them, however, is performing proper internal audit work.

The practice with respect to this benchmark has not changed since the last assessment. In 2001 assessment, internal control was interpreted to mean pre-audit only which remains effective. During this round of assessment, however, internal controls are more clearly defined in the guidelines and on the basis of this, more strict definition, the PEM system does not meet this benchmark.

Indicator 10: Tracking surveys are in use.

Benchmark: (B) PETS has been tried 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 is being put in place.

Assessment: (C) This benchmark is not met. No PETS has yet been undertaken.

Periodic public expenditure tracking surveys can help to identify how funds actually flow in the budget system. They help to monitor delivery and impact of public spending by estimating the amount of public money that is actually delivered through the budget system to front-line service delivery units, including decentralized and deconcentrated spending entities. They provide an additional check on the quality of internal control system and are more sharply focused than regular external audits.

No expenditure tracking surveys have been undertaken in The Gambia. As noted above, public expenditure reviews have been conducted in key poverty-reducing sectors of education and health. However, these reviews do not measure actual delivery and impact of

public spending. The weaknesses of internal control and internal audit system (see Indicator 9) makes it even more important, that expenditure tracking surveys be undertaken to ensure that resources spent actually reach the intended beneficiaries and provide them meaningful benefits.

Indicator 11: Quality of fiscal information.

Benchmark: (A) Regular reconciliation of all government accounts (those held in the central bank and the commercial banks) with the government's accounting records occurs satisfactorily in a timely and routine way.

Assessment: (C) This benchmark is not met. Routine reconciliation of government accounts are not done.

The reconciliation process is extremely weak. In the absence of the GL, no reconciliation is undertaken between the government bank accounts and the GL. The status of reconciliation of various categories of government bank accounts is as follows:

- **Reconciliation of Treasury Main Account (TMA):** The AGD has been verifying entries in the debit and credit scrolls furnished by the Central Bank of Gambia (CBG), preparing a list of missing or wrong credits and debits, and monitoring their adjustment on a monthly basis. As the AGD did not maintain cash book of the TMA before 2001, it did not have any cash balance as per the accounting records that could be reconciled with the balance in the TMA maintained by the CBG. Even the GL did not record the cash balance at the end of the year for reconciliation purposes. With the assistance of the IMF resident advisor, the AGD started maintaining Treasury main cash book from January 2001. Since then reconciliation was being done on a quarterly basis, although with a considerable lag. So far, reconciliation has been done up to March 2003 wherein certain differences remain unexplained. No reconciliation has been completed since.
- **Reconciliation of bank accounts operated by self-accounting units:** The responsibility for reconciling these accounts rests with these agencies themselves. However, whether they carryout any reconciliation is not known as they do not submit a reconciliation sheet to the AGD for verification. They also do not submit their monthly accounts to the AGD within five days of the end of the month as required by instructions issued by the AG in 2001. The AGD neither monitors nor insists on their regular submission.

- **Reconciliation of special bank accounts operated by the AGD:** The AGD does not reconcile the balances of the special bank accounts operated by it at the end of each month or quarter but prepares a reconciliation sheet at the end of the year.¹⁰

Overall, reconciliation of government bank accounts is neither timely nor satisfactory. As a result, this benchmark is not met.

D. Budget Reporting

Indicator 12: Regularity of timely internal fiscal reporting.

Benchmark:(B) Internal fiscal reports are received between two weeks and four weeks of the relevant period.

Assessment: (C) This benchmark is not met. Regular internal fiscal reports are not produced. Flash fiscal reports are being produced to assist with macroeconomic analysis.

Most government payments are centralized in The Gambia. Spending agencies do not make payments on their own, except for self-accounting units. Spending agencies process their payment vouchers through the IAU and payments are made by the AGD. Self-accounting units which maintain their own bank accounts are required to submit monthly accounts to the AGD as per instructions issued in 2001 by the AG. Therefore, the main source of internal fiscal reports is the AGD, except for these self-accounting units.

There is no reliable in-year fiscal reporting. Since the GL has been in arrears for quite some time, standard in-year fiscal reports cannot be prepared. This has created difficulties for DOSFEA in effectively monitoring fiscal developments and making appropriate adjustments in budget execution.

A flash reporting system has been developed to assist macroeconomic analysis. In 2001, with the assistance of the IMF resident advisor, a system has been developed for monitoring government revenues and expenditures. Using cash book data in the AGD, a few key fiscal aggregates are produced for use by DOSFEA. The information needed for producing these aggregates are taken from the AGD's cash books before they are entered in the GL. Therefore, they may not be comprehensive but are useful for fiscal analysis in the absence of more reliable information.

¹⁰ Special bank accounts operated by the AGD include certain project accounts as well as certain BTL accounts.

As noted above, World Bank's MTEF resident expert is helping to prepare revenue and expenditure data for 2002 and 2003. Like the flash reporting system, this data may also not be comprehensive but provides useful information in the absence of a GL.

In-year fiscal reports will become more regular and comprehensive if government accounts are brought up-to-date. This benchmark is not met.

Indicator 13: Regular fiscal reports track poverty-reducing spending.

Benchmark: (A) Good-quality functional classification or virtual poverty fund is presented.

Assessment: (B) This benchmark is not met. Reports tracking poverty-reducing spending are not produced regularly.

Weaknesses in the accounting and reporting system do not allow for timely monitoring and reporting of these expenditures. The absence of a GL, along with reporting on other government expenditures, makes tracking poverty-reducing expenditure very difficult, even though these are identified in the budget document. Moreover, non-reporting by spending agencies on the transactions financed by external donors also limit the coverage of reported data. As mentioned above, at present, the World Bank's MTEF resident expert is collecting expenditure data from VCBs to fill this data gap until an updated GL can be maintained in the AGD.

Two reports on poverty-reducing expenditures have so far been produced. Preparation of such reports is one of the triggers for reaching completion point under the enhanced HIPC initiative. The first report published in July 2002 covered developments in 2001. The second report prepared in December 2002 provided information on developments up to September 2002. There are concerns regarding the quality of the data since government accounts for 2001 onwards have not yet been closed.

DOSFEA has decided to collect information on externally financed projects directly from the spending agencies to produce poverty-reducing expenditure reports. The next report, based on this information, is expected to be produced in the first quarter of 2004. Some progress has been made regarding this benchmark since the last assessment but not enough to meet the benchmark.

Indicator 14: Transactions are recorded in the accounts in a timely fashion.

Benchmark: (A) Routine transactions are entered into the main accounting system(s) within two months after the end of the fiscal year.

Assessment: (C) This benchmark is not met. Government accounts have not been finalized since 1999.

Government accounts have not been finalized since 1999. Existing regulations require that annual financial statements be submitted to the National Audit Office (NAO) within eight months of the end of the financial year. However, these regulations have not been complied with. In 2001, annual accounts for the period 1991–1992 up to 1999 were completed with assistance from the IMF resident advisor and submitted to the Auditor General. The annual ledger for 2000 was generated in mid-2003 but the annual accounts have not yet been prepared by the AGD. The data for 2001 has been entered in the computer system used by the AGD but the annual ledger has not yet been generated. Data for subsequent periods have not yet been entered for generating monthly and annual general ledgers.

Long delays in closing the accounts and finalizing the GL weakens expenditure control. accounts for 2000 have been closed since the last assessment. It is expected that the accounts for 2001 would also be closed shortly. This benchmark is not met.

Indicator 15: Timeliness of audited financial information.

Benchmark: (B) An audited record of the financial outturn should be presented to the legislature within twelve months of the end of the fiscal year.

Assessment: (C) This benchmark is not met. Audited financial accounts have not been presented to the National Assembly since 1990.

Current statutes require audit reports to be issued within 10 months of the end of the fiscal year. As noted above, the Accountant General is required to prepare financial statements within eight months after the end of the fiscal year and submit the accounts for audit to the Auditor General. The latter is required to audit the accounts and issue an audit report within two months thereafter. The Secretary of State for Finance has the responsibility of presenting the audited accounts to the NA at the earliest sitting of parliament after the issuance of audit report.

No audited accounts or financial statements have been presented to the NA since 1990. Only two reports of Auditor General have been presented to the legislature in the past two decades. The financial statements of the government for the period 1991–99 were submitted for audit in March 2001. However, due to shortcomings in the records with the AGD based

on which these accounts were prepared, the Auditor General did not start his work and has requested donor assistance to help him with the task. Accounts for 2000 have been closed but financial statements have not yet been prepared. Since 2001, the AG has not been able to close the government accounts.

The situation with respect to this benchmark has not changed since the last assessment. This benchmark is not met.

Indicator 16: Efficiency and effectiveness of the public procurement system.

Benchmark: (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.

Assessment: (B) This benchmark is not met. The new procurement law has established clear and transparent rules for government procurement but its effective implementation will require recruitment and training of personnel.

A new procurement law was enacted by Parliament in 2001. The Act, which is based on the UNCITRAL model, aims at supporting national anti-corruption initiatives and harmonizing public procurement policies and tools with donor requirements. The Act established The Gambia Public Procurement Agency (GPPA) with the responsibility for implementing the new legal framework and promulgating implementing regulations, as well as providing a final review of contract actions over a pre-set threshold. Procurement and disposal by all central government agencies, local government units, and public enterprises are covered by the Act.

Implementation of the new system has been constrained by lack of skilled personnel.

The new system has decentralized procurement to spending agencies but some of these agencies do not yet have trained procurement personnel in place. A program of sensitization and training was undertaken prior to the implementation of the Act to facilitate effective implementation of the new system. However, the comprehensive nature of the reform means that it will require some time for the procuring organizations to fully understand and implement the new procedures. There are indications that the system needs to be further refined to reduce delays caused by bureaucratic and administrative burden. Some of the major remaining challenges are for the government to identify and train a professional procurement workforce and to automate the procurement process.

Overall, the new procurement system has established clear rules that promote competition and transparency in public procurement but its effective implementation will take some time. This benchmark is not met.

III. SUMMARY OF ASSESSMENT

The above assessment indicates that The Gambia now meets three of sixteen benchmarks—all in the area of budget formulation. The assessment points towards improvements in the budget formulation process since 2001. In addition to these three benchmark, one other benchmarks which was deemed to have been met in the 2001 assessment (indicator 3) was not met this time due to more strict assessment guidelines. Progress was also made in other aspects of budget formulation though this did not result in meeting additional benchmarks. Operations of nearly 500 below-the-line accounts were stopped and budget-line items opened to record revenues and expenditures previously transacted through these accounts. However, these accounts have not yet been formally closed.

Two benchmarks in the area of budget execution (indicators 8 and 9), which were met at the time of the 2001 assessment, were not met this time around. However, this does not necessarily represent a change of practice or a regression on the part of the authorities. The benchmark on arrears (indicator 8) was not met primarily because more complete information on arrears was available during this assessment indicated poor performance in paying bills on time. Similarly, in 2001, internal control was defined narrowly as pre-audit function which remains effective. However, this assessment expanded the definition of internal control and on the basis of this expanded definition, the benchmark is not met.

No progress has been made in the area of budget reporting. This was weakest area of the PEM system in the 2001 assessment also. Since then accounts for 1998 and 1999 have been closed. No progress has been made in auditing the accounts either. More timely closure of government accounts will not only strengthen budget reporting but will also assist in strengthening budget formulation and execution.

IV. ACTION PLAN FOR STRENGTHENING PUBLIC EXPENDITURE MANAGEMENT

This section proposes a prioritized action plan to strengthen the PEM system in The Gambia. The plan proposes a gradual, time-bound implementation schedule for actions consistent with available capacity in this area. The choice of actions is driven by the assessment provided in the previous section. In framing the action plan, the mission benefited from other diagnostic work done in The Gambia including the Country Financial Accountability Assessment (CFAA) report of 2003 and the findings of the overlapping PER mission.

As noted above, several steps have been taken to strengthen the PEM system. These include the introduction of a new budget classification system, identification of poverty-reducing expenditures in the budget, introduction of a flash reporting system, and the establishment of NEFCOM to control commitments. Technical assistance from the IMF has been instrumental in this regard.

Nevertheless, some important weaknesses remain in all areas of the PEM system. The authorities' approach of initially focusing on an organic budget law to improve the legal basis of the PEM system is appropriate. However, proper planning and preparation would be required to effectively implement the law once it is enacted. Moreover, several other components of the PEM system discussed in this paper need to be addressed separately and are not necessarily covered by the provisions of the draft law. A realistic reform strategy would need to encompass all aspects of the PEM system that require strengthening and take into consideration the capacity available to implement reforms, as well as to strengthen such capacity overtime.

The actions proposed in the plan are drawn from the authorities' own plan for improving public financial management in the context of the CFAA report. The authorities presented their plan, which covers aspects of the public financial management system that are beyond the scope of this assessment, in a joint meeting with donors and TA providers in Banjul in February 2004. The mission participated in the meeting which discussed in detail PEM related matters.

Actions planned for improving budget formulation and execution include introducing a MTEF and strengthening internal audit. A MTEF will be introduced to strengthen budget formulation with technical assistance from the World Bank under the Capacity Building and Economic Management Project (CBEMP). A resident MTEF advisor is already assigned to the DOSFEA for this purpose. In preparation for MTEF, PERs in different sectors will be undertaken with support from the World Bank, EU, and DFID. The IAU will be provided with a resident expert to assist with improving audit procedures and practices, as well as drafting Financial Instructions required for implementation of the new organic budget law.

Progress in strengthening budget reporting has been slow and several actions are envisaged in this area. The GL needs to be updated to current status and government accounts for 2001–2003 need to be closed. Problems with computer equipment have been one of the reasons for delay in this regard. DFID has agreed to provide assistance to upgrade the computer system in the AGD to facilitate closing of accounts for 2001–2003. World Bank assistance is also planned in this area following the DFID project to assist with closing government accounts in subsequent years until IFMIS becomes operational. The pace of implementation of IFMIS is expected to accelerate in the near future after a slow start. The IFMIS plan has been revised to concentrate on back-end accounting functions in the AGD rather than developing a fully integrated system capable of processing on-line transactions across the country and across all spending agencies.

Actions have also been identified to improve auditing of government accounts. DFID is expected to provide short-term support to assist the Auditor General to audit the accounts for 1991–99 which have already been submitted to the NAO for audit. Over the medium term, strengthening capacity at the NAO is crucial for progress in this area. DFID is expected to provide a long-term expert for this purpose.

The Gambian authorities, as well as the donors recognize the challenge posed by limited capacity available in the country to implement PEM reforms. The mission recommended that careful consideration be given to the pace and sequencing of the reform program so that current systems continue to be strengthened as new initiatives are introduced. With this in mind, the action plan proposes a schedule of implementation for the actions based on the priority attached to each action, as well as the mission's best judgment regarding the time required for implementation given existing capacity and availability of donor support. In this context, it has limited and tailored the action plan on the basis of the authorities' endorsement of and donors' willingness to contribute to the reforms.

Table 3 : Public Expenditure Management AAP Indicators in The Gambia

		ASSESSMENT			
		Standard Benchmark	Desk Assessment	2001 Assessment	2003-04 Assessment
FORMULATION					
COMPREHENSIVENESS					
1	Fiscal reporting adequately covers the Government Finance Statistics definition of the general government sector	A	C	A	A
2	Government activities are not funded through inadequately reported extrabudgetary sources to a significant degree	A	B	B	C
3	Budget outturn data are quite close to the original budget	B	B	B	C
4	Fiscal reports include grants projected to be provided by donors	A	B	B	B
CLASSIFICATION					
5	Budget expenditures are classified on an administrative, economic, and detailed functional or programmatic basis	B	C	C	A
6	Poverty-reducing expenditures are clearly defined	A	C	A	A
PROJECTION					
7	Multi-year expenditure projections are integrated into the budget formulation process	A	C	B	B
EXECUTION					
INTERNAL CONTROL					
8	There exists a small stock of expenditure arrears, with little accumulation of arrears over the previous year	A	B	A	C
9	Internal control is effective	A	B	A	B
10	Tracking surveys are in use, or are unnecessary	B	C	C	C
RECONCILIATION					
11	Satisfactory reconciliation of fiscal and banking records is undertaken routinely	A	B	C	C
REPORTING					
IN-YEAR REPORTING					
12	Internal fiscal reports are received within four weeks of the end of the relevant period	B	C	C	C
13	Good-quality classification of poverty reducing spending is reflected in the in-year budget reports	A	C	C	B
FINAL AUDITED ACCOUNTS					
14	Routine transactions are entered into the main accounting system (s) within two months of the end of the fiscal year	A	C	C	C
15	An audited record of the financial outturn is presented to the legislature within twelve months of the end of the fiscal year	B	C	C	C
NEW					
PROCUREMENT					
16	The procurement system supports efficiency and effectiveness in the expenditure of public funds through clear and enforceable rules that promote competition, transparency and value for money.	A			B
TOTAL NUMBER OF BENCHMARKS MET			1	5	3
Notes: Please shade cells in cases where the assessed indicator meets or exceeds the standard benchmark level					

Table 4. The Gambia: Action Plan to Upgrade PEM Capacity

SHORT-TERM MEASURES (Within next 12 months)				
	No.	Action	Relates to indicator no.	TA Provider
FORMULATION				
Comprehensiveness	1	Fully integrate recurrent and development budgets in terms of organization and budget analysis in the DOSFEA.	1	N.A.
	2	Include self-raised revenues and expenditures in a separate column in the budget.	1	N.A.
	3	Reduce the limits of in-year virements as suggested in the organic budget law.	3	N.A.
	4	Improve external aid coordination and management in the DOSFEA.	4	UNDP/UNV
	5	Update PERs in the health and education sectors.	4	World Bank, DFID
Projection	6	Improve macrofiscal analysis.	7	World Bank
EXECUTION				
Internal Controls	7	Initiate internal control and internal audit task in DOSFEA	9	World Bank
	8	Draft Financial Instructions for the new Organic Budget Law once it is approved	1, 4, 9, 11, 12, 14	World Bank
Reconciliation	9	Perform regular reconciliation of government accounts.	11	N.A.
REPORTING				
In-Year Reporting	10	Maintain an updated General ledger.	12	DFID
	11	Finalize government accounts for the period 2000-03, and prepare financial statements.	14	DFID
	12	Expedite the work on the recently capacity-tailored IFMIS project.	14	World Bank
Final Audited Accounts	13	Complete audit of government accounts up to 1999 and issue audit opinions.	15	DFID
NEW				
Procurement	14	Recruit and train procurement officers in spending agencies.	16	World Bank

Table 4. The Gambia: Action Plan to Upgrade PEM Capacity (concluded)

MEDIUM-TERM MEASURES (12 months to 3 years)				
	No.	Action	Relates to indicator no.	TA Provider
FORMULATION Comprehensiveness	15	Include all donor-funded activities in the budget.	4	World Bank
	16	Carry out PERs in the new selected sectors.	4	World Bank, DFID, EU
	17	Introduce a program structure in a phased manner in those spending agencies that will be selected for the PER exercise.	7	World Bank
	18	Improve macrofiscal analysis.	7	World Bank
	19	Update PERs in education and health and begin new PERs in other sectors in a phased manner.	7	World Bank, EU, DFID
EXECUTION Internal Control	20	Establish internal control in spending agencies.	9	World Bank
	21	Initiate PETSS.	10	To be identified.
REPORTING In-year Reporting	22	Continue to maintain an updated General Ledger.	12	DFID and World Bank
	23	Finalize the government accounts and prepare financial statements within the legal timeframe prescribed by laws and regulations.	14	DFID
	24	Continue implementation of the IFMIS.	14	World Bank
	25	Audit government accounts for 2000-03 and issue audit opinion.	15	DFID
Final Audited Accounts				

Table 5: 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	1. Introducing MTEF.	2003-2004	1. Introducing MTEF.	2004-2005
	2. Updating PERs in the health and education sectors (in cooperation with DFID).	2004	2. Extension of PER to other sectors to be identified by the authorities (in cooperation with DFID and EU).	2004-2006
	3. Introduction of an IFMIS.	2001-2004	3. Introduction of an IFMIS.	2004-2006
			4. Improving macrofiscal analysis.	2004-2006
			5. Drafting the Financial Instructions required for the implementation of the new organic budget law when it is approved; activating the Internal Audit Unit in the DOSFEA; and preparation of internal audit manuals, and training of its staff.	2004-2005
IMF	1. Improving macrofiscal analysis.	2002-2004		
EU	1. Drafting of financial aspects of the decentralization law.	2003	1. Extension of PER to other sectors to be identified by the authorities (in cooperation with DFID and the World Bank).	2004-2006
DFID	1. Diagnostic study on government accounting and reporting.	2003	1. Extension of PER to other sectors to be identified by the authorities (in cooperation with EU and the World Bank).	2004-2006
	2. Diagnostic study on external auditing.	2003	2. Provision of software and expert services to the AGD until IFMIS is up and running.	2004
			3. Assist in auditing of government accounts for 1991-99, and strengthening capacity at the National Audit Office.	2004-2006

* Within the last 12 months

Table 6: The Gambia: Implementation Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending

#	Actions ¹	Relates to Indicator ²	Timing (S/M) ³	Status (FI/II/NS)*	Date Achieved**	Comments***
Actions to strengthen budget formulation						
1	Provide detailed information on development projects, and list them under relevant spending agencies	5	S	FI	2003 budget	
2	Prepare and implement economic and functional classification	5	M	FI	2004 budget	The work on economic classification was completed in 2002, but it was introduced in the 2004 budget.
3	Introduce MTEF (M) and continue sectoral PERs	7	M	II	ongoing	MTEF has not yet been introduced. PERs are ongoing and will be extended to other sectors identified by the authorities. Several donors have shown interest to assist.
Actions to strengthen budget execution						
1	Rationalize below-the-line accounts	11	S	FI	Jun-05	
2	Implement Tracking surveys	10	M	NS		
3	Implement IFMIS; rationalize below-the-line accounts; computerize cash book entries of AGO	8	M	II	25-Jun	Computerized cash books have been introduced but IFMIS is at the preliminary stage.
Actions to strengthen financial reporting						
1	Implement IFMIS; introduce fiscal flash reporting system; continued updating of entries in government general ledger	12	M	II		IFMIS will take several years to be operational. Flash reporting system is in place, but entries in the general ledger is not up-to-date
2	Implement IFMIS with new budget classifications	13	M	II		Classification is fully implemented, but IFMIS will take several years to be implemented.
3	Close 2001 accounts	14	S	II		2001 accounts have not been closed and finalized.
4	Audit accounts from 1991 and thereafter	15	M	NS		Technical assistance has been requested.

¹Actions 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.

²Show to which of the 16 indicators from the AAP the action chiefly relates.

³S = Short-term action (within 12 months of action); M = medium-term action.

* FI = fully implemented, II = Implementation initiated, NS = Not started

**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.