

ACRONYMS AND ABBREVIATIONS

ANBE	Autonomous Non-Business Entities
AP	Action Plan
CBN	Central Bank of Nicaragua
CGA	Centralized Government Administration
CIDA	Canadian International Development Agency
DGB	Directorate General for the Budget
DGPI	Directorate General of Public Investment
EMTA	Economic Management technical Assistance
FISE	Fondo de Inversión Social de Emergencia
GAO	General Accounting Office
GBR	General Budget of the Republic
GCO	General Comptroller Office
HIPC	Highly Indebted Poor Countries
IAU	Internal Audit Unit
IDB	Interamerican Development Bank
IMF	International Monetary Fund
INPYME	Instituto Nicaraguense de la Pequeña y Mediana Empresa
INVUR	Instituto Nicaraguense de la Vivienda Urbana y Rural
IPMS	Instituto de Previsión Social Militar
ISSDM	Instituto de Seguridad Social y Desarrollo Humano
MFPC	Ministry of Finance and Public Credit
PRPE	Poverty Reducing Public Expenditure
SETEC	Technical Secretariat of the Presidency Office
SIGFA	Sistema Integrado de Gestión Financiera y Auditoría
SPRS	Strengthened Poverty Reducing Strategy
SSF	Supplementary Social Fund
TA	Technical Assistance
TSA	Treasury Single Account
USAID	United States Agency for International Development

NICARAGUA

TRACKING POVERTY-REDUCING PUBLIC EXPENDITURE ASSESSMENT AND ACTION PLAN

A joint Fund/Bank visited Managua during June 24-July 4, 2001 to assist the authorities in preparing: (i) an assessment on Nicaragua's capacity to track poverty reducing public expenditure (PRPE), and (ii) an action plan (AP) to improve that capacity.

The report consists of four sections:

1) An assessment of Nicaragua's capacity to track PRPE. The assessment focuses on the three components identified in the document approved by the Executive Boards of the Fund and the Bank – budget preparation, execution, and reporting – and the fifteen benchmarks identified therein¹.

2) A list of technical assistance operations (TA) in progress and planned by the World Bank, the IMF, and other organizations, which could help improve the capacity of the public financial management system. The list presents the specific assistance projects and the results expected from them.

3) A description of needed reforms not supported by technical assistance operations in progress or planned, an assessment of the internal capacity to undertake them, and an identification of the type of additional assistance that will be needed.

4) Finally, an AP to improve tracking capacity is presented, including reforms that would have an impact in the medium term, an implementation schedule, and certain short-term measures and bridging mechanisms consistent with the medium-term reforms.

I. ASSESSMENT OF PRPE TRACKING CAPACITY

A. Involvement of the various levels of government

Municipalities account for a very small proportion of PRPE in Nicaragua, and their involvement in the expenditures included in the Strengthened Poverty Reduction Strategy (SPRS) will not be very significant. Their involvement will be limited to information gathering, advising, and control functions. Consequently, this assessment relates exclusively to the central government's capacity to track PRPE.

¹ "Tracking Poverty-reducing Public Spending in HIPC Countries". SM/01/16

B. Budget preparation

Comprehensiveness of the budget

- *Budgetary information follows the definition of central government in the IMF's Manual on Government Finance Statistics(GFS).*

The General Budget of the Republic (GBR) shows only the expenditures of the Central Government Administration (CGA) – the National Assembly, the Supreme Court, the Electoral Council, the General Comptroller Office of the Republic (GCO), the Office of the President of the Republic, and the Government Ministries. The GBR does not provide information about local government finances, nor does it cover all central government activities since it does not include the budgets of all autonomous non-business entities (ANBE)². A few foreign donations that are difficult to quantify are not reflected in the GBR, but they do not appear to be significant. The budget documentation does not include a consolidation of the budgets of the various entities that make up the central government. The periodic budgetary execution reports provide information about the CGA, and about execution of the investment projects included in the public investments program, including those executed by autonomous entities. However, information is not provided with regard to current expenditures of the ANBE.

- *Government's activities are not financed to a significant extent by extrabudgetary funds.*

Extrabudgetary funds are fairly extensive. Approximately 20 percent of current revenue is earmarked, to finance certain entities (universities, Supreme Court, Office of Internal Revenue, and Office of Customs Services), and to finance specific expenditures of the entities that collect these revenues (receipts with specific allocations). Other extrabudgetary funds include social security entities. However, in practical terms, no PRPE are made using extrabudgetary funds.

² According to the Constitution, the budgets of all the autonomous entities are to be included with the GBR for informational purposes only, since those budgets are approved by the respective executive boards, not by the General Assembly. The 2001 GBR does not include the budgets of seven ANBE (FISE, INVUR, ISSDH, IPMS, INPYME, INAFOR, ICAD). It does only include the grants that these entities receive from the GBR, and the investment projects financed with budgetary resources.

- *Level and composition of outturns is “quite close” to budget.*

In recent years, the level of execution of the GBR has been improving gradually. In 2000 total expenditures were slightly higher than initially budgeted, but increased appropriations during the year were significant, owing mainly to foreign grants not forecast during preparation of the GBR. The level of execution varies greatly among the ministries. The estimate of current revenue is acceptable.

- *The budget includes current and capital expenditures financed by donors.*

Foreign donations and concessional loans are used basically to finance public investment projects that are included in their entirety in capital expenditures, despite the fact that a significant portion of these expenditures consists of personnel costs and other recurrent expenditures. However, the present Integrated Financial Management and Audit System (SIGFA) allows a distinction to be made between these two types of expenditures.

Budget classifications

- *Functional and/or program information provided.*

Nicaragua has administrative, economic, programmatic, and functional classifications. The GBR classifies expenditures by institutions, programs and aggregate economic categories. In addition, programs are broken down by investment projects and source of financing, but no information is provided on the administrative units responsible for program execution. The functional classification is very general (eight functional groups), and derives from the administrative classification. There is no functional classification that meets international standards and is integrated with the classifications by program.

- *Poverty-reducing expenditures clearly identified in the budget.*

PRPE are defined in SPRS. They are broken down by programs and policy actions. For each action, the executing agency and the dates of execution are identified. The SPRS programs are not aligned with the GBR programs. The SPRS also specifies the programs and projects eligible to receive HIPC resources. An existing fund – the Supplementary Social Fund (SSF) – is to be converted into a virtual fund to channel HIPC resources to poverty-reducing projects.

Medium-term projections

- *Multi-year expenditure forecasts integrated into the budget cycle.*

Although there are some multi-year forecasts, particularly with regard to public investments, no medium-term expenditure scenario is used in GBR preparation.

C. Budget execution

Internal controls

- *Low level of arrears.*

Commitments and payments are controlled by quarterly and monthly quotas set by the Ministry of Finance and Public Credit (MFPC) for budgeted institutions. Some payments are in arrears. The accounting system presently in use does not allow the total of outstanding obligations to be determined. Only the difference between organizations' payment orders and the checks issued may be determined. Expenditure payment problems that arose in the last fiscal year are affecting financial management in this fiscal year.

- *Internal auditing is active.*

The internal audit units within the ministries are weak. The available human resources are clearly insufficient, and although they have appropriate academic degrees, they need technical training to carry out their assigned duties. Essentially, they perform audits of legality or review partial financial areas, but they do not audit budgetary execution accounts to verify the reliability of budgetary information. Although they have an annual plan of audits approved by the GCO, generally they are unable to implement the plan as they must divert resources to handle other requests from the GCO concerning misappropriation of funds or a lack of supporting documentation for administrative unit accounts. The administrative and financial units of the ministries and agencies do perform a certain number of preliminary controls, but the practice is not widespread or required by regulation.

- *Tracking surveys to supplement internal controls.*

Tracking surveys are not conducted to supplement internal controls.

Reconciliations

- *Fiscal and bank reconciliations are performed periodically.*

Bank reconciliations are now performed periodically, but cross-audits of fiscal and monetary information are not undertaken (a table of "above the line" and "below the line" budgetary balances is not prepared).

D. Budget reporting

Reports

- *Monthly expenditure reports provided within four weeks of end of month.*

SIGFA enables the MFPC's General Accounting Office(GAO) to obtain monthly reports on the budgetary execution of the various ministries within ten days following the close of the relevant period. However, these reports must be verified by the ministries' administrative and financial units to correct any errors detected.

Consequently, audited budgetary execution reports may be available within four weeks following the close of the relevant period. Reduction of this period may be possible when local SIGFAs are implemented within the ministries.

- *The functional classification is reflected in budgetary execution reports during the fiscal year.*

The quarterly budgetary execution reports submitted to the National Assembly and the GCO include the functional classification of expenditures, but as noted above, this classification does not provide much detail. These reports provide information by institutions, economic categories and investment projects.

Audited final accounts

- *Accounts closed within two months of year end.*

Accounts are closed within six weeks following the end of the fiscal year.

- *Audited accounts are submitted to the legislative branch within twelve months following the end of the fiscal year.*

The final budget settlement account is submitted to the National Assembly and the GCO three months after the end of the fiscal year, but the account is not externally audited by the GCO.

E. Budget evaluations.

Certain social poverty indicators are tracked, and standard of living surveys are used for this purpose. Impact evaluations by sector and by program are performed only in response to pressure from specific donors or groups of donors. Tracking surveys of HIPC expenditures are planned, but the methods to be used are still under discussion.

The assessment is summarized in Table 1.

II. ONGOING OR PROJECTED TA.

Table 2 presents information on the main TA in progress or planned by multilateral institutions or donors that will help improve PRPE tracking over the next two/three years.

The Bank, through its Economic Management Technical Assistance (EMTA), is the main provider of assistance. EMTA includes various major reforms that will improve Nicaragua's capacity to track PRPE: the expansion and reform of SIGFA and strengthening programming and fiscal management capacity. These reforms are presented in further detail below. The Bank has been providing assistance with the reform, or rather creation, of the civil service, which presents a serious bottleneck in terms of undertaking a balanced reform strategy in the public sector and fiscal administration. A new project will seek to complete the reforms already underway.

The IDB has provided support to strengthen the national public investment system and is undertaking new assistance operations to improve the efficiency and transparency of government procurement and contracting, and to strengthen tax administrations. The IDB is also supporting the Technical Secretariat of the Office of the Presidency (SETEC), which is in charge of coordinating social and economic policy; especially in the context of the poverty reduction strategy.

USAID has contributed to setting up the SIGFA project and to institutional strengthening of the GCO.

Finally, CIDA will provide additional assistance to strengthen the national public investment system.

In 1995, Nicaragua began a process of comprehensive reforms in public-sector financial management with the support of the Bank, USAID, and the IDB, through the SIGFA project. The project's aim was to bring about a significant improvement in budgeting, accounting, treasury management, and public debt systems, public procurement, and internal and external auditing throughout the government. Execution of the SIGFA project began in the second half of 1995. Initially, the basic objective was to set up the system at the central level, in the MFPC. In a second phase, local SIGFAs, linked to the central entity, would be established in the various ministries and entities of the central government, excluding the public enterprises. The following advances have been made since 1995:

- The central SIGFA has been fully operational at the MFPC since 1998 in terms of budgeting, accounting, and treasury management.
- In the period from 1997 to 1999 four new subsystems were introduced: public debt , treasury (Treasury Single Account—TSA), government payroll , and public procurement.
- Standards and procedures for financial management and operating manuals have been prepared for all subsystems, and some 4,000 managers have been trained.
- Internal and external auditing standards have been designed in close coordination with the GCO.

The new EMTA project will expand the reforms already underway. Specifically, the project will first enable the local SIGFAs to be set up in 2003, which will facilitate the recording of transactions and the availability of information for those who use it; suppliers and civil servants will also be able to receive payment via electronic transfer. Second, a medium-term expenditure scenario will be developed and the MFPC's fiscal analysis capacity will be strengthened. Third, improvements will be made in the capacity to prepare annual internal and external auditing programs through SIGFA, and financing will be provided for a certain number of audits.

All of this will strengthen the following elements, which are considered important in terms of improving PRPE tracking capacity:

- Medium-term expenditure scenario integrated with the budgetary cycle. The reforms under way in terms of preparing the public investment program to differentiate between current and capital expenditure, and to introduce into project files the recurring expenditures that necessitate the investments planned and in progress, will also facilitate this improvement.
- Providing more timely and complete information concerning the execution of projects financed with donor resources.
- Improved control of arrears.
- Improvements in the effectiveness of internal and external audits.

III. NEEDED REFORMS NOT SUPPORTED BY TA

First, the GBR and budgetary execution reports must cover all the institutions that make up the central government as defined in the IMF's Manual on GFS. This means including in the GBR the budgets of all ANBE. In addition, to track all PRPE, nonfinancial public enterprises that implement projects included in the SPRS would also have to be included. This reform depends on the initiative of the government, and may be introduced in the GBR for 2002.

Second, it is advisable for extrabudgetary funds to be reduced in order to improve the public resource allocation process, subjecting those funds to the same scrutiny as budgetary funds. However, this issue is less of a priority from the perspective of the AP objective, and since it requires legal and constitutional reforms, these changes depend fundamentally on government initiative.

Third, the accounting system will allow a distinction to be made between current and capital expenditure in the investment projects. The Directorate General of Public Investment (DGPI), which is dependent on SETEC, has already begun work to bring about this differentiation. This reform may be introduced in the 2002 GBR.

Fourth, a functional classification of public expenditure is needed. The existing functional classification is merely a reordering of the administrative classification into eight functional

groups. This reform is important in order to obtain a medium-term expenditure scenario broken down by policies and programs that will permit more effective and efficient budgeting and more transparent tracking of PRPE and HIPC expenditures. No technical assistance at all is planned for this issue. One possibility to consider is that the coordinating unit of the SIGFA project, which developed the other budgetary classifications, could easily address this need. If this arrangement should prove impossible, an alternative provider would then have to be identified.

Fifth, the local SIGFAs will allow for better control of arrears. However, in order for this possibility to come to fruition, some adjustments will have to be made in the accounting system so that unpaid, recognized outstanding obligations can be identified in the accounts. This would require, first, separating out accruals, when an obligation is recognized, from payment orders. Secondly, the payment order as presently defined is recorded when the checks are issued, not when the debt is discharged, when the check is delivered to the creditor. This problem will be resolved automatically by using an electronic payment transfer system, since the payment will be recorded what the transfer is ordered.

Sixth, training will be offered through the EMTA project to develop auditing programs to be carried out by the internal audit units (IAU), and some of those programs will be financed. However, strengthening the IAUs will require allocation of additional human resources. The IAUs should have the capacity to audit end-of-year budget execution reports, which is now an exception but should be the rule, and to expand its activities to include performance audits in the future.. In any event, the present two-fold dependency of these units – with respect to the ministers, on the one hand, and the GCO, on the other hand – must be clarified. The GCO approves their annual internal audit plans, decides whether or not to remove the heads of the IAUs from their positions, and orders to them specific investigations to be undertaken. This does not seem to be the most appropriate framework for the IAUs to maintain harmonious and efficient relationships with their hierarchical superior, the minister. It involves an excessive interference by the external control entity in the affairs of the internal control units. In addition, it prevents the GCO from focusing on the complete audit of the final accounts.

Seventh, routine reconciliations of fiscal and monetary accounts (above and below the line) could be done easily at the government's initiative by strengthened coordination between the MFPC and the CBN. The Fund's mission or the Permanent Representative could provide assistance readily, if needed.

Eighth, although the mandatory quarterly reports to be submitted to the National Assembly regarding budgetary execution remain firmly in place, their institutional coverage is insufficient and the periodicity of the information they provide is inadequate. As noted, these reports, like the GBR, should cover the entire central government. Additionally, they do not reflect the execution of projects financed with external funds in a timely manner. There are significant delays in submitting information to the central SIGFA concerning expenditures

financed with external resources³. Some times, because project executing offices are late in submitting information about execution and disbursements to the administrative and financial units of the ministries. Other times, because these units do not record the information in a timely manner in the accounting system, giving priority to payment orders for their own operations financed with Treasury resources. Until the local SIGFAs are in place, which will simplify the process of providing information, this is a problem of internal coordination among the donors, the ministries, and the MFPC. Resolving this problem will require definition of management procedures, a clear assignment of responsibilities for this function to the administrative and financial units, and a certain number of controls.

Finally, the GCO must focus its activities on conducting a full external audit, at least in principle, of the central government's final accounts. Independently of the assistance received from the IDB and the Bank in this matter, just as with the internal audits, the GCO will need a certain amount of reorganization and restructuring of its staff, and improved training.

Short-term reforms to improve PRPE tracking capacity.

Some of the reforms outlined above, to be undertaken directly by the government or with additional technical assistance, will produce effects in the medium term, in two to three years. Moreover, they aim generally to improve the government's programming and financial management system, and not specifically to strengthen the tracking capacity of PRPE. To track these expenditures in the short term, specific mechanisms must be designed that will be consistent with the medium-term reforms.

These specific short-term mechanisms must meet a minimum of three requirements. First, they must allow for tracking PRPE, as defined in the SPRS, and expenditures financed with HIPC resources. Second, they must ensure that the resources released by the HIPC Initiative are, in fact, used to finance PRPE. Finally, they must ensure that these resources actually serve as an addition to efforts already under way to fight poverty. Some of the reforms needed for compliance with these requirements have already been addressed. Others have yet to be designed, and are waiting for a decision to be made among the alternatives under consideration.

PRPE has already been identified in SPRS. A three-year forecast has been worked out concerning the resources to be used to finance the various programs and policy actions included in PRPE. *Properly tracking PRPE requires in the short-run to establish a correspondence between the SPRS programs and policy actions with GBR programs. Next, a tagging mechanism will be defined to clearly identify PRPE in the GBR and the budgets of*

³ This conclusion can be reached by comparing the figures for execution of investment projects available at the DGIP, based not on accounting figures but on information requested through links to ministries and organizations, with the information that the Directorate General for the Budget (DGB) provides in its quarterly reports, based on accounting data.

the autonomous agencies. Transfers from the GBR to the autonomous entities to fund PRPE will be tagged to identify the individual program or project financed by them. Periodic budget execution reports will have the same coverage and classification as the budgets and provide information on PRPE execution by the central government broken down by entities, programs, and economic categories⁴.

In addition, as noted above, *appropriate tracking of the execution of PRPE needs improved coordination among the donors, the administrative and financial units of the ministries and the DGIP, and the DGB* to provide timely accounting information concerning execution of projects financed with external resources.

It has already been determined that an existing fund, the Supplementary Social Fund (SSF), will be converted into a virtual fund to channel HIPC resources. The SSF was established in 1998 with technical assistance from the Bank and the IDB, in the context of negotiations for a new ESAF with the Fund,⁵ to finance certain social expenditures with donor funds. It was designed as a mechanism that, on the one hand, would allow donor-supplied resources to be identified clearly in the GBR and, on the other hand, would permit tracking of their allocation for certain predetermined social programs. The donors insisted that, in addition to the tracking function, an assessment would be made via a series of social indicators. The conversion of the SSF into the HIPC fund will require an expansion of its area of activity. The SPRS identifies a series of programs within PRPE, in which the resources will be used.

The SSF is managed by a Coordinating Council composed of the Technical Secretary of the Office of the President, the Ministers of Economy, Health, Education, and Agriculture, and representatives of each of the donors and of civil society. The Social Investment Emergency Fund (FISE) also joins the Council for issues relating to the "Social Protection Network" program. The Council, which sets priorities, selects projects, and determines the physical goals and products expected from the programs financed, reports to the donors based on controls and established indicators. Project execution is the responsibility of the ministries and entities, according to sector.

SSF resources are deposited into special accounts in the Treasury's name at the commercial banks, with identifying sub-accounts for each donor, which are used exclusively to finance eligible programs. The procedures for using these funds are the same as those used for payment of expenditures charged to the GBR (request by the project executing agency to the

⁴ PRPE includes not only investments, but also current expenditures of certain ministries and entities.

⁵ The program aimed to reduce overall public expenditure considerably, including current expenditure in the social sectors, over a period of several years until the adjustment measures had their effect. However, the program allowed for an increase in expenditure above the levels set, provided that such increases were financed entirely with additional external concessional resources and were used wholly for social programs agreed upon in advance.

MFPC's General Accounting Office, from which payment is made; after consulting with the DGB, the General Accounting Office informs the Treasury of its consent to order payment).

To track the additional resources that will be available through the HIPC Initiative, the volume of these additional resources must first be determined. In principle, this figure would be determined by calculating the difference between the total debt service owed prior to HIPC relief and the amount that would be owed after it. For Nicaragua, two factors complicate this assessment. First, in years past Nicaragua has been paying only part of its debt service, the "prioritized" debt. Second, after Hurricane Mitch, a significant portion of the service on this prioritized debt was deferred until March 2001. Owing to these two factors, the difference between the notional savings derived from the HIPC Initiative and the additional cash resources that will effectively be available in the medium term is substantial. Estimating the additional resources available for poverty reduction is complex and will depend largely on the base year selected for comparison.

The resources released by the HIPC Initiative will be deposited in the TSA sub-account at the Central Bank of Nicaragua (CBN) and disbursed only to finance HIPC projects. To that end, the procedures for making deposits to the treasury accounts and for disbursements of HIPC resources from those accounts, as well as the individuals responsible for performing such operations, must be very clearly regulated. These resources are earmarked for a specific purpose, poverty reduction, and there must be guarantees that the resources will be used only for projects established for that purpose. Adequate codification of these projects is an initial safeguard to ensure that the resources are allocated for specific purposes. A clarification of the legal roles and responsibilities of the Coordinating Council, as the entity responsible to the donors, is needed to prevent duplications with other entities in overseeing the allocation of funds through the FSS.

Adequate tracking of PRPE and expenditures of HIPC resources require a change in format for presentation of the GBR and the budgetary execution reports. The present format of the GBR establishes a correspondence between resources coming into the SSF and expenditures made through it. Table 3 presents an example of this format. One significant problem that makes it difficult to use the format as a tracking mechanism is that the SSF appears as a project, rather than as a fund that finances projects. Consequently, it is difficult to identify the overall amount spent on specific poverty-reducing projects, and to identify the internal and external funds not channeled through the SSF. Two additional problems are that: (i) all external funds channeled through the SSF are considered capital expenditure, whereas, in reality, they finance current expenditure; and (ii) the GBR does not seem to include all transfers channeled through the SSF.

Table 4 shows a more transparent manner of including the SSF in the GBR. All resources channeled through the SSF are budgeted in SETEC, as an expenditure on its behalf, as a transfer to another ministry that is the executor of the projects financed with grants channeled through the SSF. Projects financed with SSF resources are "flagged" as such by ministries and programs, which makes it possible reliably to identify projects and expenditures financed with HIPC resources in the budget execution reports. Additionally, this alternative format

permits a more complete measurement of all resources devoted to each project. For example, if the "teacher incentives" project in Table 4 is included in the "flagged" projects, this format shows the total spent on the project, as well as the amount financed with each source of revenue, whether internal or external. In Table 3, it would be impossible to identify the portion of overall SSF spending on education that is earmarked for the "teacher incentives" project. With the alternative format, it is easy to create an accounting codification structure that "flags" all projects included in PRPE, and in this way to obtain the total of all spending for those programs, as well as the total amount of financing coming from each source, including the HIPC Initiative.

Finally, a system must be established to evaluate and track the poverty-reducing impact of expenditures financed with HIPC resources. A basic condition for the success of the SPRS is the creation of a system to evaluate the performance and track the impact of poverty-reducing projects. As the location of the SSF, SETEC is perhaps most well-suited to undertake these functions. However, the present capacity to perform these tasks is very limited, and it may be advisable for an initial phase to focus on projects financed through the SSF, gradually expanding operations to include the other PRPE as capacity is strengthened. Gradually, PRPE tracking surveys should be introduced as a complement to assessments of internal control systems.

IV. OUTLINE ACTION PLAN

Table 5 presents a summary of the Action Plan. The plan's main components and the dates for their implementation are presented below.

A. Medium-term Measures.

1. Startup of local SIGFA operations in early 2003.
2. Introduction of a Medium-term Expenditure Scenario as part of the process of drawing up the GBR for 2003.
3. Introduction of a functional classification integrated with classification by program in the GBR for 2003.
4. The GCO will perform a complete audit of the budgetary execution accounts for 2002.
5. Definition of internal control systems and strengthening of the IAUs for 2003.

B. Short-term Measures.

1. The GBR for 2002 will incorporate the following reforms:

- budgets of all central government entities, as defined in the IMF's GFS Manual, including a consolidation of those budgets.
- clear identification of PRPE and expenditures financed with HIPC resources, differentiating between current and capital expenditure.

2. Budgetary execution reports will cover the whole central government and inform on the execution of all PRPE programs/project, including those executed by public enterprises.

3. Budgetary execution reports will provide timely and complete information on projects financed with donor resources.

4. Definition of the procedures for integration of HIPC resources into the TSA, and for their disbursement.

5. Adjustment in the accounting system to obtain complete information on arrears.

6. Periodic reconciliations of above and below the line balances.

7. The IAUs will be strengthened to carry out financial audits.

Table 3
Current Budget Format for Incorporating the SSF-

(in C\$ millions)

Central Government Expenditures	Current Expenditures			Capital Expenditures			Total
	Sal.&Mater.	Curr. Transf.	Total	Cap. Goods	Cap.Transf.	Total	
Presidency of the Republic			158.8	7.0	138.0	145.0	303.8
of which							
Program 10: SETEC			7.7	3.8	3.8	7.6	15.3
"Project" FSS					3.8	3.8	3.8
External Grant, SIDA-Sweden					3.8	3.8	3.8
"Project" Admin.Capac.Bldg. SNIP				0.0		0.0	0.0
Treasury Resources				0.0		0.0	0.0
Education Ministry			984.1	702.6	462.6	1,165.2	2,149.3
of which							
Program 06, Primary Education			637.6	531.4	430.3	961.7	1,599.3
"Project" FSS, MECD				?	?	5.5	5.5
External Credit, IDB				?	?	5.5	5.5
"Project" School Construction				?	?	130.8	130.8
External Grant, Japan				?	?	121.2	121.2
Treasury Resources				?	?	9.6	9.6
Health Ministry			1,379.0	488.4	22.4	510.7	1,889.7
of which, FSS						29.5	29.5
Total FSS Resources:						38.8	38.8

Table 4
Proposed Budget Format for Incorporating the SSF

in C\$ millions

Central Government Expenditures	Current Expenditures			Capital Expenditures			Total
	Sal.&Mater.	Curr. Transf.	Total	Cap. Goods	Cap.Transf.	Total	
Presidency of the Republic			175.4	7.0	156.4	163.4	338.8
of which:							
Program 10: SETEC			24.3	3.8	22.3	26.1	50.3
of which:							
"Project" FSS			16.6		22.3	22.3	38.8
External Grant, SIDA-Sweden			3.8				3.8
External Credit, IDB			12.8		22.3	22.3	35.0
Education Ministry			984.1	702.6	462.6	1,165.2	2,149.3
of which:							
Program 06, Primary Education			637.6	531.4	430.3	961.7	1,599.3
of which:							
Project 'Mochila Escolar'							
FSS			1.2				1.2
Treasury Resources							
Project 'Teacher Incentives'							
FSS			4.9				4.9
Treasury Resources							
External Grant XXX							
Project 'School Autonomy'							
FSS				3.3		3.3	3.3
Treasury Resources							
External Credit YYY							
Health Ministry			1,379.0	488.4	22.4	510.7	1,889.7
of which Program XXXX							
of which FSS			10.5	19.0		19.0	29.5
Total FSS Resources:			16.6	22.3		22.3	38.8