

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) AND
INTERNATIONAL MONETARY FUND (IMF)

**Update on Implementation of Action Plans to Strengthen Capacity of HIPC's to Track
Poverty-Reducing Public Spending**

Prepared by the IMF's Fiscal Affairs Department and the World Bank's
Poverty Reduction and Economic Management Network

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ACRONYMS

AAP	HIPC Expenditure Tracking Assessment and Action Plan
CFAA	Country Financial Accountability Assessments
FAD	Fiscal Affairs Department
IFMIS	Integrated Financial Management Information Systems
HIPC	Heavily Indebted Poor Country
MTEF	Medium-Term Expenditure Framework
PEM	Public Expenditure Management
PER	Public Expenditure Review
PRSP	Poverty Reduction Strategy Paper

Executive Summary

In February 2002, the Executive Boards of the Bank and the Fund considered a paper in which staff presented finalized assessments of public expenditure management (PEM) systems as well as trends in poverty-reducing spending in 24 HIPCs. The paper also reported on action plans agreed with country authorities to strengthen their PEM systems. During the discussions, Directors requested staff to provide an update in 2003 on progress in implementing measures envisaged in the action plans. This paper provides the update requested by Directors. The update is based on information for 21 countries prepared by Bank/Fund staff in consultation with country authorities using standardized formats.

The action plans relate to the 15 benchmarks reported in the February 2002 Board paper. The benchmarks established are a useful set of indicators for tracking overall PEM system performance. However, these need to be interpreted with caution. Some important elements of a well functioning PEM system are not directly included (e.g., procurement systems). In addition, not all indicators necessarily have equal importance in the abstract or in any given country context.

With these caveats, the update indicates that countries are making progress in implementing the action plans. More than three-fourths of measures in the action plans have either been fully implemented or are under implementation. Based on measures that have been fully implemented and assuming no slippage in other areas, staff would expect that, on average, countries have met an additional benchmark compared to the last comprehensive assessment. Progress is similar across budget formulation, execution, and reporting. Countries have been especially active in identifying and tagging poverty-reducing spending. An increasing number of countries are now able to report on poverty-reducing public spending and such spending is rising in relation to GDP and total expenditures. These increases need to be accompanied by increased efficiency and better targeting to improve social outcomes. Measures from the action plans are being incorporated in Poverty Reduction Strategy Papers (PRSPs) as well as in Fund-supported programs and Bank adjustment operations.

Staff will continue to monitor and report progress in implementing action plans to the Executive Boards. A new comprehensive assessment of the PEM system in HIPCs will be undertaken in 2004.

I. INTRODUCTION

1. **This paper reports on progress in implementation of action plans to strengthen tracking of poverty-reducing public spending in Heavily Indebted Poor Countries (HIPCs).** In February 2002, the Executive Boards of the Fund and the Bank considered a paper¹ in which staff presented finalized assessments of public expenditure management (PEM) systems as well as trends in poverty-reducing public spending in 24 HIPCs.² That paper also reported on the action plans agreed with country authorities to strengthen their PEM systems, and the assistance being provided by bilateral and multilateral agencies in strengthening these systems.

2. **During the discussions at the two Boards, Directors asked staff to:**

- report on progress in implementing the action plans, using a standardized format, as part of the review of Bank- and Fund-supported programs;
- continue to report on poverty-reducing spending, as defined in the PRSPs;
- provide an update in 2003 of progress in implementing action plans based on standardized reporting in Board documents;³ and
- conduct a new comprehensive review of HIPCs' capacity to track poverty-reducing public spending in 2004.

3. **This paper provides the update requested by Directors.** The rest of the paper is organized as follows: Section II describes the methodology for conducting the update; Section III reports on the status of implementation of action plans; Section IV discusses trends in poverty-reducing public spending; Section V examines the extent to which the action plans are being incorporated in country-owned strategies and in programs supported by the Bank and the Fund; and Section VI lays out the next steps.

¹ IMF SM/02/30, Revision 2, March 21, 2002; and World Bank, March 22, 2002, IDA/SECM2002-30/2. (See also <http://www.worldbank.org/hipc/hipc-review/tracking.pdf> and <http://www.imf.org/external/np/hipc/2002/track/032202.htm>.)

² The countries were: Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Tanzania, Uganda, and Zambia.

³ Since the 2002 Board paper, the Bank has undertaken assessments in six additional HIPCs. These are: Burundi, Central African Republic, Côte d'Ivoire, Democratic Republic of the Congo, Guinea-Bissau, and Sierra Leone. These additional assessments will be incorporated into the planned 2004 Board paper. In addition, some Directors at the Bank Board requested Bank staff to extend this assessment to non-HIPCs and some middle-income countries. Such assessments are, therefore, being carried out in several non-HIPCs, including Cambodia, Kenya, Lesotho, Nigeria, and Peru. Similar assessments have also been done for ten countries in the Bank's Europe and Central Asia region.

II. METHODOLOGY

4. **Tables for reporting progress in the implementation of action plans were designed by Fund and Bank staff.** The tables seek to track the implementation status of individual measures included in the action plans. Actions are classified in tables as ‘fully implemented’, ‘implementation initiated’, or ‘not started’.⁴ Staff were asked to complete these tables for country strategy and lending (Bank) and program review (Fund) documents.
5. **These tables were prepared following consultation with country authorities and agreed to by both Fund and Bank staff.** In the Fund, the updates were prepared by area departments, which did not necessarily include a PEM specialist. To date, action plan updates have been prepared for 21 of the 24 HIPC countries included in the February 2002 Board paper.⁵ This paper also relies on additional information compiled by country teams.
6. **The updates represent a “snapshot” at a point in time.** They were prepared at different times during the year. The difference in timing reflects differences in the program cycle and scheduling of missions. On average, countries have had one year or less to follow up on action plans.
7. **The updates follow closely the agreed action plans.** In some cases, the action plans were revised (in consultation with country authorities) to include additional measures and the updates report on these as well. In other cases, related actions were consolidated into a single action for the purpose of the update.⁶
8. **The update on implementation of action plans should be interpreted with caution.** First, the action plans are limited to strengthening the 15 PEM benchmarks reported in the February 2002 Board paper. Some countries are undertaking reforms that go beyond these benchmarks (e.g., Burkina Faso). Hence, the update may understate the extent of PEM reforms being implemented in these countries. Second, not all measures are of equal significance for PEM improvements. Countries with less advanced PEM systems are implementing basic reforms that may involve little effort by the country (e.g., developing a template for local government reporting). Other countries with more advanced PEM systems are implementing reforms that are complex and may require substantial effort over a period

⁴ ‘Implementation initiated’ means that the measure has been started but not yet completed. No distinction is made, however, on the degree of progress towards completion.

⁵ These 21 countries are: Benin, Bolivia, Burkina Faso, Cameroon, Chad, Ethiopia, The Gambia, Ghana, Guinea, Guyana, Honduras, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, and Zambia. Madagascar, which had reported progress in implementing its action plan to the Fund’s Board, is not included in this sample as measures reported pertain only to those included in the Fund-supported program. The updates for Nicaragua and São Tomé and Príncipe are under preparation and would be completed by April 2003.

⁶ For example, the original action plan for Senegal included 45 specific measures across 18 heads. The update table reports 21 measures. Three of the 45 measures, which were considered especially critical, were separately identified. The remaining 42 measures were consolidated into 18 measures (one for each head).

of time (e.g., implementing an integrated financial management information system (IFMIS)).

III. STATUS OF IMPLEMENTATION OF ACTION PLANS

9. **Actions planned for every country relate to the 15 benchmarks.** They include measures to strengthen budget formulation, execution, and reporting. A majority of the measures related to benchmarks that the countries did not meet at the time of the last comprehensive assessment. The action plans did, however, also include measures aimed at further strengthening PEM capacity in areas where performance was considered satisfactory. In the 21 countries for which updates were available, there were a total of 361 actions reported. About 41 percent of these relate to budget formulation, 32 percent to budget execution, and 27 percent to budget reporting. The measures were further differentiated into short- and medium-term measures. Typically, short-term measures were those that were intended to be implemented by the end of 2002. Medium-term measures were to be implemented in two to five years. Short-term measures accounted for 59 percent of all measures.

A. Implementation Experience

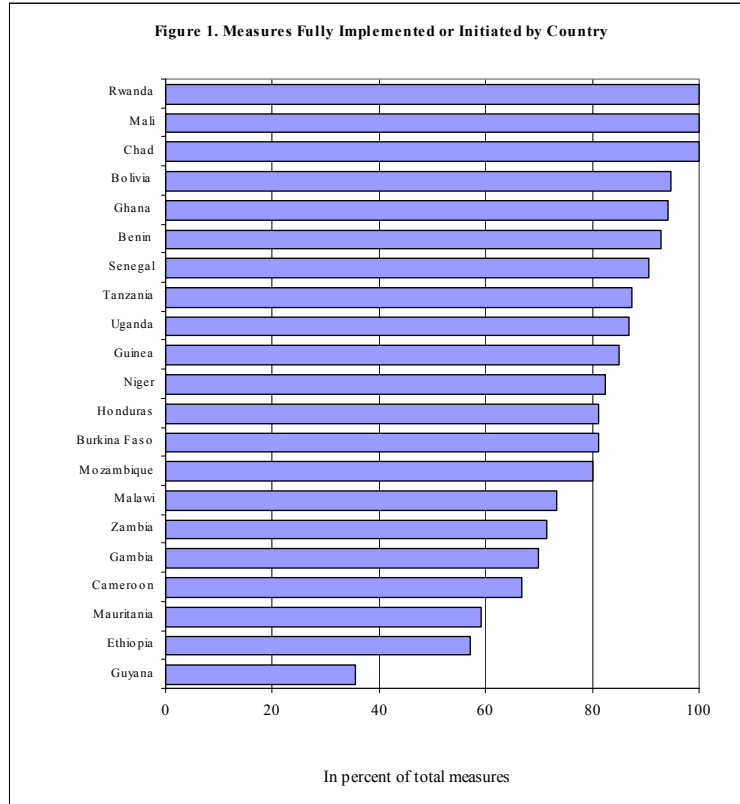
10. **Fourteen countries have initiated or implemented more than 80 percent of all planned measures in their action plans (Figure 1).**⁷ Chad, Mali, and Rwanda are the only countries that have initiated or fully implemented all measures in their action plan (see Box 1 which summarizes the implementation status of measures for Chad). Ghana has the highest percentage of fully implemented actions (47 percent). Eleven other countries have fully implemented 20 percent or more of all measures in their action plans. In the 21 countries taken together, 21 percent of all planned measures have been fully implemented, 58 percent have been initiated, and 21 percent are yet to be started (Figure 2).

11. **Seven countries have initiated or implemented all short-term measures in their action plans.**⁸ In all of the 21 HIPCs, about 31 percent of all planned short-term measures have been fully implemented and an additional 57 percent are under implementation. Examples of fully implemented short-term measures include: improving budget classification (Cameroon, Ethiopia, Ghana, Honduras, Mali, Niger, and Rwanda); identifying and tagging poverty-reducing spending (Benin, Bolivia, Chad, Ghana, Guyana, Honduras, Mali, Mauritania, Uganda, and Zambia)⁹; introducing more modern treasury operations (Ethiopia and Cameroon); and strengthening audit (Cameroon, Mali, Mauritania, and Niger).

⁷ Benin, Bolivia, Burkina Faso, Chad, Ghana, Guinea, Honduras, Mali, Mozambique, Niger, Rwanda, Senegal, Tanzania, and Uganda.

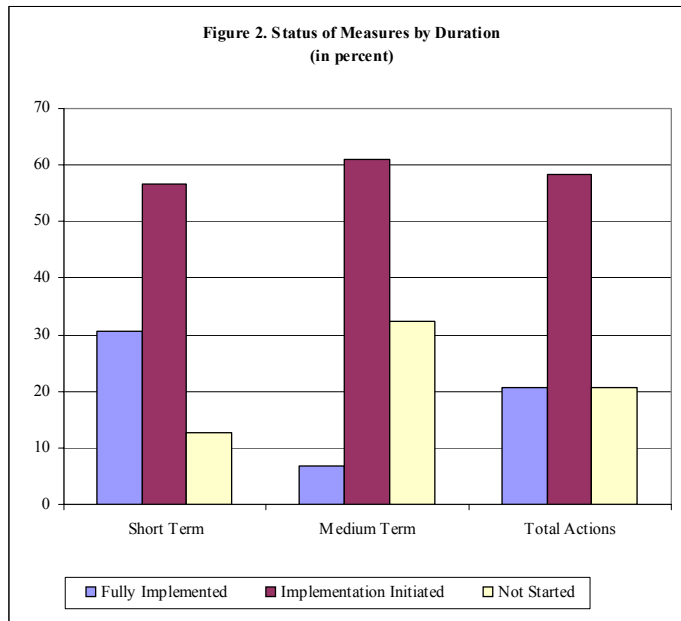
⁸ Bolivia, Chad, Guinea, Mali, Mozambique, Rwanda, and Uganda.

⁹ 'Tagging' involves using the existing budget classification system to identify line items or categories of spending considered poverty-reducing, and thereafter using the existing budget reporting system to track and report on such spending. It does not involve establishing separate mechanisms for tracking.



Source: World Bank and IMF PEM Assessment and Action Plan (AAP) Updates.

1/ Based on unweighted number of measures initiated or fully implemented by country. Countries with more advanced PEM systems may be undertaking more complex reforms that take longer, and might appear as making less progress than others. Most of the measures not yet initiated relate to the medium term and were not undertaken for various country-specific reasons. Therefore, cross-country comparisons should be interpreted with caution (see paragraph 8).



Source: IMF and World Bank PEM Assessment and Action Plan (AAP) Updates.

Box 1. Chad: Implementation Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending 1/

In the March 2002 assessment, Chad was reported to have met 8 of the 15 benchmarks for expenditure management (five in budget formulation, one in budget execution, and two in budget reporting). The following table summarizes the information in the Chad action plan update:

Summary of Action	Short-term or Medium-term	Status
Prepare an itemized budget by economic function and geographic zone to identify clearly the expenditures on education, health, and basic infrastructure.	Short	Initiated
Introduce MTEF and budget programs in health and education (2002), justice and public works (2003), and in rural development sectors (2004). 2/	Short and medium	Short-term: implemented; Medium-term: initiated
Reach at least 50 percent budget execution in priority sectors by end-June 2002 on a commitment basis.	Short	Initiated 3/
Increase the coverage of payments to all civil servants and suppliers through electronic bank transfers rather than through cash payments.	Medium	Initiated
Complete computerization of the new streamlined expenditure circuit.	Short	Initiated
Adopt and implement a plan to track health and education expenditures from the center to the respective end-users.	Medium	Initiated
Implement an IFMIS.	Medium	Initiated
Produce, on a monthly basis, monitoring tables of budget execution in the four stages of the expenditure circuit.	Short	Implemented
Publish biannual reports on poverty-reducing expenditures.	Short	Implemented
Prepare and submit to parliament the budget settlement law of year (n-1) before adoption of the budget law for year (n+1). 4/	Short	Initiated

Source: World Bank and IMF: Action plan update for Chad

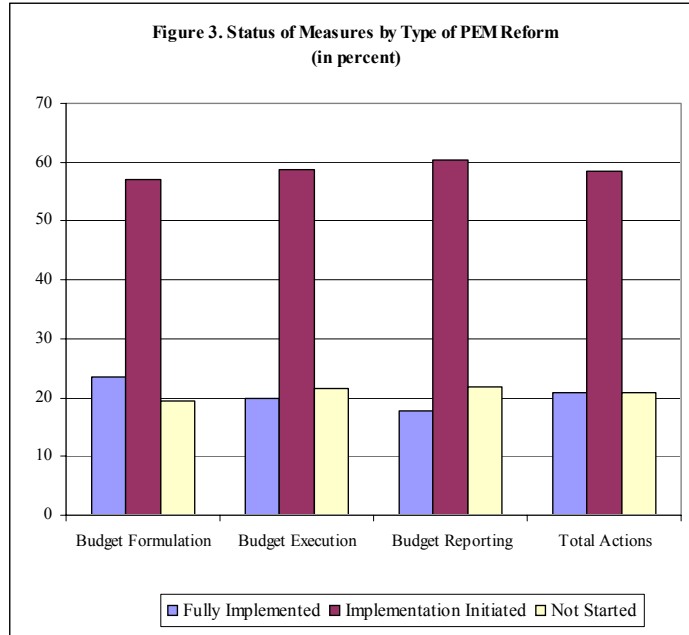
Note:

1/ The update was prepared in December 2002.

2/ The authorities have decided to accelerate the implementation of this measure. Preparation of program budgets in the rural development sector has already been initiated.

3/ Target was achieved except for justice, and for the execution of the additional budget.

4/ The budget settlement laws for 2001 and 2002 were submitted to parliament before the adoption of the budget law for the following fiscal year.



Source: World Bank and IMF PEM Assessment and Action Plan (AAP) Updates.

12. **Six countries have *fully implemented one or more medium-term measures ahead of schedule*** (Bolivia, Ghana, Honduras, Mali, Mauritania, and Rwanda). These represent seven percent of all such measures planned by 21 countries (Figure 2). Seven countries (Benin, Burkina Faso, Chad, Ghana, Mali, Rwanda, and Zambia) have initiated implementation of all medium-term measures in their action plans. The fully implemented measures include: improving functional classification of public spending (Honduras and Mali), strengthening external audit (Mali), changing the quota system for current expenditure commitments (Bolivia), and carrying out regular tracking surveys (Rwanda).

13. **Progress in initiating or implementing actions is similar across budget formulation, execution, and reporting.** More than three-quarters of all actions in each area have been initiated or fully implemented (Figure 3). However, more progress has been made in fully implementing actions in budget formulation than in execution and reporting. A total of 23 percent of actions in budget formulation have been fully implemented, compared to 20 percent in budget execution and 18 percent in reporting. These results are not surprising. As noted in the February 2002 Board paper, budget execution and reporting are two areas where institutional development is more difficult and is likely to take more time.

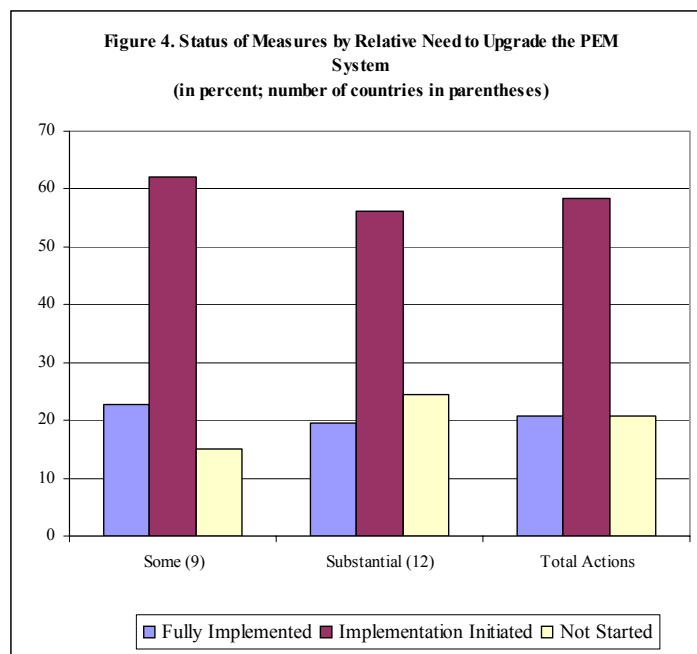
14. **Progress does not appear to be strongly related to the level of assessed PEM capacity.** In countries requiring “some upgrading” of their PEM system, 85 percent of all planned actions were either implemented or initiated, compared to 75 percent for countries requiring “substantial upgrading”¹⁰ (Figure 4). However, there is no significant difference

¹⁰ In the February 2002 Board paper, countries meeting 8 to 10 benchmarks were classified as needing “some upgrading”; those meeting 7 or fewer benchmarks were classified as needing “substantial upgrading”.

between the two groups in terms of average number of actions implemented or initiated per country.

B. Progress Towards Meeting the Benchmarks

15. **Countries have been especially active in putting in place short-term bridging mechanisms.** These mainly involve ‘tagging’ poverty-reducing expenditures identified in the PRSPs. A total of eleven countries have completed actions to improve identification of poverty-reducing spending, while four other countries have initiated similar actions. Other areas of increased focus have been strengthening internal controls and audit systems and improving in-year budget reporting.



Source: World Bank and IMF PEM Assessment and Action Plan (AAP) Updates.

16. **There are two benchmarks for which no action has yet been *fully* implemented by any country.** These relate to the coverage of the budget and the reliability of the budget.¹¹ Coverage of the budget was identified as an area of major weakness in HIPCs during the last assessment.¹² The achievement of this benchmark may be a considerable time off for many countries.

¹¹ Coverage of the budget refers to compliance with the Government Finance Statistics (GFS) definition of general government. The definition covers all levels of government rather than central government alone. Such coverage is important for tracking all poverty-reducing spending, the bulk of which may occur at lower levels of government. Reliability of the budget refers to the level and composition of budget outturns compared to those in the approved budget.

¹² Ten of the 24 HIPCs did not meet this benchmark at the time of the last assessment.

17. **The implementation or initiation of many measures is an early sign of progress towards strengthening PEM systems in HIPCs.** However, there are two reasons why the implementation of planned measures should not be interpreted as assuring improved performance against the benchmarks. First, a strong but rather imperfect relationship between completion of measures and achievement of the 15 benchmarks would be expected. In some cases, completion of a single measure may result in a country meeting a benchmark, while in other cases implementation of more than one measure would be required. Second, performance in other areas, not covered by the measures, may deteriorate. For instance, a country may have met the benchmark for undertaking regular reconciliation of banking and fiscal data at the time of the last assessment but such reconciliation may have ceased in the interim. Accordingly, any conclusion about the overall performance of PEM systems in HIPCs has to be confirmed in the comprehensive review of 2004.

18. **Keeping in mind these caveats, it is nevertheless possible to make a tentative statement on progress towards meeting benchmarks.** At the time of the last comprehensive assessment, countries, on average, met between seven and eight benchmarks. Based on the number of measures fully implemented, and assuming no slippage in other areas, staff would expect that, on average, countries have met one additional benchmark.

IV. PROGRESS IN REPORTING POVERTY-REDUCING PUBLIC SPENDING

19. **An increasing number of HIPCs are now reporting poverty-reducing spending as defined in their I-PRSPs and PRSPs.** Nineteen countries are now able to report such spending compared to only four at the time of the 2002 Board paper.¹³ The definition of poverty-reducing spending is country-specific and includes, for example, outlays on basic health, primary education, agriculture, infrastructure, housing, basic sanitation, and HIV/AIDS.¹⁴ Of the nineteen countries, thirteen reported actual outturn for the period 1999–2001.¹⁵

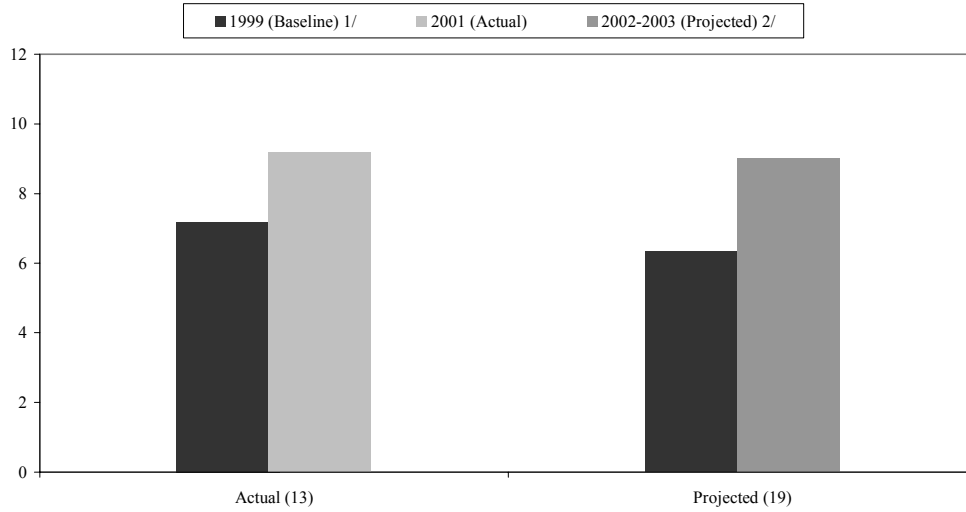
20. **Poverty-reducing spending is increasing both in relation to GDP and total spending.** When compared to 1999, these outlays increased, on average, by 2.1 percent of GDP in 2001 in the 13 countries for which data are available (Figure 5a). As a share of total government spending, poverty-reducing spending increased by 6.3 percentage points during the same period (Figure 5b). Such spending is projected to increase further during 2002–03 both in relation to GDP and total spending.

¹³ Data used for this paper are those reported in Fund staff reports. Among the countries not included here are: Cameroon where the country-specific definition of poverty-reducing spending has not yet been established; Ghana, Honduras, and Zambia which have only recently started monitoring total poverty-reducing spending; and Nicaragua which only reports some project-level spending data.

¹⁴ However, disaggregated information on poverty-reducing spending is available for 12 countries only. For others, data refer to total poverty-reducing spending.

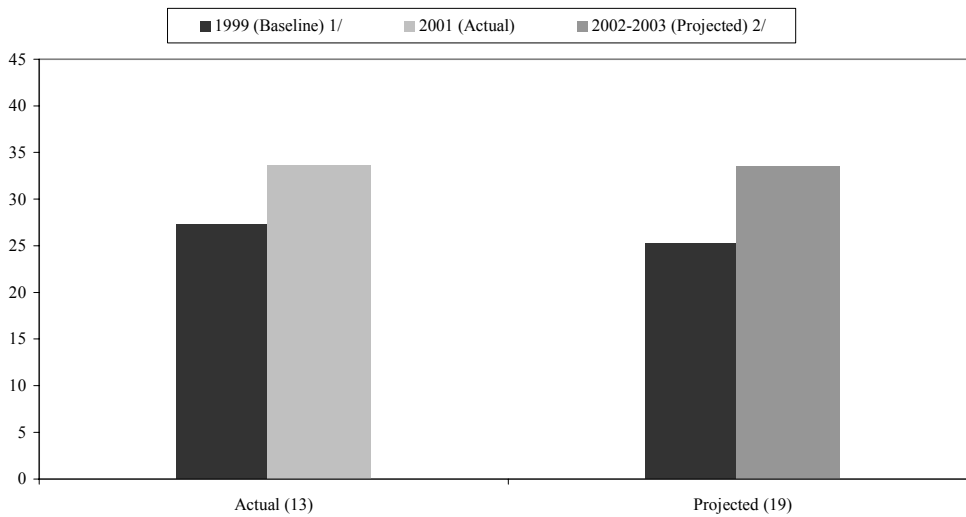
¹⁵ These are: Benin, Bolivia, Burkina Faso, Chad, Ethiopia, The Gambia, Guyana, Mali, Mauritania, Mozambique, Rwanda, Tanzania, and Uganda.

Figure 5(a). Poverty-Reducing Spending in Selected Decision Point HIPCs
(In percent of GDP; number of countries in parentheses)



Sources: National authorities; and IMF staff estimates.
1/ In two cases, baseline data are for 2000.
2/ Average projected expenditure for 2002 and 2003.

Figure 5(b). Poverty-Reducing Spending in Selected Decision Point HIPCs
(In percent of total government expenditure; number of countries in parentheses)



Sources: National authorities; and IMF staff estimates.
1/ In two cases, baseline data are for 2000.
2/ Average projected expenditure for 2002 and 2003.

21. **The ability to analyze trends in poverty-reducing spending depends on the PEM systems that produce the requisite data.** Implementation of the action plans will strengthen these systems and allow countries to better monitor allocation of spending towards poverty-reducing activities. The lag in reporting data would also be expected to decrease as PEM systems improve. However, increases in such spending alone are not sufficient for reducing poverty. Higher spending must also be accompanied by improvements in efficiency and targeting to improve social outcomes.

V. INTEGRATING ACTION PLANS IN PRSPs AND BANK- AND FUND-SUPPORTED PROGRAMS

22. **Country ownership is paramount for implementing remedial measures aimed at strengthening PEM capacity.** Under the PRSP approach, countries are expected to design their own reform agenda. Inclusion of PEM reforms in PRSPs is one way of enhancing country ownership. PEM reforms can also be facilitated directly through Fund- and Bank-supported programs. This section reports on integration of action plan measures in PRSPs and programs supported by the Bank and the Fund.

A. Action Plans and PRSPs

23. **A review of PRSPs and PRSP progress reports shows that PEM issues are being discussed in varying degrees.**¹⁶ Nevertheless, PRSPs are increasingly incorporating PEM measures from the action plans such as reforming budget classification and accounting (Burkina Faso and Niger), implementing a medium-term expenditure framework (Guinea, Mauritania, and Uganda), strengthening expenditure control (Burkina Faso, The Gambia, and Niger), automating the budget system (Ethiopia, Malawi, Uganda, and Zambia), strengthening audit institutions (Mauritania, Rwanda, and Uganda), and instituting procurement regulations (Malawi and Uganda). In some PRSPs, PEM measures go beyond those included in the action plans. These include Malawi (see Box 2), Uganda (fiscal decentralization and introduction of results-oriented management to improve service delivery), and Guyana, Honduras, and Zambia (governance and anti-corruption measures).

¹⁶ This review covered 13 of the 24 HIPC countries which prepared a PRSP or PRSP Progress Report during 2002: Burkina Faso, Ethiopia, The Gambia, Guinea, Guyana, Malawi, Mauritania, Nicaragua, Niger, Rwanda, Senegal, Uganda, and Zambia.

Box 2. Malawi: Selected PEM Measures in PRSP

Budget Formulation

Comprehensiveness of the Budget

- Bring relevant state-owned enterprise spending on budget;
- Strengthen Public Enterprise Reform and Monitoring Unit;
- Extend IFMIS to districts to address decentralization.

Reliability of budget as guide to outturn-level

- Introduce hard budget constraint;
- Develop activity-focused budget; introduce output performance reporting;
- Perform quarterly review of revenues and adjust budgets accordingly;
- Strengthen policy oversight with capacity building and training for Parliament Accounts and Budget/Finance Committees, Cabinet, MPs, Controlling Officers;
- Conduct two new annual policy reviews: Poverty Review and PER;
- Fully integrate development and recurrent budgets;
- Design and implement new pension system to ensure predictable, fixed budget impact.

Multi-year projections

- Improve quality of medium-term forecast through training and other capacity building;
- Introduce three-year sectoral Medium-Term Expenditure Frameworks (MTEFs); update projections quarterly.

Budget Execution

Quality of Internal Controls

- Implement IFMIS (internal control improvement);
- Strengthen credit ceiling authority system and commitment control system (internal controls);
- Split Public Finance and Audit Act into Finance and Management Act with stronger sanctions for misappropriation, and a separate Public Audit Act with more independent National Audit Office;
- Draft new Treasury instructions and design risk management mechanism;
- Create new Malawi Procurement Authority to monitor decentralized procurement;
- Build capacity in anti-corruption and fraud investigation and prosecution; conduct and encourage anti-corruption campaigns.

Budget Reporting

Timeliness of Reporting

- Introduce quarterly expenditure reports to Parliament, Cabinet, and media by activity.

Source: Government of Malawi: Poverty-Reduction Strategy Paper, April 2002.

B. Action Plans in Fund- and Bank-supported Programs

24. Action plan measures are being incorporated in Fund-supported programs.

There is, however, no systematic relationship between the level of assessed PEM capacity and the number of PEM conditions in programs. About 43 percent of the measures aimed at reforming PEM systems in the 24 HIPCs are drawn from the action plans as program conditionality.¹⁷ About one-third of these were structural performance criteria and the rest were structural benchmarks. Two-thirds of the conditions pertain to budget formulation such as improving tagging of poverty-reducing spending (The Gambia, Mali, Mauritania, Tanzania, and Zambia), preparing MTEFs for priority sectors (Mauritania), implementing new budget classification (Cameroon), and consolidating regional and federal budgets (Ethiopia).

25. Action plans have been incorporated in Bank adjustment operations. Seven of the 24 HIPCs have received Bank adjustment lending since finalization of the action plans.¹⁸ On average, 58 percent of short-term measures in action plans are included as PEM conditions in adjustment operations, ranging from a high of 85 percent (Uganda) to a low of 25 percent (Mozambique). Generally, more conditions were included on areas where countries did not meet the assessed benchmarks. In addition to adjustment lending and analytic and related assistance, the Bank has provided more than \$140 million in FY2001–02 for technical assistance to HIPCs in support of PEM reforms.¹⁹

26. Measures to strengthen PEM systems were included as triggers for HIPCs to reach their completion points. 18 of the 24 HIPCs that reached decision point in 2000–01 had triggers for strengthening PEM systems for achieving their completion points. Two countries (Ghana and Sierra Leone) reached decision points in 2002.²⁰ In both cases, PEM measures were included as completion point triggers. These include: publication of reports on cash and expenditures and commitments by ministries, departments, and agencies, and installation of an IFMIS (Ghana); adoption and implementation of MTEF and budget system for tracking expenditures at the regional level, and the biannual tracking of public expenditures on priority areas (Sierra Leone).

VI. NEXT STEPS

27. A comprehensive review of the capacity of HIPCs for tracking poverty-reducing spending will be undertaken in 2004 jointly by the Bank and the Fund. The review will assess country PEM performance against the 15 benchmarks and progress in implementing

¹⁷ Staff reports reviewed for this exercise were those issued during February–December 2002.

¹⁸ Burkina Faso, Chad, Ethiopia, Mali, Mozambique, Rwanda, and Uganda.

¹⁹ Ghana, Honduras, Malawi, São Tomé and Príncipe, Tanzania, and Zambia.

²⁰ See IMF SM/02/20 (Ghana) and SM/02/30 (Sierra Leone); and World Bank, IDA/R2002-0005 (Ghana) and IDA/R2002-0015 (Sierra Leone). Sierra Leone is not included in the present set of 24 HIPCs, but will be included in next year's comprehensive review.

action plans. Action plans will be revised as necessary in consultation with country authorities.

28. **Pending the comprehensive review, staff will continue to monitor closely the overall progress in this area.** For countries with a Fund-supported program or a Bank adjustment operation, relevant Board documents will continue to report on progress in implementing actions to strengthen PEM capacity. Monitoring would also be carried out in the context of Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs), and Joint Staff Assessments of PRSPs. In addition, staff will continue to encourage countries to incorporate PEM reforms into their PRSPs in a manner consistent with country ownership.

29. **Fund and Bank staff—in collaboration with others—are working to improve and streamline the assessment tool.**²¹ The objective is to provide further guidance to staff and country authorities on applying this tool. Some stakeholders have also proposed additional indicators for inclusion in this tool (e.g., procurement and quality of audit).

30. **The assessment tool used in HIPCs will be incorporated into other instruments.**²² In the Bank, HIPC expenditure tracking assessment missions have generally been incorporated into ongoing country work, such as PERs, CFAAs, or supervision missions. This would continue. This tool could also be incorporated into a PEM performance monitoring module in country diagnostic work. Ultimately, the goal is for a country's own public expenditure oversight and audit bodies to conduct a review of and report on PEM performance.

²¹ The HIPC expenditure tracking assessment instrument is finding a broader use. The U.S. Treasury Office of Technical Assistance has used the results of the two Board papers to target technical assistance in Africa. The United Kingdom's Department for International Development has adopted the instrument, with additional benchmarks on procurement, as a fiduciary tool to review risks in providing aid. (See "Managing Fiduciary Risk When Providing Direct Budget Support. Issues Paper. DFID, March 2002.) To the extent other institutions conduct assessments using this instrument and these are available, staff will incorporate such results into the 2004 review.

²² See *Bank-Fund Collaboration on Public Expenditure Issues*, IDA/SEC2003-0077 and IMF SM/03/73.