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Public Expenditure Management and Accountability: Evolution and Current Status of World Bank Work

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1. The Bank's work on public expenditure management and accountability has evolved greatly from its origins in the early 1980s.[2] The evolution reflects in part the increase in the Bank's focus on governance and institution-building during the 1990s, which itself reflects the growing appreciation of the important role of institutions in development. In recent months, these issues have taken on increased operational importance, with the growing focus on countries' public expenditure management systems (including systems for expenditure allocation, procurement, financial management, and evaluation) as a key pillar of an effective lending relationship with the Bank and of HIPC debt relief. This note provides a brief overview of the changing scope and content of the Bank's work in this area, building on the recent Bank strategy paper on governance and public sector reform.[3]

The Evolution of Public Expenditure Work

First Generation: A Focus on Expenditure Allocations

2. The Bank's work on public expenditure began in the 1980s, as country programs began to focus increasingly on economic policy reform in member countries. Early work consisted primarily of narrowly-focused Public Investment Reviews (PIRs) that addressed the limited question of how to achieve greater efficiency in the public investment program through the prioritization of investment projects. During the 1980s the focus gradually broadened to include the recurrent budget, and Public Expenditure Reviews (PERs) replaced PIRs. [4]

3. PERs in the 1980s focused primarily on analysis of budget allocations and were motivated by a concern for sustainability. Recommendations in these reports focused on a better balance between various expenditure categories: current versus capital expenditure, wages versus operations and maintenance (O&M), subsidies versus investment, etc. There was little attention to the institutional aspects of budget management, and coverage was largely limited to the central government budget.

4. Over time the issue of expenditure allocation by these broad economic categories was supplemented with an analysis of the functional (i.e. sectoral) allocation of

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[2] This note draws on a number of previous reviews, including: "Experience with Public Expenditure Reviews" by Vinaya Swaroop, DEC Working Paper, World Bank (1998) and "The Impact of Public Expenditure Reviews: An Evaluation," Report No. 18573, Operations Evaluation Department, World Bank (1998).

[3] The public sector strategy paper, *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*, World Bank (2000) also provides information on strengths and weaknesses of past Bank performance in this and other governance-related areas. It is available at www.worldbank.org/publicsector.

[4] In West Africa alone, a total of 27 PIR/PERs were undertaken over the first half of the 1980s.

expenditure. Concerns about the adverse effects of stabilization-inspired spending cutbacks (i.e. the social dimensions of adjustment lending) led to attempts to protect allocations to key social sectors, particularly health and education. Both PER analysis and adjustment lending conditionality typically focused on three topics: the overall budget shares for health and education, the share of sectoral budgets devoted to personnel, and the level of subsidies to agriculture and public enterprises.

5. There was also increasing recognition over this period of the need to address sustainability issues raised by growth in civil service employment and the resulting high share of wages in total expenditure. Thus, PERs focused increasingly on civil service retrenchment and privatization. However, there was limited appreciation of the importance of formal and informal incentives in the civil service or of the broader accountability infrastructure needed to discipline PEM systems. Cuts in the overall wage bill often led to severe wage compression (in lieu of reductions in employment numbers) and erosion in incentives for performance. Though some task managers recognized the importance of institutional issues in public expenditure management, little research, analysis or advice was available to provide guidance.

Second Generation: Increasing the Focus on Institutions

6. The origins of a gradually more comprehensive and "institutional" approach to public expenditure and accountability work in the Bank can be traced to the influence of a group of Bank staff and managers who recognized, beginning in the early 1980s, the importance of good public sector management to development. The 1983 *World Development Report* was entitled *Management in Development*, and it led to the establishment of a unit in the Bank focusing on core issues of public sector management (PSM). Over the course of the 1980s this group developed a significant body of experience and literature in the analysis of public expenditure management. This experience was summarized in the 1987 *World Development Report*, which focused on *Public Finance for Development*.

7. The amount of work on public sector management in the Bank decreased from 1987 until the mid-1990s, as a narrower focus on private sector development took center-stage, dominated by a somewhat negative view of the role of the public sector. A few experts continued to work on public sector management, particularly in the Africa region (where the 1989 *Long-Term Perspectives Study* highlighted the critical need for governance improvements in that region), but the area of work received less funding and recognition than it had in the 1980s.

8. However, at the same time that PSM was at a low ebb in the Bank, a growing and increasingly influential body of research on institutional economics was growing outside the Bank, which gained recognition with the award of the 1993 Nobel Prize to Douglass North. This research pointed to the critical importance of well-functioning institutions — in both the public and private sectors — to development. The pendulum began to shift back toward this view in the Bank in the mid-1990s and culminated in the 1997 *World Development Report*, *The State in a Changing World*, as well as the Bank's 1997 anticorruption policy, *Helping Countries Combat Corruption: The Role of the World*

Bank. In the specific area of public expenditure management, Bank research[5] and subsequent work on Medium-Term Expenditure Frameworks (MTEFs)[6] substantially deepened the Bank's understanding of institutional issues. This approach stresses the need to understand the rules of the game that govern budget formulation and execution and the way institutions influence the choice and achievement of government objectives.

9. The influence of such an approach has been increasingly reflected in the coverage and approach to PERs in recent years, a number of which are now described as Public Expenditure and Institutional Reviews (PEIRs). It has also significantly affected the content of the Bank's lending programs. As the first generation reforms relating to removal of policy distortions were substantially accomplished, Bank lending has shifted markedly towards a focus on institution-building (see paragraph 25). As discussed further below, the Bank is currently involved in helping a significant number of countries develop a more integrated and medium-term approach to expenditure management, which offers greater promise of addressing the systemic weaknesses in budget formulation (classification, coverage, etc.), execution and reporting, including the need in many cases for upstream adjustments to policy commitments. The Bank's ESW and lending are increasingly mutually-supportive. Indeed, the development and dissemination of a variety of diagnostic instruments (such as a PEM diagnostic toolkit and a Civil Service Reform toolkit), as well as the growing tendency to undertake analytical work in collaboration with government counterparts and other development partners, have tended to highlight the close complementarity between analysis, lending and capacity-building.[7]

10. With the shift from the project to the country as the critical unit of account in development, and a greater focus in the Bank's operational work on governance and institution-building, the Bank's fiduciary work has also evolved. The traditional project-based procurement and financial management controls have been supplemented by approaches that reflect a broader concern for the functioning of country-wide systems of procurement and financial management. Country-focused diagnostic tools developed in the early 1990s have evolved to become the more detailed Country Procurement Assessment Reviews (CPARs) and Country Financial Accountability Assessments (CFAAs). The number of reviews carried out is growing rapidly, as discussed in paragraphs 16-22. This increase reflects the Bank's shifting resource transfer pattern with a larger proportion of total transfers occurring through adjustment and programmatic lending, debt relief and lending to the social sectors. Going forward, the quality and impact of the reviews will be enhanced by better coordination with PERs and relevant diagnostic products of development partners. The PREM and OPCS networks will collaborate closely to this end.

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[5] Sanjay Pradhan and Jose Edgardo L. Campos, *Budgetary Institutions and Expenditure Outcomes: Binding Governments to Fiscal Performance*. Washington, D.C.: Policy Research Working Paper #1416, World Bank (1996).

[6] *The Public Expenditure Management Handbook*, World Bank (1998), was influential in making the MTEF and related institutional concepts well known in the Bank.

[7] For further information, see the Bank's public expenditure website at www.worldbank.org/publicsector/pe.

Recent and Ongoing Analytic and Diagnostic Work

11. The previous section described the fundamental shift in Bank thinking on development and institutions over the past 20 years, reflecting the change in such thinking in the world at large. This section goes into greater detail in describing the range of recent and ongoing analytic work undertaken by the Bank.

Public Expenditure Reviews (PERs)

12. The PER continues to address a range of issues, from conventional concerns about fiscal sustainability and debt dynamics to questions of expenditure allocation and its link to poverty reduction, to the much broader theme of institutional capacity for public resource management. It has a large audience, including borrower counterparts in both economic and sector ministries, the IMF and our partners in the donor community. Because of these many stakeholders, a wide variety of demands have been placed on PERs, leading to quite a large variance in their content. Over the two-year period spanning FY99-00, 34 PERs were completed across all regions, including state-level PERs in India. A total of 30 PERs are currently underway, with 22 expected to be completed in FY01.

13. The discussion above noted the shift in coverage of PERs toward institutional issues, particularly in the past 4-5 years. At the same time, the process through which PERs are carried out has become increasingly participatory and oriented toward capacity-building in client countries. In a growing number of countries, PERs have evolved into an annual collaborative process between the government and the Bank that both improves the quality of allocations in the budget and strengthens institutional capacity to execute the budget to plan.

14. PERs have also become increasingly important as a tool to inform and guide overall donor engagement, particularly given the trend toward general sector-wide or overall budget support. In some countries the PER is the principal instrument for donor coordination and is the main document prepared for consultative group meetings. In Uganda and Tanzania the PER has been pivotal in aligning donor support to the budget and in lowering the transaction costs of aid management and coordination, while also strengthening budget systems. The consultative group meeting is now part of the budget preparation process in Uganda, with a presentation of the draft budget providing the basis for funding commitments by donors.

15. In recent years an increasing number of countries have indicated an intention to adopt a comprehensive, multi-year approach to budget planning (reflecting features of an MTEF). The Bank has provided both analytical and technical support, ranging from one-off workshops organized to disseminate best practice knowledge to senior policy makers, to an ongoing series of engagements or regular collaboration with government, often jointly with other development partners (notably DFID in Africa). Operational programs increasingly include critical milestones to development of such a comprehensive and medium-term approach. A number of countries (including Brazil, South Africa and Turkey) have initiated an MTEF approach without prompting or encouragement from the Bank and have sought subsequent technical advice and support from the Bank. While

the degree of government commitment and the extent of Bank involvement varies significantly across countries, the MTEF is an aspect of the dialogue or work in 16 countries in Africa, 19 countries in ECA, 4 in LAC, and 7 countries in Asia and the Pacific.

Box 1: Links between PERs and PRSPs

The deepening of partnerships through collaborative PER exercises has proven to be very helpful for development of the PRSP. An Overseas Development Institute (ODI) assessment of the PRSP process in eight countries in sub-Saharan Africa concluded that:

"Only one of eight countries is sufficiently advanced to have tested the specific capacity required to produce a successful full PRSP. In practice the drafting of the PRSP was undertaken in Tanzania by Tanzanians, but extensive use was made of trusted independent think tanks and university-based economists. This arrangement was made possible and enabled the paper to be drafted and redrafted extremely quickly, because networks and working groups of an appropriate sort had already been established in connection with the consultative rolling Public Expenditure Review."

"The rolling PER or proto-MTEF has created a situation in which resources are already, in principle, being allocated by reference to poverty reduction objectives, with some effort at expenditure tracking and assessment of implementation. Together with the general improvements in donor-government relations…, the PER has set the framework for active dialogue on priorities involving donors and some NGO representatives. The PRSP has been able to fit easily into this situation."

Source: PRSP Institutionalization Study (Scoping Phase), ODI, Nov. 2000.
Prepared for the Strategic Partnership with Africa.

Fiduciary ESW: Country Financial Accountability Assessments (CFAAs) and Country Procurement Assessment Reviews (CPARs)

16. As noted earlier, the CFAA and the CPAR have recently emerged as ESW products to help pursue the Bank's fiduciary agenda, particularly in relation to adjustment and programmatic lending. Country diagnostic reviews of financial accountability were introduced in the early 1990s. Initially, they were carried out in a relatively small number of countries. Starting in FY97, the Bank began to increase coverage, using the Country Profile of Financial Accountability (CPFA), which provides an overview of the accountability environment. CPFAs have now been carried out in a total of 44 countries. At the same time, it was apparent that a more detailed review would be needed, and this led to the upgrading and increased use of the more detailed Country Financial Accountability Assessment (CFAA).

17. The CFAA is a diagnostic tool designed to enhance the Bank's knowledge of financial accountability arrangements in the public and private sectors in client countries. It supports both the exercise of the Bank's fiduciary responsibilities and the achievement of its development objectives. It supports fiduciary responsibilities by identifying the strengths and weaknesses of accountability arrangements in the public sector and the risks that these may pose to the use of Bank funds. It assists the Bank's development objectives by facilitating a common understanding of the country's financial management

arrangements, in both the public and private sectors, by the borrower, the Bank and other development partners. A common understanding facilitates the design and implementation of capacity building programs.

18. With regard to the public sector, a full-scope CFAA would address public sector budgeting, accounting and financial reporting, internal control systems and records management, auditing, legislative oversight, and public access to information. In practice, the content varies from country to country, reflecting several factors such as the availability of other ESW within the Bank and from development partners, the particular conditions and circumstances of the country, and the expected size and nature of the Bank's program.

19. Through the end of FY00, CFAAs had been concluded in 16 countries, and ongoing work on CFAAs is underway in an additional 26 countries in FY01. They are being done increasingly in partnership with other donors—eight in FY01 alone, involving the AsDB, IADB, UNDP, and DFID. In FY01, the Bank also began piloting Reviews of Accounting and Auditing Practices under the ROSC[8] initiative in six countries (Argentina, Kenya, Philippines, Poland, Slovakia, and Turkey). The program will grow in FY02.

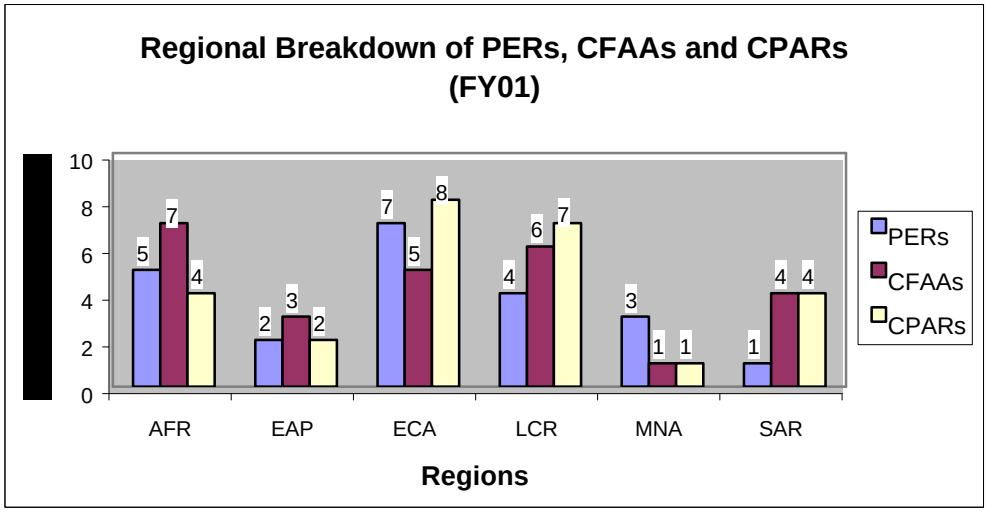
20. The CPAR has also evolved over time from its introduction in the mid-1980s. It was originally designed as a tool for Bank staff to identify unacceptable national procurement practices that could not be used under Bank-financed projects. The new format CPAR introduced in 1998 serves as a tool to assess the performance of the existing public procurement system in a country and to initiate a dialogue with the government on a plan of action to improve the system. It encompasses an assessment of the legal framework, trade practices, the financial framework, procurement organization and procedures, decision-making authority, and anticorruption initiatives and programs. The CPAR still serves Bank needs by helping to identify the operational risks in a country and set appropriate Bank supervision standards, and by contributing to the design of risk mitigation plans, especially for countries that will receive sector and programmatic loans.

21. The assessment is undertaken with the full cooperation and often active participation of the client country government. In addition to reviewing the legal and organizational framework of the procurement system, the CPAR analyzes the operation of the system in a practical sense by conducting interviews with users from the private and public sectors. Through the end of FY00, 24 new-format CPARs had been completed. Twenty-six CPARs are underway in FY01. Many of the earlier assessments have led to the initiation of reform programs in client countries. The CPARs have also led to a heightened interest in capacity building in public procurement, which has been identified as an issue in every country reviewed to date.

22. Given the increasing overlap of coverage between these public expenditure and accountability-related ESW products, the PREM and OPCS networks, as well as Country Directors, have seen increasing merit in undertaking the work jointly. A PER and CFAA

[8] ROSC refers to the Report on the Observance of Standards and Codes.

were recently undertaken together in Turkey, collaborative work has recently been initiated in Bosnia, and similar efforts at integration are underway in the Africa and Latin America and Caribbean regions. Further design and piloting of integrated assessments is being organized through a Program on Public Expenditure Management and Accountability with likely funding from the Bank's Development Grant Facility, the European Union, and selected bilateral donors. There are also plans to experiment with a new, streamlined "Fiduciary Assessment," as recommended by the Task Force on Middle Income Countries, which would seek to integrate the findings of the PER, CFAA and CPAR.



Institutional and Governance Reviews (IGRs)

23. Corresponding to the growing recognition of the importance of good governance to development, the Bank has been testing new ways of helping clients analyze and understand governance situations and issues. One tool that has been piloted is the Institutional and Governance Review (IGR). The purpose of an IGR is to deepen our understanding of the causes of weak public sector performance and to build on this understanding to help design reform strategies consistent with local institutional realities. IGRs differ from the other ESW instruments noted above in two ways: (1) they seek to understand the incentives that result from the particular institutional and political setup in a country (for example, patronage systems in the civil service) and the impacts these incentives have on public sector performance; and (2) they seek to understand the links between core public sector activities (such as public expenditure management, revenue administration, the functioning of the judicial system, and civil service regulation) and the effectiveness of public service-delivery and poverty reduction efforts on the ground. Because many sectoral problems of service delivery are rooted in core public sector dysfunction, understanding these links can help improve the targeting and effectiveness of reform programs at both levels.

24. Pilot IGRs were undertaken in FY00 in Armenia, Bangladesh, Bolivia, and Indonesia, and are underway in FY01 in Argentina, the Balkans, the Eastern Caribbean,

and Peru. Shorter governance and poverty "scoping notes" have been prepared for Cameroon, Chad, Moldova, Tanzania, and Zambia.

Lending and Technical Assistance

25. The analytic and diagnostic work on public expenditure management and accountability described above has been very influential in the actual design and focus of the Bank's lending operations, which have increasingly acknowledged and addressed problems of institutional weakness and poor public sector governance. In 1980, less than one percent of Bank lending directly supported core public sector institutional reform. By FY00, the share had risen to 16 percent of total lending (US$2.4 billion), the bulk of which (US$2.1 billion) was adjustment lending. Within this growing portfolio of public sector reform loans, the focus on public expenditure management has also increased. Over the FY97-00 period, the number of public expenditure and financial management components in Bank lending more than doubled, from 21 components in FY97 to 48 components in FY00.[9]

Adjustment Operations

26. A number of recent innovative adjustment operations have made public expenditure management a central element of their focus on improved governance. For example, the Thailand Public Sector Reform Loan (PSRL) approved in September 1999 supported government efforts to achieve a more performance-oriented budget system, a flexible and effective civil service, and greater transparency in government operations. Bank support included intensive policy dialogue, technical assistance, and knowledge sharing. The US$400 million PSRL was the first of what was envisaged as a sequence of programmatic single-tranche loans in support of public sector reform. The design of the PSRL itself was made possible by technical assistance provided under an earlier Bank project.

27. A US$40.4 million Programmatic SAL to Latvia approved in February 2000 (one of three anticipated PSALs totaling US$100 million) focused on strengthening the capacity and credibility of public sector institutions. Within a broader agenda of actions designed to reduce corruption, make executive agencies more accountable, reorient ministries to policy objectives along functional lines, and improve incentives for retention of qualified staff, the loan focused heavily on rationalizing the public expenditure management system. In particular, the loan supported the development of links between the government strategy and a medium-term budget, a transparent and unified public accounts system to strengthen accountability for use of resources, and a move toward performance-oriented budgeting in line ministries.

28. A long and fruitful collaboration on diagnostic analysis and technical assistance on public expenditure issues (including the now widely cited and emulated expenditure tracking studies) resulted in the formulation of a proposed Poverty Reduction Support Credit for Uganda (US$150 million). This is expected to be the first of a series of such credits to be synchronized with the government's budget cycle. The first credit seeks to

[9] See Table 1.1, World Bank Annual Report 2000.

improve public service delivery in primary education, health care, and water and sanitation services through efficient and equitable use of public resources, and to improve governance through cross-cutting reforms to pay policy, financial management, and public procurement. In many respects, the proposed Uganda approach represents the cutting edge of public expenditure work and demonstrates its potential to focus the support of the Bank and other development partners on institutional change for poverty reduction. Strengthening transparency and accountability are key elements of this approach.

Technical Assistance Operations and Adaptable Program Lending

29. While there are technical assistance components in virtually all of the Bank's investment loans and credits, stand-alone technical assistance operations (TALs) make up a small percent (typically less than 3 percent) of the Bank's total loan and credit portfolio. However, these stand-alone operations have proven to be important instruments to improve public expenditure management capacity in client countries. Public sector management has been the principal focus of about half of the ongoing stand-alone TALs. Among public sector management issues, public expenditure management is often central. Between 1995 and 2000, the Bank supported 20 technical assistance operations, with a total value of US$365 million, that specifically addressed public finance or expenditure management issues, often identified through public expenditure diagnostic work that preceded the operation.

30. Traditional models of technical assistance have come under increasing scrutiny in the development community in recent years, and the Bank has made significant efforts to broaden and deepen its approach and to tailor its interventions to country needs and circumstances.[10] Among other changes, the Bank has increasingly turned to more flexible and longer-term Adaptable Program Loans or Credits (APL/Cs) to address institutional development needs, including the need to enhance capacity for public expenditure management. For example, APCs are currently in place or in advanced stages of preparation for Bolivia, Ghana, Guinea, Lesotho, Mozambique, Tanzania, and Zambia.

31. In Bolivia, for example, the government and the Bank and other donors agreed that an Adaptable Program Credit (APC) was preferable to a traditional Technical Assistance Credit to support Bolivia's public sector reforms, because of the need to address systemic reforms (including a fundamental reform of human resource management and compensation) and to ensure flexible long-term commitment by both the borrower and the Bank. The APC is phased in three operations over ten years. Phase I, the Institutional Reform Project, supports reforms in human resource management, national integrity, budgeting by results, and performance evaluation, to be implemented in several pilot agencies through a program of organizational restructuring and change management. Specific trigger indicators will be used to assess achievements at the end of

[10] The quality at entry of new projects and the expected sustainability and development impact of completed projects in the Bank's public sector lending portfolio have both improved significantly in the last five years. For further discussion of shortcomings in traditional technical assistance and the Bank's changing approach, see *Reforming Public Institutions and Strengthening Governance: A World Bank Strategy*, World Bank (2000).

each phase and to decide on financing for subsequent phases that extend the reforms to additional entities. Project design has been informed by a Public Expenditure Review and an Institutional and Governance Review, and the operation has attracted considerable donor co-financing. The operation is a keystone of the Bolivia Comprehensive Development Framework pilot.

32. Another area where the Bank has provided strong support has been in the design and implementation of reforms in treasury systems, a critical component of public finance management. A good treasury system enables the government to ensure that expenditures are authorized on the basis of an approved budget allocation and that cash is available to satisfy payment requests, and it provides up-to-date and timely status reports on fiscal accounts. The Bank is involved in strengthening treasury systems in Albania, Azerbaijan, Hungary, Kazakhstan, Pakistan, Turkey, Turkmenistan and Ukraine. A US$400 million project is being prepared to improve the treasury system in the Russian Federation.

33. In addition, the Bank has helped numerous countries upgrade their budgeting and financial management systems. In Bolivia, for example, the Financial Decentralization and Accountability project (1997) provided US$15 million to support the administrative decentralization of government through the introduction of an integrated budget, strengthening of cash management and accounting systems in regional offices, and capacity enhancement in decentralized audit offices. Integrated financial management was a component of a US$23 million Institutional Development Credit (1995) in Nicaragua that also addressed civil service reform and organizational restructuring. Box 2 describes the Bank's extensive support to Guatemala in its efforts to upgrade financial management systems.

Box 2: Integrated Financial Management in Guatemala

Two integrated financial management projects in Guatemala have contributed to vastly improved public finance management in that country. In 1995, the Bank provided a US$9.4 million credit to the government of Guatemala for an integrated financial management project, designed to improve the efficiency, accountability and transparency of public sector financial management as well as help in the devolution of responsibility for financial management of allocated resources to line ministries. The project achieved highly satisfactory ratings on many of its components (financial administration, budget formulation and execution, accounting and cash management and staff training) and an overall satisfactory rating. The project was completed in less time and at lower cost than originally anticipated.

A follow up credit of US$15.7 million (Guatemala Integrated Financial Management II) in 1997 expanded the focus to the remaining parts of central administration and the decentralized and autonomous entities and also sought to strengthen the external audit office. The work was complemented by ESW, including a Public Investment Review (1997) and a report on "Expenditure Reform in a Post-Conflict Country" (1999), which helped to strengthen the government's resolve to implement the changes. This project was one of three that received the Bank's "Award for Excellence" in 1999.

34. Technical assistance operations or APL/Cs have also been critical in addressing issues of public expenditure management in Argentina, Ghana, Mongolia, Thailand and Uganda. In Uganda, the Second Economic and Financial Management project, approved by the Board in November 1999, was instrumental in providing technical support for

achieving the expenditure management reforms agreed with the government under SAC III. In Thailand, the Economic Management Assistance Project (EMAP) supported capacity building in expenditure management, administrative reform and privatization, and helped support the design of the Public Sector Reform Loan discussed earlier. In Ghana, the Public Financial Management Project provided US$20 million for development and strengthening of eight critical components of the public finance management system, spanning budget formulation, implementation, accounting, cash management, aid and debt management, revenue management and public procurement.

Institutional Development Facility (IDF) and other Grants

35. In addition to adjustment lending, conventional technical assistance operations, and adaptable program lending, the Institutional Development Fund has supported a large number of smaller-scale efforts to strengthen domestic capacity in critical areas of financial management, procurement, anticorruption, and other aspects of public sector management. Of 21 projects that had accounting or auditing as their primary focus in the late 1990s, the large majority used IDF grants. These ranged from a 1998 IDF grant of US$0.25 million used to help set up the Institute for Public Finance and Auditing in South Africa, to IDF grants of similar amounts to Bangladesh, Brazil, China, India, Latvia, Nepal, Philippines, Thailand and Vietnam. IDF grants to Bolivia and Uruguay are supporting the strengthening of the internal audit function.

36. IDF grants have been used to strengthen the public procurement system in a number of countries. In Kenya, an IDF grant is being used to improve the capacity for efficient and transparent public procurement. Similar efforts are supported by IDF grants in Armenia, Georgia, Kazakhstan, Russia, Tajikistan and Ukraine.

37. The IDF also supports a wide range of other governance work. Anticorruption work is being supported by IDF grants in Benin, Colombia, Ecuador, Kenya, Malawi and Papua New Guinea. In Uganda and Argentina, IDF grants support efforts to improve public sector ethics. In Mozambique an IDF grant provides support for a Technical Group for Public Sector Reform. In Senegal it supports national consultations on civil service reform. In Chad, an IDF grant provides support to the National Assembly. Finally, other grants (including some PHRD grants) are financing technical assistance support to public procurement reform in Colombia, Jordan, Lebanon and Morocco, to implement a Government Financial Management System in West Bank/Gaza, and for anticorruption work in Argentina.

Conclusion

38. The scope and depth of public expenditure work in the Bank has grown significantly over the past five years, as more institutionally-complex issues of budget systems and incentives have become central to the agenda. A range of diagnostic instruments have been adapted or developed to address these new areas of study. The PER, CFAA, CPAR, and IGR complement each other and help to develop an integrated and multi-disciplinary perspective on public expenditure and financial management and broader issues of governance. One challenge to be addressed is to coordinate this range of diagnostic work so as to maximize the analytic synergies while minimizing the demands placed on member countries by separate missions. As noted, we are developing an integrated program on Public Expenditure Management and Accountability and will be experimenting with integrated Fiduciary Assessments, which will be one way of coordinating the various components and of working with clients and other partners to keep costs down and benefits up.

39. The style of PER work is increasingly collaborative, and in many countries, particularly in Africa, the PER is an annual event synchronized with the budget cycle of member countries. This approach is proving to be much more productive in engaging counterparts and in building commitment and capacity for real change. In addition, the capacity so created is proving to be valuable for related efforts, for example, the preparation and implementation of PRSPs.

40. As described in this paper, the Bank's support for more effective public expenditure management is part of a broader governance approach that focuses on the incentive environment needed to bring about institutional change and make it sustainable. This has permitted the Bank to move towards programmatic lending in a small but gradually increasing number of countries, with a greater degree of confidence in the integrity of the borrower's public expenditure system. There is still much more work to be done and progress to be made, but the Bank and its development partners are becoming increasingly well-positioned — in terms of both skills and instruments — to contribute significantly to these developments.