

TABLE .1. VIRTUAL POVERTY FUNDS: GLOBAL REVIEW

AS AT MAY 2006

Country	VPF	Start Date	Sources of Information (See notes at end)	Comments
HIPC COUNTRIES				
Countries at Completion Point				
Benin			<i>Tracking of Poverty-Reducing Expenditures in the Framework of the HIPC Initiative: Benin, 2004*</i>	HIPC funds are being tracked through normal budget classifications and tracking studies of HIPC-related funds are being published regularly.
Bolivia	CURRENTLY NO VPF EXISTS		<i>Heavily Indebted Poor Countries Initiative Assessment: Bolivia, 2004*</i>	Although the usage of HIPC resources are well documented at both central and local level and the poverty-reducing expenditures are well defined, a proper functional classification or a budget tagging mechanism does not exist.
Burkina Faso	The Special Account for the Fight Against Poverty		<i>HIPC Public Expenditure Tracking Assessment and Action Plan: Burkina Faso, 2004*</i>	The Special Account for the Fight Against Poverty is credited with debt relief funds under the HIPC Initiative and used to finance additional expenditure for priority sectors. It was created on receipt of debt relief.
Cameroon	CURRENTLY NO VPF EXISTS		<i>Country Assessment and Action Plan for HIPCs: Cameroon, 2004*</i>	The Budget Directorate has identified poverty reduction expenditures using functional classification. Thus, poverty reducing expenditures are easily identified <i>without</i> the use of a virtual poverty fund.
Ethiopia	CURRENTLY NO VPF EXISTS		<i>Ethiopia: Tracking Poverty Reducing Spending in HIPCs: Assessment of Budgeting Systems, 2001*</i>	There are at present no explicit systems to track poverty-related spending.
Ghana	National Expenditure Tracking System	2003	<i>Public Expenditure Management Country Assessment and Action Plan: Ghana, 2004*</i>	In February 2002, the Government published manually-calculated poverty-related expenditures for the first time. Subsequently, a 'Poverty and HIPC related Accounting Manual' to formalise this process was adopted in July 2002. A system called the National Expenditure Tracking System (NETS) was then put in place to track poverty as well as general expenditures. The budget and MTEF documents for 2003 and 2004 identified poverty related expenditures by MDAs that were subsequently monitored throughout the year. Special poverty related coding was introduced within the coding of the budget. On the basis of NETS reports and supplementary information of extra-budgetary poverty spending, a unit in the MoF generates quarterly reports of actual poverty-related expenditures about 8 weeks after the end of each quarter.

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Guyana	CURRENTLY NO VPF EXISTS		<i>Guyana: Tracking Poverty-Reducing Expenditures: Draft Assessment and Action Plan, 2001*</i>	The budget document does not explicitly categorize expenditures as to whether they are poverty reducing or not. However, as part of the enhanced HIPC preparation the government has internally identified specific poverty reducing spending in the budget.
Honduras	Poverty Reducing Fund	2004	<i>Honduras: Tracking Poverty-Reducing Public Expenditure Assessment and Action Plan, 2001*</i> ; <i>Assessment and Action Plan to Strengthen Tracking Capacity of Poverty Reduction Spending, 2004*</i> ; <i>Joint Staff Advisory Note on the Poverty Reduction Strategy Paper Second Annual Progress Report, 2005**</i>	In 2002, the government created a 'real' poverty fund to house HIPC funds. Debt relief gains were then brought into the main budget in 2004, and tracked by a virtual fund. The corresponding legislative reform has been approved, and operating guidelines for this fund and its consultative council have been drafted. The Poverty Fund (PF) will channel HIPC-related funds, accrued extraordinary funds and donor support through an account in the Central Bank of Honduras. The PF is supervised by a National Council and managed by the countries Financial Secretariat.
Madagascar				
Mali		2004	<i>Evaluation of the Capacity to Track Expenditure Execution and Action Plan: Mali, 2002*</i> ; <i>Heavily Indebted Poor Countries Initiative Assessment and Action Plan: Mali, 2004*</i>	Initially, poverty-reducing expenditures were only broadly defined in the Interim PRSP, and thus in the Budget. Their more precise identification was specified in the full Poverty Reduction Strategy Paper and in 2004 the budget identified poverty-reducing spending within the functional units (or agencies) using a special code.
Mauritania	CURRENTLY NO VPF EXISTS		<i>Islamic Republic of Mauritania: Assessment and Action Plan to Track Expenditures, 2001*</i>	Specific poverty-reducing expenditures in key sectors are not yet identified by budget item. Expenditures financed by HIPC resources are allocated to six key ministries, one secretariat of state, and two Commissioners' Offices. A sub-account of the Treasury main account was opened in the central bank to isolate HIPC resources and facilitate payments. A specific system was introduced to track each of the 42 projects, which is identified by a special code that is <i>not</i> integrated with budget accounting system.

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Mozambique	CURRENTLY NO VPF EXISTS		<i>Tracking Poverty Related Spending in HIPCs: Revised Country Assessment: Mozambique, 2001*</i> ; <i>Public Expenditure Management Country Assessment and Action Plan: Mozambique, 2004*</i>	Since the second quarter of 2001, the country's budget has included tracking of poverty-reducing expenditures. However, the classifications are highly aggregated, and there is no associated chart of accounts tracking codes.
Nicaragua	Social Supplementary Fund	2004	<i>Nicaragua: Tracking Poverty Related Spending in Heavily Indebted Poor Countries, 2004*</i>	In preparation for debt relief, programs and policy actions identified as contributing to poverty-reduction were documented along with executing agency and the dates of execution. The budget now includes a virtual fund section that specifies the origin, use and classification of funds. Reports on debt-relief expenditures are published quarterly.
Niger		2002	<i>Niger: Assessment of the HIPC Initiative and Action Plan, 2004*</i>	The Poverty Reduction Strategy Paper prepared in January 2002 lists priority actions to be carried out, with a specific timetable over the period 2002-04. To ensure that the HIPC relief is effectively applied to reducing poverty, the government selected a list of projects from the budget designed to meet basic needs nationwide. The expenditure of these sectors are codified in the budget and tracked.
Rwanda			<i>Rwanda: Tracking Poverty Reducing Spending: Second Assessment and Action Plan, 2004*</i>	The Government defines as priority programs, those key sector programs directly derived from the priority areas of the country's PRSP. These programs are clearly identified and tracked in the government budget.
Senegal	CURRENTLY NO VPF EXISTS		<i>Public Expenditure Management HIPC Country Assessment and Action Plan: Senegal, 2004*</i>	Since 2003, poverty reduction expenditures have been identified in the investment budget via an alphanumeric code. However, such identification is not found in the recurrent budget. The sole information there refers to allocations to entire sectors defined as objects of anti-poverty expenditure.

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Tanzania	Poverty Reduction Budget Support Fund	2000	<i>Tanzania: Tracking Poverty-Reducing Spending: Country Assessment and Action Plan, 2001*</i> ; <i>Public Expenditure Management Country Assessment and Action Plan: Tanzania, 2004*</i>	In 1998, a Multilateral Debt Fund (MDF) was established that linked donor resources to debt repayments, freeing up funds for expenditures on poverty-reduction. Following the granting of interim debt relief under the HIPC Initiative, the MDF was succeeded by the Poverty Reduction Budget Support Fund (PRBSF). The PRBSF aims to allocate HIPC assistance to central government budget PRSP-identified programs. Before 2003/04 however, reports on poverty reducing spending included all spending on the seven priority sectors identified in the PRSP. Beginning in the first quarter of 2003/04, poverty-reducing expenditures were identified at the item level within the existing budget classification. Poverty expenditures are reported in the quarterly budget execution reports. These reports are submitted for consideration by the Cabinet and published on the MoF web site.
Uganda	Poverty Action Fund	1998	<i>Is There a Place for Virtual Poverty Funds in Pro-Poor Public Spending Reform? Lessons from Uganda's PAF, 2003***</i> ; <i>The Republic of Uganda: Tracking Poverty-Reducing Spending: Second Assessment and Action Plan, 2004*</i>	Uganda was the first country to benefit from debt relief under the original HIPC and enhanced HIPC initiatives, and was an early beneficiary of donor budget support. In response to concerns about the accountability for these funds, and the need to reorient budget expenditures towards poverty reduction, the Government of Uganda introduced the Poverty Action Fund (PAF) in 1998. PAF activities (including matching resources to expenditures, monitoring and accountability work) are routinely reported to Parliament and are included in the documentation submitted for the adoption of the annual budget.

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Zambia	CURRENTLY NO VPF EXISTS		<i>Public Expenditure Management Country Assessment and Action Plan: Zambia, 2004*</i>	In 2001 the government introduced into the budget classification system a separate new budget code for poverty reduction programmes financed under the HIPC initiative, in order to separately identify, budget and track these resources. The main drawback to the current system results from the weaknesses of the classification system which makes it difficult to properly allocate resources on the basis of functions and not on the basis of programs or activities. Consequently, most of the items tagged as poverty reducing are currently capital expenditures and grants, which are easier to identify. Considerable current resource inputs associated with these programs are not reported, while it is also difficult to discern whether the classification really matches the priorities of the PRSP.
Countries at Decision Point				
Burundi				
Chad			<i>HIPC Assessment and Action Plan: Chad, 2004*</i>	Until 2003, expenditures financed by the HIPC Initiative were entered in the general budget but were tracked as 'virtual funds'. Entire administrative units (such as Ministries) were tagged. However, in 2004 two 'real poverty-alleviation funds' were established in the form of special Treasury accounts ('HIPC special account' and 'special account for priority sector expenditures financed by petroleum resources'). Projects and programs funded by these 'real funds' are included in the Budget Bill, but in separate sections.
Democratic Republic of Congo				
Republic of Congo				
The Gambia		2003	<i>The Gambia: Tracking Poverty-Reducing Public Spending: Second Assessment and Action Plan, 2004*</i>	An interdepartmental task force was set up to identify expenditures that are directly related to poverty. The budget lines identified comprise both recurrent and development expenditures. In the budgets since 2003 special codes have been assigned to these line items to facilitate tracking of these expenditures.

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Guinea	CURRENTLY NO VPF EXISTS		<i>Evaluation of the capacities of follow-up of the execution of the expenditure and action plan, 2004*</i>	Tracking efforts include tagging expenditures to source of funds and identifying those areas related to poverty reduction. However, identification is at Ministry level only (i.e. all expenditures under the Ministry of Education are counted as related to poverty reduction).
Guinea-Bissau	CURRENTLY NO VPF EXISTS		<i>Public Expenditure Management HIPC Assessment and Action Plan: Guinea Bissau, 2004*</i>	The government has not yet proposed a precise method of tagging expenditures that reduce poverty.
Malawi	Protected Pro-Poor Expenditures		<i>Malawi: Country Assessment and Action Plan for HIPCs, 2004*</i>	In the budget, funding for pro-poor activities is clearly identified in the output-oriented activities-based presentation for each vote and by economic classification. After identification of pro-poor expenditure targets, these are protected from expenditure cuts by drawing from other sources of the budget in times of shortfall. However, monitoring of the fund in the budget execution process is currently only possible through supplementary reports by ministries, not through the normal budget monitoring and reporting mechanisms.
São Tomé Príncipe	CURRENTLY NO VPF EXISTS		<i>Update on the Assessments and Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending, 2005*</i>	No details beyond the fact that no VPF is currently in place.
Sierra Leone			<i>Sierra Leone: HIPC Expenditure Tracking Assessment and Action Plan, 2004*</i>	The use of pre-defined expenditure categories ensures that all available resources can be budgeted and allocated ex-ante for poverty reduction rather than limiting poverty reducing expenditures only to HIPC funds. The expenditures can be further divided by regions, quasi-economic expenditure categories (account codes) and specific transactions. However, ex-post reporting is incomplete because the Office of the Accountant-General currently cannot track expenditures financed by external loans and grants.
Notes				

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Heavily Indebted Poor Countries (HIPC) sourced from:				
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20260049~menuPK:64166650~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html				
All documents marked with a * are jointly published by the International Monetary Fund and World Bank and can be found at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTPUBLICFINANCE/0,,contentMDK:20235429~pagePK:148956~piPK:216618~theSitePK:1339564,00.html				
All documents marked with a ** are jointly published by the International Monetary Fund and World Bank and can be found at http://www.imf.org/external/pubs/ft/scr/2005/cr05387.pdf				
All documents marked with a *** are by Tim Williamson and Sudharshan Canagarajah, were published in Development Policy Review, 2003, 21 (4): pp.449-480 and can be found at http://siteresources.worldbank.org/INTPRS1/Resources/383606-1119904390686/bbl120204_uganda_paf_lessons.pdf				
Blank spaces indicate no data is available				
Acronyms: PRSP - Poverty Reduction Strategy Paper; MoF - Ministry of Finance				