

**Benin: Report on Observance of Standards and Codes—Fiscal Transparency  
Module**

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BENIN

**Report on the Observance of Standards and Codes (ROSC)  
Fiscal Transparency Module**

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June 5, 2002

**EXECUTIVE SUMMARY**

This report provides an assessment of fiscal transparency practices in the Republic of Benin in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on discussions with the authorities and other organizations, the authorities' response to the IMF fiscal transparency questionnaire, and other sources of information. The IMF *Manual on Fiscal Transparency* (<http://www.imf.org/external/np/fad/trans/manual/>) should be consulted for further explanation of the terms and concepts discussed in this report.

Significant progress has been made in improving fiscal transparency in Benin in recent years. Benin has made great strides in economic reform, moving from a state-controlled economy to a market economy. Deregulation and privatization have continued, helping clarify the roles and responsibilities of the public sector. The budget execution accounts for fiscal year 1998 were submitted to parliament at end-1999 for the first time in over 30 years. Fiscal transparency has improved in a number of other areas with the introduction of new budget and account classifications. Program budgets have been introduced since fiscal year 2000. A computer-based expenditure management system has been implemented.

However, weaknesses in fiscal transparency remain. Efforts to improve fiscal transparency should focus on four broad areas: expand and deepen policies on disseminating fiscal information; strengthen the fiscal information provided for budget preparation and execution; improve the accuracy and quality of fiscal data; and clarify further roles and responsibilities within the public administration sector, as well as the sector's role vis-à-vis the private sector.

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### ABBREVIATIONS AND ACRONYMS

|         |   |
|---------|---|
| BCEAO   | Central Bank of West African States   |
| CAA     | Autonomous External Debt Management Fund  |
| CARDERs | Regional Centers for Action on Rural Development  |
| CF      | Financial Comptroller   |
| DGB     | General Budget Directorate  |
| DIVI    | Directorate of Internal Inspection and Verification   |
| FNRB    | Benin National Pension Fund   |
| GFS     | Government Finance Statistics   |
| IGF     | General Inspectorate for Finance  |
| INSAE   | National Institute of Statistics and Economic Analysis  |
| ROSC    | Reports on the Observance of Standards and Codes  |
| STPAS   | Technical Secretariat of the National Committee to Monitor<br>Implementation of the Structural Adjustment Program |
| TABEN   | National Economic Performance Indicators  |
| TOFE    | Fiscal Operations Table   |
| WAEMU   | West African Economic and Monetary Union  |

## I. INTRODUCTION<sup>1</sup>

1. This report gives an assessment of fiscal transparency in the Republic of Benin with respect to compliance with the *IMF Code of Good Practices on Fiscal Transparency—Declaration on Principles*, the authorities having completed the questionnaire on fiscal transparency prepared by the IMF Executive Board. The assessment has two parts: the first part is a description of practices prepared by the Fund mission based on the responses to the questionnaire and additional information provided by the authorities; the second part gives the Fund mission's comments on fiscal transparency in Benin.

## II. DESCRIPTION OF PRACTICE

### A. Clarity of Roles and Responsibilities

2. **The 1990 Constitution of the Republic of Benin and several laws define the roles and responsibilities of the public sector.** The ministries are not active in the industrial and commercial sectors and public enterprises do not carry out quasi-fiscal operations. Subsidies to public enterprises have been largely eliminated. However, some 15 state offices, which sometimes carry out public administration activities, are included in the public enterprise sector. On the other hand, the Regional Centers for Action on Rural Development (CARDERs) are included in the central government sector. The CARDERs used to be engaged in industrial and commercial operations in the agricultural area and became departmental directorates for rural development. They still have agro industrial units, which sometimes engage in commercial activity, although the trend is toward selling them off. Furthermore, the activities of noncommercial and industrial establishments are poorly identified.

3. **After the change in strategic policy in 1990, the public sector has been considerably reduced.** This downsizing is apparent in all traditional commercial sectors, with the exception of the energy and cotton sectors. Between 1991 and 1997, about 100 of the 115 public enterprises were privatized or liquidated. During the same period, the civil service was cut by 25 percent.<sup>2</sup> This reduction in jobs was evident in the area of maintenance of infrastructure, roads, and in agriculture, where more than 75 percent of the work is now done by private firms. Currently, in agriculture, with the exception of the cotton sector (supply of inputs, directives on soil use, purchase and marketing of crops), all direct state intervention has disappeared. However, the largest and most important public enterprises are yet to be privatized, including SONAPRA<sup>3</sup> (the company in charge of the cotton sector), and

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<sup>1</sup> Discussions with the authorities were held during May 15-29, 2001. The staff team, comprising Mr. Schiller (Head of Mission) and Mr. Bouley, both from the Fiscal Affairs Department, met with officials from the government, private sector and the donor community.

<sup>2</sup> Currently, some 30,000 staff and 6,000 contractuels are employed by the government.

<sup>3</sup> SONAPRA's liabilities are currently estimated at CFAF 15 billion.

the entire sector of water and power distribution, telephone communications, ports and railways. Action to privatize these enterprises is being taken. Government equity is limited.

4. **Benin is a member of the West African Economic and Monetary Union (WAEMU), established by the Treaty of January 10, 1994.** The Central Bank of West African States (BCEAO) is the common central bank of WAEMU and is responsible for implementing the common monetary policy. The BCEAO is the government's banker and holds the Treasury's account. The Treasury also has a number of accounts with private banks in the country. Government involvement in the private banking sector is insignificant.<sup>4</sup>

5. **Official regulation of the nonbank private sector is based on relatively simple and transparent rules, but which provide ample opportunity for discriminatory implementation.** The regulatory framework for enterprises is set out in the OHADA treaty, which was adopted by Benin.<sup>5</sup> The government sometimes uses its prerogative to influence certain decisions in the private sector. The government continues to fix certain prices.<sup>6</sup> For example, the rules for the investment code are clear and transparent, but their application varies. Corruption remains a problem. The President launched a major campaign against it in 1996 and set up a special anti-corruption unit (the so-called *Morality in Public Life Unit*) reporting to the President's Office. An anti-corruption strategy has been drafted and discussed in inter-governmental seminars. Increasingly, at the Minister's urging, users are treated with courtesy at the offices of the financial authorities. A facility for reporting user complaints has been set up in the Office of the Minister of Finance.

6. **Financial relations between the different levels of government are changing.** Following the French tradition, Benin has a highly centralized structure. However, Benin has recently initiated a decentralization process, and is establishing autonomous local governments. At present, the government operates on the basis of a central administration, outlying central government units in the six departments and 77 subprefectures (which have no management structures) and their autonomous local governments. The latter have their own resources—mainly property taxes—and limited powers and functions. In 1999 four laws were passed to further decentralize by establishing 12 departments (six more than before), and transforming the subprefectures into communes. But this reform would only take effect after the communal council and mayoral elections this year. Expenditure and revenue allocation among the different levels of government are clearly set out and based on transparent mechanisms, but the system is changing. The new functions of local governments will include education and health. The success of these reforms will depend, inter alia, on the human and material resources available to the local governments.

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<sup>4</sup> The government has equity in one (Continental Bank) of the six commercial banks.

<sup>5</sup> Benin passed laws on trade and business enterprises in April 1997 and an accounting law in 1998.

<sup>6</sup> Cement and petroleum products.

7. **The duties and powers of the legislative, executive, and judicial branches are clearly defined by the Constitution.** It guarantees the separation of powers between the executive, legislature, and judiciary. The President of the Republic is also head of government. The government comprises 22 ministers. It is parliament's function to discuss and vote the draft budget submitted by the government. Similarly, parliament should approve the execution of the budget after its verification by the Audit Agency in the Supreme Court. There are insufficient human resources—both in numbers and skills—in parliament's Finance Committee to fully exercise its obligation to examine the government's financial transactions. The independence of the judiciary must be strengthened so that it can properly perform its role.<sup>7</sup>

8. **Fiscal management is defined by a coherent legal and regulatory framework.** The basic legal standards for budget preparation and execution are the Constitution and the 1986 Organic Law governing the budget laws. The Organic Law has been revised in accordance with the WAEMU directive on the Organic Law governing budget laws.<sup>8</sup> The transparency code adopted by WAEMU has entered into force in Benin. The "autonomous funds" pose no particular problems to the extent that they are reflected in the general budget, namely the Road Fund or the Benin National Pension Fund (FNRB). Regarding social security, the Benin Social Security Office manages funds exclusively for the private sector and contractual personnel in the public sector. Its budget is not submitted to parliament. Nonbudgeted resources are not significant.<sup>9</sup> Supplementary budgets are occasionally prepared and voted to amend the budget, but such adjustments are typically small.<sup>10</sup>

9. **The tax system is simple; all taxes have a legal basis.**<sup>11</sup> Tax laws, decrees, and administrative procedures are clearly defined. Tax regulations are set forth mainly in the general tax code (1982) and the customs code (1983). These codes have undergone several amendments through successive budget laws, but the codes themselves have not been updated, which is cumbersome for users and tax unit staff, who are obliged to consult numerous documents to know the current regulations. There are no *ad hoc* exemptions, but a large number of exemptions are established by law. Tax payments are sometimes negotiated for tax arrears. Some taxpayer rights are envisaged in the legislation. Taxpayers who believe their rights have been infringed may appeal tax administration decisions before the courts. Procedural manuals specify regulations to facilitate the standardization of tax administration

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<sup>7</sup> Justice is administered by the Constitutional Court, the Supreme Court, and the lower courts.

<sup>8</sup> The WAEMU directive is aimed at harmonizing the fiscal, accounting, and information procedures of the eight member countries of the WAEMU zone.

<sup>9</sup> For example, enrolment fees for primary education, university fees, and costs associated with hospitals.

<sup>10</sup> Two to five percent of the overall budget.

<sup>11</sup> The strategy for fiscal reform implemented in Benin in 1990 was used as a model for many other countries in Africa, particularly those in WAEMU.

practices. Regarding customs duties, there are two import regimes. The ongoing computerization of customs units is one of the key areas identified by the government in the fight against corruption.

10. **Civil servants are not subject to a specific code of good conduct.** Notwithstanding, the general civil service statute contains ethical standards. The tax code also provides ethical guidelines for tax officers. A special code of good conduct for customs agents was introduced in 1999.

## **B. Public Availability of Information**

11. **The possibility for citizens to access information on the past, current, and projected financial activities of the government is limited.** The National Institute of Statistics and Economic Analysis (INSAE) publishes fiscal information in its monthly and annual reports. However, this information is not very detailed and the monthly reports are produced infrequently. The General Budget Directorate (DGB) produces a monthly budget execution statement, but this information is limited and not exhaustive. The DGB also produces a quarterly report for the government. The General Directorate of the Treasury produces a monthly bulletin showing account balances. This bulletin is intended exclusively for the Minister of Finance; furthermore, the presentation of the account balance is inaccessible to persons who are not familiar with government accounting. It must be processed to produce a flow of funds table, which is the reference base for the fiscal operations table (TOFE). The autonomous external debt management fund (CAA) provides monthly information for project disbursements. The Technical Secretariat of the National Committee to Monitor Implementation of the Structural Adjustment Program (STPAS) produces monthly TOFEs. Since the country started the PRSP approach in mid-2000, the STPAS has been strengthened and extended into a National Committee for Development and Fight against Poverty. The Directorate General of Economic Affairs publishes information every month on past financial activities, imports, and exports, as performance indicators in the National Economic Performance Indicators (TABEN). It also publishes annual fiscal information in a document called Fiscal Statistics.

12. **Limited information is published on public debt management.** The CAA is responsible for external debt management. It keeps all the information on the level and composition of the debt and prepares a monthly document and a quarterly activity report. The latter is accessible to the public, though not systematically. The domestic debt is limited and comprises mostly Treasury bills held by banks and individuals. Although information on the domestic debt is available to the Ministry of Finance, it is not systematically made available for public use. Data on the guaranteed loans of public enterprises and claims on public enterprises are not recorded systematically.

13. **Formal commitments have been made to disseminate information more regularly.** Publication of fiscal information is a legal obligation of the government, envisaged in the constitution. The Minister of Finance has set up a computer station at the



entrance to the Ministry of Finance, providing information on regulations and important activities of the Ministry of Finance.

### **C. Open Budget Preparation, Execution, and Reporting**

14. **The supporting documents for the draft budget include detailed fiscal data, but a consolidated budget is not prepared.** The budget documents presented to parliament include the economic and financial report on Benin describing the overall economic framework; the report presenting the general state budget; detailed presentations of revenue and expenditure by institution and ministry; as well as the detailed presentation of the program budgets of the five priority ministries. In the 2001 presentation, the general state budget covers current expenditure,<sup>12</sup> capital expenditure, the annexed budget of the FNRB, the budget of the CAA, and the budget of the Road Fund. The budgets of local governments, national public establishments, and the Benin Social Security Office are not submitted to parliament for approval. Extracts of the Budget Law are published in the press. A budget consolidated with the budgets of the FNRB, the CAA, the Road Fund, the Social Security, local governments and public establishments, is not prepared. There is no specific information on public enterprises in the budget document.

15. **The key indicator of the fiscal position is the overall deficit.** The primary balance and current account balance are also used as indicators. The budget nomenclature uses administrative, economic, and functional classifications. A classification by program is being developed. The budget documents present a breakdown of budget lines, giving a description for each ministry of resources deployed, wages, other operating expenditure, transfers, and subsidies. However, an overall amount is given for debt repayment, with no separation of interest and principal. Forecasts for current expenditure commitments are distinguished from new measures in the budget document, but the large and dispersed volume of documentation makes it very difficult to assimilate the relevant information.

16. **A change from a cash budget to a performance budget was made.** Five ministries covering health, education, transportation, public works, environment, housing, urban and rural development are participating in a budget management project using a program budget approach and have developed performance indicators of resources and impacts. However, it appears that the procedures would need to be improved because it is not easy to perform cross-checks with the general state budget for the ministries concerned. For 2002, the general budget was prepared together with the program budgets of the five ministries. Links have been established for different types of expenditure in the two budget formats. However, program budgets can only be implemented at the stage of budget execution once the corresponding budget lines are taken into account in the integrated fiscal management system SIGFIP.

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<sup>12</sup> Current expenditure includes debt service, which is not consistent for the analysis.

17. **The budget is prepared on the basis of a macroeconomic framework, but the medium-term projections need to better focus on the link between resource allocation and economic and social development objectives.** Much progress has been made in implementing the budget within a macroeconomic framework to ensure fiscal discipline. However, fiscal policies have not yet been determined in a medium-term public finance context. Medium-term estimates have been developed for five key sectors, including transportation, health, and education. These estimates are presented in the program budgets of the ministries concerned, but their quality needs to be improved. There have been some qualitative attempts at assessing the sustainability of fiscal policy, but there is not yet a quantitative approach to fiscal sustainability. The current costs of capital expenditure are not always taken into account.

18. **Fiscal data need to be improved.** Revenue projections tend to be on the conservative side. Actual capital expenditures tend to come in below projections. However, some improvements have been noted over the past three years. The below-estimate execution for capital expenditure is due more to difficulties with the capacity to implement investment projects than with financing problems.<sup>13</sup> External assistance tends to be fully reflected, both in the budget and in outturn data, as far as loans are concerned. The situation for grants is less satisfactory. Furthermore, the data in the budget execution statements is mostly derived from statistical statements or surveys rather than financial statements. Expenditure data from donors is received later than information on the rest of the budget—it takes at least three months, in comparison with four weeks for normal budget operations.

19. **There is only very limited analysis of fiscal risks in the budget.** Although the budget is prepared within a macroeconomic framework, the budget does not clearly and explicitly present the key hypotheses. The budget contains information explaining the fiscal risks related to macroeconomic variables, but only a very limited amount. The budget does not contain alternative scenarios describing the nature of fiscal risks and contingent liabilities.

20. **Budget execution and the state accounting system are very centralized.**<sup>14</sup> The main feature of the expenditure management system is a high centralization of the expenditure process for which the Ministry of Finance itself is entirely responsible, although, starting in 2001, payment authorization has been delegated to each spending ministry and to the departments, in the case of assigning appropriations. In respect of expenditure, the normal procedure is as follows: expenditure is committed, validated, authorized, and paid. The Director of Administration of the ministerial department concerned handles the commitment, validation, and authorization stages. The commitment and validation stages are subject to the control and approval of the Financial Comptroller's Office. The payment stage is handled by

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<sup>13</sup> About 60 percent of PIP investments are foreign-financed.

<sup>14</sup> Until recently, government accounts were kept manually and statements were prepared on spreadsheets. Now W Money software is used. There are plans to replace this software with the ASTER program developed by the French Cooperation Ministry, which is being tested in Côte d'Ivoire.

the Treasury Accountant, who verifies the propriety of the operations and proceeds with payment. There are two exceptional expenditure procedures: the payment order procedure and the expenditure commitment-authorization procedure. The payment order procedure is a provisional procedure whereby payment is made prior to authorization and the relevant adjustments must then be made. The expenditure commitment-authorization procedure short circuits the normal rules, which require that the funds be committed before the service is ordered and delivered.

**21. Periodic statements are envisaged to inform the government of budget execution at the various stages.** These are quarterly statements of credit used by the Financial Comptroller, the DGB's monthly budget execution statement, the monthly Treasury operations statement, and the monthly debt and project management statement. A statement on local government operations is prepared on a quarterly basis. The lag for production of all these statements varies, given the reforms under way. Monthly statements are produced by the Treasury based on a monthly account balance. Although the treasury accounts of operations in Cotonou are available two weeks after the reference period, the production of the overall Treasury account balance for Benin as a whole requires a much longer time, in excess of four weeks. The quarterly report on the execution of budget appropriations is particularly detailed as expenditure is presented at the paragraph level. Treasury account data is effectively reconciled with Central Bank data on a monthly basis.

**22. Problems remain with reporting and expenditure control.** There is a fundamental problem with all information with regard to its consistency. The information on a given period does not necessarily correspond to the period of the event generating the expenditure. Information on budget execution can be obtained in advance (appropriations assigned, imprest account advances); other information may be delayed, such as those related to payment orders. The Treasury account statement, which should reflect all fiscal operations is incomplete. The balance brought forward needs to be updated to correct its irregular figures. Furthermore, many operations are carried out using the exceptional procedures when regular procedures should be used, and the amounts of the payment authorizations recorded are less than the amounts actually paid. Also, the current system is incapable of providing prompt and complete information on budget execution.<sup>15</sup> However, since 1999, the reconciliation of the treasury accounts and that of the budget department has been done systematically, although with several months of delay.

**23. Internal control procedures are numerous but need to be more efficient.** Benin uses a system based on the French system. Internal controls include: (i) the Office of the Financial Comptroller (CF); (ii) General Inspectorate for Finance (IGF); (iii) Directorate of Internal Inspection and Verification (DIVI); (iv) public accountants; and (v) General Inspectorates for the Customs, Tax, and Treasury departments. The Office of the Financial

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<sup>15</sup> The 1998 accounts were produced by the Treasury for the first time in over 30 years at end-1999. These accounts were roundly criticized by the Audit Agency because a large number of the balances were unexplained, as the underlying operations dated back several years and all proofs had disappeared.

Comptroller automatically controls all the budget operations that are performed at the various stages of budget execution.<sup>16</sup> The IGF has a very broad mandate to check and verify all aspects of the expenditure procedures. Its staff has grown significantly in the recent past. The DIVI is the directorate in charge of internal audit for each ministry and is directly responsible to its minister. This directorate is being reactivated in the ministries. The rules on transparency of government procurement are in place. Procedures concerning expenditure execution are observed. The civil service statute and wage grids are well defined and implemented in accordance with specific criteria. Recruitment is on an open and competitive basis, without discrimination. However, the performance of internal audits is not entirely satisfactory. IGF findings show that abnormal cum fraudulent operations are carried out in conformity with the rules. External verification must be implemented.

24. **A budget execution report is sent to parliament within nine months after the end of the fiscal year.** The Audit Agency has two months in which to give its opinion and deliver a certificate of approval of the final accounts underlying the budget closure law concerning the general state budget. The final reports cover the general budget but not the Benin Social Security Office. There is as yet no systematic review of the effectiveness of the action taken by public administrations. A report on fiscal activity during the first six months of the year is submitted to parliament along with the draft budget.

#### **D. Assurances of Integrity**

25. **The external audit is limited.** External controls are conducted by the Audit Agency of the Court. The Constitution, the organic law, other laws and decrees define its functions. The Audit Agency is an offshoot of the Supreme Court. It is totally independent of the executive branch and reports to the President of the Republic and to parliament.<sup>17</sup> The Audit Agency comprises 7 members, one judge and six examiners. Its capacity for carrying out its mandate is limited. The Audit Agency did not examine the accounts for a long time. It recently resumed its activities, verifying the accounts for the 1998 budget, which were submitted to the parliamentary session on the budget at end-1999.

26. **The macroeconomic models and their assumptions are available but are not critically examined by independent experts.** The Directorate General of Economic Affairs has macroeconomic models. The one currently used for simulations and which should be examined by independent experts is the MOSARE model for economic reform simulation and analysis. There is currently no independent expertise that assesses fiscal forecasts, except the IMF and World Bank.

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<sup>16</sup> The following stages are involved: the commitment level, the level of goods and services provision, before transmission to the Treasury for payment.

<sup>17</sup> In addition to its normal functions, the Audit Agency may conduct specific audits, at the request of the President of the Republic.

27. **The National Statistical Council is established by Law 99-014 as an entity independent of the executive branch.** The INSAE is compliant with the GDDS standards.

### III. IMF STAFF COMMENTARY

28. **Significant progress has been made in improving fiscal transparency in Benin in recent years, but many weaknesses remain.** Lately, Benin has made substantial progress in economic reform, moving from a state-controlled economy to a market economy.

Deregulation continues and privatization helps clarify the roles and responsibilities of the public sector. The budget execution accounts for FY 1998 were submitted to parliament at end-1999 for the first time in over 30 years. Fiscal transparency has improved in a number of other areas with the introduction of new budget and account classifications. Program budgets have been introduced since FY 2000. A computer-based expenditure management system has been implemented. Additional progress could be made by strengthening existing procedures. However, other problems of transparency are more difficult to resolve and require a determined and sustained commitment on the part of the authorities to be successfully resolved. Efforts should focus on four broad areas: (i) expand and deepen policies on disseminating fiscal information; (ii) strengthen the fiscal information provided for budget preparation and execution; (iii) improve the accuracy and quality of fiscal data; and (iv) clarify roles and responsibilities within the public administration sector, as well as the sector's role vis-à-vis the private sector. The following comments serve to illustrate particularly important activities.

29. **Enhance the reporting of financial data to the public.** Presenting fiscal information to the public is a specific feature of fiscal transparency. The public should be able to obtain complete information on past, present, and projected activity. The scope and presentation of the fiscal data published should be improved.

- The quality of data for publication, in particular, needs to be improved. Concerning budget execution, only the SAP Technical Secretariat is able to provide information with overall consistency. The system currently in place, SIGFIP, has started to give an overview of budget execution data. However, some budgetary operations, such as externally financed capital expenditure and external debt payments remain to be covered by SIGFIP.
- In the interest of credibility, the government should commit to regularly publishing information. It would be a good idea for the government to commit itself initially to publishing a complete fiscal statement every quarter. A budget execution statement could be published with a lag of a month.
- The quality of data for publication, in particular, needs to be improved. Concerning budget execution, only the SAP Technical Secretariat is able to provide information with overall consistency.

- A computer information station is accessible to the public at the entrance of the Ministry of Finance. It covers regulations and the Ministry's main areas of action, such as public debt. It is a very important initiative, which should be developed.
- The government should also prepare declarations and establish a timetable for the publication of fiscal reports. For example, it could provide information on the publication of a specific report that would be made available to the public on the 15<sup>th</sup> of a given month.

30. **Budget preparation, execution, and the budget reporting system need to be strengthened.** A considerable volume of data is already collected in the budget process, but these data should be better used and more clearly presented in the budget documents. A number of basic improvements could be made to the presentation of the budget and execution data.

- The fundamental problem with all information is its consistency. It will be necessary to ensure that the data meet certain appropriate statistical coverage criteria as well as acceptable standards for accuracy and homogeneity: fiscal period, exhaustive coverage of expenditure on a gross basis, no double accounting of transfers between levels of government, no accounting of debt amortization, recording of net lending. All this information must be studied and procedures for its improvement proposed.
- Given the macroeconomic repercussions of public expenditure, fiscal transparency requires that the fiscal operations of all public administrations come as close as possible to a macroeconomic approach. The expenditure statements prepared or envisaged for all the public administrations should consolidate central government operations, the general state budget with the autonomous funds (FNRB and Road Fund), nonindustrial and noncommercial public establishments, authorized local government operations, and social security expenditure.
- The budget needs to be better integrated into a medium-term macroeconomic and fiscal framework. Although the regular use of a medium-term forecasting framework by functional category and by program represent a long-term task, the process should be initiated by developing medium-term fiscal scenarios for all the spending ministries. The main characteristics of the medium-term framework should be described in the budget. The medium-term framework should be revised on year-to-year basis. The medium-term data should play a central role in the discussion of overall budget strategies in the Council of Ministers at the beginning of the budget cycle.
- Program budget implementation implies the use of a proper classification system with the review of computer software to introduce the fiscal programming component.

- Regarding investment expenditure, forecasts should be improved with a view to implementing a realistic budget in terms of levels of appropriation use. More attention should also be paid to monitoring expenditure for the same reason.
- Data collection should be reviewed to enable all the data on expenditure by means of grants by the various donors to be collected. A quarterly survey of these operations should be conducted.
- A more complete presentation of forecasting assumptions and contingencies should be annexed to the budget law. The budget should contain a list of the most important fiscal objectives. The forecasting method should be developed to incorporate contingency analysis and should be fully explained in the budget document.
- An annex describing contingent liabilities should be included in the budget document. This information should be compiled by the Ministry of Finance, as comprehensively as possible. It should be used in making fiscal policy decisions.
- To improve budget execution, it is important to limit special procedures and accelerate normal procedures. The budget should contain a description of accounting practices. Clearly, information on accounting policies should be revised when these policies are improved.
- Internal controls are carried out by a number of administrative units. The effectiveness of these controls is not fully observed for many reasons, but chiefly as a result of insufficient human and material resources. New control services have been set up, but their staff is too low level. More training would also be useful to strengthen internal controls.
- The general state accounts are closed in the first six months of the year following the reference year. In principle, they are closed before the end of April, but some accounts are not updated on time. This lag can only be shortened if, during budget execution, fiscal year operations by means of payment orders for urgent expenditure and cash advances are limited to what is strictly necessary and accounts are updated as quickly as possible during the fiscal year.

31. **Fiscal data should be held to recognized standards of quality and independent verification of fiscal data must be improved.** It is essential for fiscal transparency that fiscal data meet basic criteria concerning their quality and that mechanisms be put in place to ensure the quality of data released to the public.

- External verification of fiscal and macroeconomic data should be encouraged. Independent institutional mechanisms may be put in place to reassure the public of the high quality of macroeconomic and fiscal data. Continued efforts should be made to develop a high technical capacity in the area of statistics.

- There is a pressing need to strengthen the structures for external control procedures in terms of numbers and skills of human resources.

32. **Roles and responsibilities within the government and between the government and the rest of the economy should be improved.** Further deregulation and privatization will assist in this task. However, it is important for the privatization program to be fully transparent and for relations between the government and the new privatized entities to be clear.

- The role of the government offices and the CARDERs needs to be clarified and the status of noncommercial and nonindustrial public establishments should be clear.
- Human resource capacity is insufficient in terms of numbers and skill in parliament's Finance Committee, making it impossible for the Committee to fully perform its fiscal functions. The legal framework remains weak and should be urgently strengthened to ensure the Committee's independence.
- Training needs must be assessed and training activities intensified to cope with the ongoing decentralization reforms.
- It is becoming increasingly difficult for taxpayers and inspectors to obtain clear and complete documentation. The code must be updated.
- The presidential campaign against corruption should continue and the *Morality in Public Life Unit* should be strengthened in future. A facility for reporting complaints from users has been created in the Office of the Minister of Finance. This action is particularly welcome and should be continued. The anti-corruption strategy currently under discussion needs to be adopted and implemented. Efforts underway to reduce corruption in the customs administration should be pursued.