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CÔTE D'IVOIRE

STRATEGY FOR IMPLEMENTING MODERN BUDGETING TOOLS: MULTIYEAR PERSPECTIVES AND PROGRAM BUDGETING

MISSION FINANCED BY JAPAN AS PART OF THE PROJECT TO MODERNIZE BUDGET MANAGEMENT AND TAX ADMINISTRATION IN WEST AFRICA (ECOWAS)

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March 2013

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Abbreviations and Acronyms

AFRITAC	IMF African Regional Technical Assistance Center
ASTER	Modular software package for the monitoring of government budget management and accounting
BP	Budgeting by Program or Program Budgeting
CRDP	Government Expenditure Review Unit
DAAF	Administrative and Financial Affairs Directorate
DAF	Financial Affairs Directorate
DBE	Government Budget Directorate
DCB	Budget Control Directorate
DCF	Financial Control Directorate
DGBF	Directorate General of the Budget and Finance
DGD	Directorate General of Customs
DGE	Directorate General of the Economy
DGI	Directorate General of Taxes
DGP	Directorate General of Planning
DGTCP	Directorate General of the Treasury and Public Accounting
DOB	Budget Orientations Debate
DPBEP	Multiyear Budget and Economic Programming Paper
DPIP	Directorate of Public Investment Programming
DPPD	Multiyear Expenditure Programming Paper
DPSB	Directorate of Budget Policies and Budget Summaries
DRBMGP	Directorate of Budget Reform and Public Management Modernization
DTI	Directorate of Data Processing
ECF	Extended Credit Facility
ENA	National School of Administration
EU	European Union
FAD	Fiscal Affairs Department
IGE	Office of the Government Inspector General
IGF	Office of the General Inspector of Finance
IMF	International Monetary Fund
IS	Information System
MCRI	Ministry in charge of Relations with the Institutions
MEF	Ministry of the Economy and Finance
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
PAP	Annual Performance Project
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PIP	Public Investment Program

PM	Prime Minister
PND	National Development Plan
PPBSE	Planning, Programming, Budgeting and Monitoring-Evaluation
RAP	Annual Performance Report
RCI	Republic of Côte d'Ivoire
SIGADPE	Integrated Subscription Management System
SIGBUD	Integrated Budget Management System
SIGFIP	Integrated Public financial management System
SIGMAP	Integrated Procurement Management System
SINAPSE	Integrated Public Investment Programming System
SNDI	National IT Development Society
STA	Single Treasury account
STPFP	Permanent Technical Secretariat for Public Finance
TA	Technical Assistance
TFP	Technical and Financial Partners
TOFE	Table of Government Financial Operations
UNDP	United Nations Development Program
UNICEF	United Nations International Children's Emergency Fund
WAEMU	West African Economic and Monetary Union
WB	World Bank
WHO	World Health Organization

PREFACE

In response to a request for technical Assistance (TA) in the area of public finance from the Minister of the Economy and Finance (MEF), a TA mission from the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) was in Abidjan from January 14 to 28, 2013. The mission was led by Mr. Bacari Koné, senior economist in the IMF FAD, and included Messrs. Renaud Duplay, TA Advisor with the FAD, and Philippe Burdet, an IMF expert. The mission was conducted with the participation of the World Bank (WB), represented by Mr. Saidou Diop, a public finance specialist from the WB representative office in Côte d'Ivoire, the United Nations Development Program (UNDP), represented by Mr. Daouda Kamano and Mrs. Khadidja Kadri, both regional advisors for the "Development and Public Finance Strategy" Office of the UNDP Regional Center in Dakar, and West AFRITAC, represented by Mr. Bruno Imbert, West AFRITAC Resident Advisor, and Mrs. Amina Billa Bambara, IMF expert. There was close cooperation between the mission and the European Union (EU) Delegation in Abidjan, represented by Mr. Carl Daspect, in charge of economic and trade issues. The mission also obtained input from Mr. Daniel Tommasi, IMF expert who was on assignment during the same period in Abidjan, to assist the authorities in implementing the Medium-Term Expenditure Framework (or overall MTEF) for 2014 to 2016.

The purposes of the mission were to assist the authorities of Côte d'Ivoire to put in place a strategy for effectively implementing the modern budgeting tools recommended by the WAEMU harmonized public financial management directives; more specifically, this includes the fiscal and medium-term expenditure framework and program-based budgeting.

Early in its stay in Abidjan, the mission met with and obtained advice and guidance from Mr. KOFFI Ahoutou E., Director of the MEF Cabinet, along with his senior associates. The mission was honored to meet with His Excellency, Mr. Albert AGGREY, Minister in charge of Relations with the Institutions of the Republic, and Mr. Sansan KAMBILÉ, Secretary General of the Government. The mission held meetings and working sessions with Mrs. Madeleine YAO née KOUAME, Special Advisor to the Minister of the Economy and Finance in charge of the economic and financial programs and the coordination of public financial management reforms; Mr. KONE Moussa, President of the Audit Office of the Supreme Court, along with his associates; Mr. Djelhi YAHOT, Government Inspector (IGE) and his colleagues; Mr. Lassana SYLLA, Inspector General of Finance (IGF), along with his close associates; Mr. TRAORE Seydou, Director General of the Budget and Finance (DGBF), along with his senior associates, including the Director of the Government Budget (DBE), the Director of Budgetary Reform (DRBMGP), the Director of Financial Control (CF), the Director of Budgetary Control (DCB), the Director of Procurement (DMP), and the Director of the Public Expenditure Review Unit (CRDP); Mr. KONE Adama, Director General of the Treasury and Public Accounting (DGTCP) along with his senior associates; Dr. Sain OGUIE, Director General of the Economy (DGE), along with his senior associates;

Mr. KOIDOU Bekounoudjo Patrick, Technical Advisor to the Director General of Taxation (DGI), along with the director in charge of forecasting; Mr. KAKE Lucien, special advisor to the Director General of Customs (DGD), along with his senior associates; Mr. Lanciné DIABY, Director General of Planning, and Mr. GONNE Louh Jeannot, Director of Public Investment Programming (DPIP), along with his senior associates. The mission held working sessions with the Directors of Financial Affairs of the Ministries in charge of Agriculture, Infrastructure, Health, Higher Education and National Education.

The mission also met with the following representatives of Côte d'Ivoire's technical and financial partners: Messrs. Jean-Noël Amantchi GOGOUA and Robert YUNGU for the WB; Messrs. Geza STRAMMER, Carl DASPECT and Mrs. Elise HADMAN for the EU; and Messrs. Célestin TSASSA and Luc Joël GREGOIRE for the UNDP; and Mrs. Hélène CALAME for French Cooperation.

The mission extends its sincere thanks to the civil servants of Côte d'Ivoire who warmly welcomed the mission.

The mission also thanks Mr. Wayne W. CAMARD, IMF Resident Representative in Abidjan, for his personal involvement and for the assistance and advice the mission received during its stay.

At the conclusion of its stay, the mission presented a summary of its key findings and recommendations to Mrs. Kaba NIALÉ, Minister to the Prime Minister in charge of the Economy and Finance, along with her senior associates, and gave her two copies of its preliminary report.

The mission also met with Côte d'Ivoire's TFPs and presented to them a summary of its key findings and recommendations, and discussed with them the needs and prospects for TA.

Japan funded this mission as part of the Project to Modernize Budget Management and Tax Administration in West Africa (ECOWAS).

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

Despite the lack of a suitable legal and regulatory framework, Côte d'Ivoire has made significant progress in its preparations for implementing the new budgeting tools required in the WAEMU Harmonized Public Financial Framework. The macroeconomic framework and medium-term fiscal framework efforts began back in 2009, and are being implemented normally. Medium-term expenditure frameworks based on program budgets, known as multiyear expenditure programming papers with annual performance projects (DPPD-PAP), are now being prepared in 11 pilot ministries.

However, implementing these tools involves heavy and complex reforms that require a progressive and well-planned approach. The success of these reforms and the effectiveness of the tools in question depend on building them on an effective public financial management (PFM) system that is transparent and efficient through strengthening, at the same time, the fundamentals of PFM that constitute their foundation. In fact, the environment of the performance-based budgeting approach must be sound and provide a favorable and suitable framework.

After taking stock of efforts made in these two fronts, the mission identified the progress that has already been made, as well as the weaknesses and deficiencies, and proposed necessary reform measures to be implemented by the authorities as part of an action plan for successful reforms to modernize Côte d'Ivoire's PFM system. Various reform measures carried out by different PFM reform units have brought about considerable progress as follows: (i) the existence of a robust and coherent budgeting procedure; (ii) a timely adoption of the 2013 budget law; (iii) a gradual decline in the use of exceptional expenditure execution procedures; (iv) the existence of many information systems (IS) that cover a large functional area; (v) existence of a cash management system; and (vi) an experimental exercise, now in progress, for the new budgeting tools.

These measures, although they are a step in the right direction, are still insufficient and should be strengthened given the scope of the reform. The introduction and implementation of the DPPD-PAP is a major change compared to the current traditional budgeting system. It takes time and requires technical reforms, and many tools and measures must be implemented in every area of PFM. Priority should be placed initially on strengthening every component of the PFM system to create and bolster an environment that is appropriate for program-based budgeting.

These include but are not limited to:

- An institutional framework to manage the reform with two purposes: first, to strengthen and maintain the political will necessary to implement the reform; and second, to lead and coordinate the different components of the reform, and to monitor implementation on a daily basis.
- Better coordination among the different programming exercises: the annual budget, the DPPD-PAP, and the public investment program (PIP).
- Tailor the legal and regulatory framework of PFM by adopting draft laws and regulations as soon as possible to transpose the directives to provide a legal framework for the reform.
- Identify a clear strategy for implementing the DPPD-PAP based on the recommendations in this report.
- Prepare and regularly update sectoral policies and strategies to be used as a basis for preparing the DPPD-PAPs in all the ministries.
- Prepare the Multiyear Budget and Economic Programming Paper (DPBEP) or Medium-Term Budget Framework (MTBF) and the global MTEF, taking into account the DPPD-PAPs at the beginning of the budget preparation process and deriving indicative sectoral expenditure envelopes or ceilings.

Based on the finding of persistent weaknesses in the PFM system and the current state of preparation of the DPPD-PAPs, the mission proposes a strategy that revolves around two pillars:

- Accelerate the necessary reforms in order to strengthen the fundamentals of the PFM system (or core PFM) in order to establish an environment suitable for the successful implementation of the DPPD-PAPs, the DPBEP, and the global MTEF;
- Implement the prerequisites for gradual generalization of DPPD-PAP in all ministries and making it fully operational, in other words, in the long run, enacting the budget by programs.

One important and urgent measure is to put in place the institutional framework to manage the reform; it should be strengthened substantially on the political level and in terms of its operational management by establishing a permanent high-level structure that is capable of giving impetus to it and monitoring implementation.

In view of the current state of the overall process, and of the importance of the work that remains to be done before the actual changeover to a legal regime that requires enacting the budget and executing it by programs, the mission considers it reasonable to plan to have fiscal year 2020 as the first operational year for the program budget to

replace the current line item budget, subject to effectively implementing the aforementioned reforms and measures.

Gradual implementation would operate as follows:

- Beginning with the 2017 budget, all the ministries prepare their DPPD-PAP, which the government will approve and submit to the National Assembly as an annex to the traditional line item budget which will be the only one subject to a vote;
- For the 2018 budget, the "pilot" ministries monitor execution of both line item and program versions of their budget and, on a test basis, they produce, in the first six months of 2019, an annual performance report as suggested in this report;
- For the 2019 budget, all the ministries execute their budget in both the traditional and program forms, and on this basis they produce, in the first six months of 2020, an annual performance report as suggested in this report;
- For the 2020 budget, the entire government budget is discussed, enacted and executed in program form in accordance with the provisions of the new legal and regulatory framework of PFM derived from the new WAEMU directives.

Table 1. Action Plan for Implementing Program Budgeting (DPPD-PAP)

Recommendations	Action Items	Entity in charge	Implementation Schedule			Need for TA
			2013	2014	2015	
Put in place, by a decree, the reform management framework	Prepare and adopt the decree instituting the framework to manage the reform	MEF Cabinet	X			
1 – CREATE AN ENVIRONMENT SUITABLE FOR THE REFORM						
1.1 – Finalize the new legal framework for the reform	Adopt the improved laws and regulations transcribing the directives by the Council of Ministers before the legislative session resumes and enter them on the agenda on a priority basis in order to obtain a legal framework for the reform.	MEF Cabinet	X			
1.2 – Put in place the DPBEP and the global MTEF	Prepare, in the second quarter of 12013, a global MTEF, consistent with the medium-term macroeconomic framework, which is a common framework for the ministerial drafts of the budget, PIP and DPPD-PAP and use it for preparing the 2014 budget and the multiyear expenditure programming papers for 2014–2016.	MEF/DGBF/DGE	X			
	In 2013, reactivate the global MTEF Committee in charge of preparing and monitoring a work program and validating technical programming.	MEF/DGBF	X			
	In 2014, strengthen the coordination of the macroeconomic forecasting and fiscal framework efforts by establishing a DPBEP committee that coordinates all the services, working groups and committees involved in these efforts.	MEF/DGBF	X			
1.3 – Strengthen the annual budget preparation procedure						
Improve the revenue forecasting models	Strengthen the technical and material capacities of the revenue agencies	MEF	X	X		X
In an annex to the draft budget law, submit yearly the list of tax expenditures and direct revenue allocations with an estimate of their cost and submit the rationale for the intervention that is used	Draft the first edition of the annex before October 2013	DGBF	X	X	X	
Periodically evaluate tax expenditures and revenue allocations and streamline them	Perform the evaluations	DGBF	X	X	X	
Set the budget calendar by decree, taking all the programming exercises into account (DPPD-PAP, DPBEP, and PIP)	Enact a decree before the end of the first quarter of 2013 that establishes the annual budget calendar	MEF/DGBF	X			
Prepare and implement an action plan to modernize the DGBF in order to forge ahead with the expenditure analysis and review		DGBF	X	X	X	X
Publish and provide unrestricted access to the procedure and management manuals to be used by all the agencies		DGBF	X	X		
1.4 – Make budget execution reliable and streamline it						
Organize the budget management start-up process	Adapt the Integrated Budget Management System	DGBF	X	X		

Recommendations	Action Items	Entity in charge	Implementation Schedule			Need for TA
			2013	2014	2015	
	(SIGBUD) and the Integrated Public Financial Management System (SIGFIP)					
	Anticipate the procedure for collecting signature specimens and appropriation notifications			X		
Adapt the regulation (Decree 98-716 of December 16, 1998) to simplify and de-concentrate the resource reallocation functions to the ministries	Revise the decree to streamline the delegations and reallocations of appropriations	DGBF		X		
Leave it up to the ministries to establish the budgetary regulation ceiling	Prepare a circular letter that frames the process	DGBF	X			
Implement an expenditure commitment plan based on contract programming	Implement a working group headed by the DGBF	DGBF	X			X
Decrease the use of the special expenditure execution procedures		DGBF	X	X	X	
De-concentrate budgetary execution to bring the different stakeholders together	Adapt the necessary legislation	DGBF	X	X		
Redefine financial control	Develop internal control and risk-based control	DGBF/DCF		X	X	
	Put budgetary sustainability control in place	DGBF/DCF			X	
Improve the budget execution monitoring tools	Incorporate all government operations into budgetary accounting, including all external project financing	DGBF	X	X		
	Put in place management and summary statements shared by all the stakeholders that are part of budgetary execution and management	DGBF	X	X		
1.5 – Strengthen the financial ISs						
Improve the geographical coverage of the information systems	Develop access to SIGFIP for all administrators	DGBF/DAS	X	X		
Improve the functionalities of the existing ISs	Develop dematerialized procedures	DGBF and DGTCP		X		
	Perform an audit of the ISs based on the WAEMU directives	DGBF and DGTCP		X		
	Take the budgetary provisions of the WAEMU directives into account	DGBF and DGTCP	X	X	X	
	Evaluate the procedures for the gradual changeover to the new management mode	DGBF and DGTCP		X		
Put in place overall IS governance		DGBF and DGTCP and agencies	X			
1.6 – Improve cash management						
Put in place an effective system for actively managing cash		MEF/DGTCP	X			X
2. IMPLEMENT THE NEW BUDGETARY TOOLS						
2.1– Implement multiyear expenditure programming						
Include all the ministries in the DPPD-PAP exercise by 2015, and the Ministry of Finance in particular in 2013	Prepare a provisional calendar	MEF	X			
Design a program to support and assist the ministerial departments for preparing DPPD-PAPs and implementing results-based management	Prepare and disseminate a support and assistance program	DGBF	X			X
2.2 – Implement the budgeting tools						
Prepare/update all ministerial policies and strategies	Take stock of the existing strategies	Ministerial departments	X			X
	Prepare/update the ministerial strategies in conjunction	Ministerial	X	X	X	X

Recommendations	Action Items	Entity in charge	Implementation Schedule			Need for TA
			2013	2014	2015	
	with the DPPD-PAPs	departments				
Draft a common methodology guide for preparing ministerial policies and strategies		MPD	X			X
Prepare a common framework for the ministerial drafts of the budget, PIP and DPPD-PAP		Overall MTEF Committee	X	X	X	
Prepare a final and standardized edition of the DPPD-PAP outline and disseminate it to the ministries		DGBF	X			
Complete all the items in the outline		DGBF/Ministerial Departments	X			X
Put in place a performance monitoring system		DGBF	X			X
Prepare the RAPs as the DPPD-PAPs are being prepared		DGBF/Ministerial Departments	X	X	X	X
Appoint the program managers	Adopt an order or a decree appointing the managers	Ministerial departments			X	
Transform the accounts audit section of the Supreme court into a full accounts audit court ("Cour des comptes")	Adopt an organic law	SGG/MCRI	X			
Strengthen the capacities of the oversight entities for all budgetary reforms, and for the performance audit in particular	Provide training and raise the awareness of the control entities	DGBF/DRBMGP- and control entities	X	X		X
2.3 - Strengthen agency capacities						
Promptly validate (2013) and implement a comprehensive capacity building plan (2013–17)	Identify a core group of trainers and train them quickly	DGBF/DRBMGP	X	X	X	X
	Adapt the WAEMU training modules on the PFM directives	DGBF/DRBMGP	X	X	X	X
Conduct a study of the impact the reform has on the changes in careers and the role of the stakeholders		MEF		X		X
Prepare and implement an internal and external communication strategy on the reform		MEF	X	X	X	X

I. STATUS OF IMPLEMENTATION OF THE NEW BUDGET TOOLS

A. WAEMU Framework for Multiyear Programming and Program Budgets

1. **In March and June of 2009, the Council of Ministers (CM) of the West African Economic and Monetary Union (WAEMU) adopted six new directives that are to form the harmonized public financial management legal framework in the Union.** This new framework institutes, among other things, multiyear expenditure program and budgeting by program. According to the directives, their transposition into the national laws was scheduled for no later than December 31, 2011; the Member States have until January 1, 2017[1] to implement all the innovative provisions of the programs and multiyear expenditure programming. Moreover, the CM implemented an action plan in December 2009 that provides support for effectively implementing the directives; this resulted in producing technical guides for the directives that were adopted as well as nine modules for training in these directives.

Box 1. The New WAEMU Harmonized Public Financial Management Framework

- Directive 01/2009/CM/WAEMU of March 27, 2009 on the Transparency Code for Public Financial Management
- Directive 06/2009/CM/WAEMU on the budget law
- Directive 07/2009/CM/WAEMU on the general regulation for public accounting
- Directive 08/2009/CM/WAEMU on the government budget classification system
- Directive 09/2009/CM/WAEMU on the government chart of accounts
- Directive 10/2009/CM/WAEMU on the government financial operations table

2. **The 2009 directives introduce major innovations in budget management in the WAEMU Member States.** The current budget management method, which is based on a line item budget in which appropriations are presented by type or purpose, will be modified substantially by the reform according to the following key pillars:

- *The institutionalization of the multiyear budgeting system*. In the budgetary programming phase, this approach is characterized by the requirement for the States to prepare the DPBEP over a period of not less than three years (see Article 52 of Directive 6 on the budget law). Moreover, in the execution phase, the reform introduces multiyear management of appropriations by implementing commitment

[1] The scope of the provisions whose implementation is postponed until after January 1, 2012 is listed in Article 86 of the directive on the budget law.

authorizations, which provide budgetary support for the multiyear commitments and, hence, should improve the predictability and programming of investments.

- *Results-based management, which generates budgeting by program (BP) with a multiyear outlook by having all the ministries prepare multiyear expenditure programming papers (DPPD or a ministerial MTEF presented by programs)*. The basis for allocating the appropriations is public policies that are developed, and whose implementation includes objectives defined in advance for each of the action items to be carried out.

Box 2. Article 53 of the Budget Law Directive—The Multiyear Expenditure Programming Paper

The programs are entered in the multiyear expenditure programming papers by ministries, annex budgets and special accounts, and are consistent with the multiyear budgetary and economic programming paper referred to in Article 52 of this directive. For a period of not less than three years, the multiyear expenditure programming papers provide information on the changes in appropriations and the results expected for each program based on the objectives.

- *Overhaul the management methods based on manager accountability*. Payment authorization is de-concentrated, and each minister becomes the senior payment authorization officer for his ministry's program appropriations. Moreover, the management of each of the programs will be assigned to an officer, whose key duties will be to design, implement and monitor the appropriations for their program. The officers will also report on their management, primarily to Parliament, by producing an annual performance report that explains and substantiates the use of all the appropriations allocated to their program and explains the results that were achieved.

- *Strengthen transparency*: This includes: (i) presenting appropriations in the form of programs and the associated program classification, which strengthen Parliament's and the citizens' understanding of the budget; and (ii) improved budgetary documentation prepared in such a way as to strengthen the information of members of Parliament, in particular with regard to the issues, the sustainability of budget policy, and the government's financial commitments.

B. Implementation of MTEF and Program Budgeting

Current status

3. **Côte d'Ivoire has made little progress in implementing the DPBEP and the global MTEF**. This mission, which focuses on putting in place a strategy to implement BP as part of a multiyear expenditure outlook as recommended by the directives, is addressing

the prior implementation of these two tools as one of the key components of this strategy (see below Chapter II.B.).

4. **By contrast, major progress has been achieved in the gradual implementation of the DPPD-PAPs or program budget.** One of DGBF's directorates, the Directorate of Budgetary Reform and Modernization of Public Management (DRBMGP), coordinates the preparation of these documents. The WAEMU budget law directive defines the DPPD, which is the document that reflects the final version of the adopted ministerial MTEF (see Box 3). In also defines the annual performance project (PAP), which is a document that describes the performance associated with a program. The technical guide of the budget law directive suggests that the PAPs can be considered one of the components of the DPPD. The RCI opted to present a single document, the DPPD-PAP, to which reference will be made in the remainder of the report. This is the financial translation of the ministerial strategy[2] and its priorities over a three-year period. It is the reflection of the ministry's policy which itself stems from the national development strategy. The DPPD-PAP should show the projected breakdown of staff remunerated by the government (employment authorization ceilings), by category and must substantiate the changes compared to the current situation; this must be done in a manner that is perfectly consistent with the ministerial employment ceiling set forth in the initial budget law.

[2] The appropriations that are allocated to the ministerial departments are broken down by program [*single purpose of appropriations by program*], and they are intended to "*implement an action item or a consistent set of action items that are representative of a clearly defined public policy with a medium-term perspective* (see Art. 12)."

Box 3. Multiyear Expenditure Programming Paper, Annual Performance Project and Annual Performance Report under Directive 06/2009/CM/WAEMU on the Budget Law

DPPDs (Article 53) - The programs are included in the multiyear programming papers of expenditures by ministries, annex budgets and special accounts, and are consistent with the multiyear budgetary and economic programming paper referred to in Article 52 of Directive 06/2009/CM/WAEMU on the Budget Law. For a period of not less than three years, the multiyear expenditure programming papers provide information on the changes in the appropriations and the results expected for each program based on the objectives.

PAPs (excerpt from Article 46)
The budget law for the year is accompanied by the following:
(…)
- explanatory annexes:
1. for the year in progress and the year under consideration, the development, by program or allocation of the amount of appropriations submitted by nature of expenditure. The annual performance project for each program accompanies these annexes as follows:
   a) presentation of each of the action items and each of the projects in the program, the associated costs, the objectives, the results achieved and expected for the coming years, measured by performance indicators;
   b) substantiation of the change in allocations relative to actual expenditures for the previous year;
   c) the schedule for payment appropriations associated with the commitment authorizations;
   d) by category of employment, the projected breakdown of employment remunerated by the government and substantiation of the changes compared to the current situation.

RAPs - **(Article 50)**
The budget review law is accompanied by:

"Annual performance reports by program that report on their management and their results."

5. **The process of preparing the DPPD-PAPs began in December 2009 with a seminar on the medium-term expenditure framework (MTEF), followed by a launch workshop in February 2010**. The DRBMGP decided to engage progressively the ministerial departments (between 2011 and 2015) in the process of preparing the program budgets that are geared toward improving performance (or based on results). The ministry budgets are arranged using a program classification of expenditures and include annual performance projects and annual performance reports. In 2010, four pilot ministries (the health sector ministries[3] and the education sector ministries[4]) began the experience of preparing their

[3] Ministry of Health, Ministry of AIDS Control, or today, the Ministry of Health and AIDS Control.

[4] Ministry of National Education, Ministry of Higher Education and Scientific Research, Ministry of Technical Education and Vocational Training; today, technical education is in the Ministry of Education: Ministry of National Education and Technical Education.

DPPD-PAP with EU support. In June 2012, eight new ministries[5] were selected to join the budgeting by programs exercise (familiarization session for the approach and methodology of preparing DPPD-PAPs[6]). In 2013, five new ministries[7] will join the multiyear and program budgeting process. The first 11 ministries involved in the process of preparing the multiyear budget programming paper received external support for preparing their draft of the DPPD-PAP. Overall, the exercise of preparing the DPPD-PAPs benefits from a certain experience (early in the fiscal year in December 2009), and the ministerial departments have a methodology guide, a common outline for preparing the DPPD-PAP, a small competent management team in the Directorate of Budget Reform and the Modernization of Public Management (DRBMGP), and ad hoc operational units in the pilot ministries. Today, the DRBMGP is the preferred contact point for the ministerial departments in the process of preparing the DPPD-PAPs and carries out the daily tasks required for the DPPD-PAP exercise.

Analysis

6. **However, difficulties persist in the ownership of the approach, and in expanding and disseminating the multiyear budgeting by program process to all the ministerial departments**. The innovations that Directive 06/2009/CM/WAEMU on the budget law generated imply a major change in the approach to budgeting and it takes time to own the new programming tools, hence the importance of establishing a clear roadmap for the beginning and the end of the process. We note that the program approach was introduced in the RCI without a master plan for public finance reform, and without a clear and sustainable timeline, budgetary guidelines, and most of all, without a global MTEF (DPBEP). The result is that:

- The exercise structure and ownership by the stakeholders is insufficient;
- The quality of the DPPD-PAPs that are produced is insufficient (indicators, programs, matching of appropriations, occupations not broken down by program, inclusion of all expenditures, including investment expenditures, insufficient involvement of the technical directorates in the ministries, little information on partner funding by

[5] Ministry of Agriculture, Ministry of Economic Infrastructure, Ministry of Justice, Human Rights and Public Freedoms, Ministry of the Interior and Security, Ministry of Defense, Ministry of Mines, Oil and Energy, Ministry of Employment, Social Affairs and Vocational Training, and the Ministry of the Environment and Sustainable Development.

[6] The eight (8) ministries involved in the process of preparing DPPD-PAPs received a day and a half of methodology and approach support in June 2012; also, the quality of the DPPD-PAPs that were produced, although they were incomplete, are very much in line with the outline (from the methodology guide) that the DRBMGP proposed in June 2012.

[7] Ministry of Animal and Fish Resources, Ministry of the Postal Service and Information and Communication Technologies, Ministry of Water and Forests, Ministry of Solidarity, the Family, Women and Children, and the Ministry of Transportation.

program); and the current preparation of the Public Investment Program (PIP) are highly problematic. The investments are the responsibility of the Directorate General of Planning and are prepared separately from the ministerial budgets. Occasionally, some investment expenditures are irrelevant and are actually for operating expenditures or wage bill expenses, because the projects, funded by donors and that include operating expenses, are entered as a whole in the PIPs. The Directorate General of Planning (DGP) fails to take the program dimension into account.

- A master plan for public financial reform in the RCI is becoming essential to ensure consistency in implementing the WAEMU directives;
- A program to support the ministerial departments to transition to a budgeting and results-based management and performance approach is lacking; and
- There is no schedule for including the ministerial departments, including the MEF, in the exercise.

Recommendations

- Include all the ministries in the DPPD-PAP exercise by the end of 2015 and the MEF beginning in 2013.
- Design a program to support and assist the ministerial departments in preparing the DPPD-PAPs and implementing results-based management.

C. Necessity of Defining a Strategy for Progressive Implementation of the Tools

7. **It appears that the implementation of these new budgeting tools constitute heavy and complex modernization reforms and that implementing them should be planned progressively.** The success of these reforms and the effectiveness of the tools in question require that they be built on an efficient, effective and transparent public financial management system, which would constitute their foundation. In a management by program system, in which program managers will commit to achieving results in exchange for greater freedom for using their resources, the base, the environment of the performance-based budget approach, must be sound and provide a favorable and suitable framework. This implies the following:

- Revising the legal and regulatory framework, which is unsuitable today and is even a barrier to implementing program budgeting; in fact, the current framework only authorizes the implementation of line item budgets in a strictly annual framework;
- Implementing a budget framework (DPBEP) and global MTEF to support the preparation of the budget and the DPPD-PAPs and insure their sustainability;
- Improving budget preparation procedures to produce realistic and credible budgets that are executed without any major issues;

- Streamlining and modernizing the public expenditure chain; it is in fact impossible to implement program budgeting if the program managers are not in control of the decision-making functions for their expenditures, if they are not made at the pace needed to achieve their objectives, and if redundant controls paralyze their action;
- Having an effective cash management system in which expenses can be paid as they are incurred and as soon as they are due, without delay;
- Strengthening the transparency, reliability, and speed of the availability of financial data; internal control and management oversight become major pillars that ensure that the financial data is reliable and properly analyzed and understood;
- Strengthening the audit functions and streamlining the controls.

8. **If these prerequisites, which are the components of the environment that is essential for the reform, are indeed taken into account and implemented promptly, all the recommendations in Part III, aiming, in the long run, to make the presenting, enacting, and monitoring of the budget by programs effective, will then make sense.** This is the second pillar of the proposed strategy, and these two should naturally advance in parallel. The last part of the report highlights the urgencies and the schedule that the mission deems it reasonable to propose.

II. Create an Environment Suitable for the Reform

A. Finalize the Transcription of the New Legal Framework

9. **The directives have yet to be transposed, even though the community deadline, which was December 31, 2011, has come and gone.** The six draft laws that transpose the WAEMU directives were given to the mission. The drafting process began back in 2010 and was supervised by a Steering Committee for managing the transposition of the directives. These laws were submitted to the WAEMU Commission, which in turn submitted its observations. The laws are at different stages of the adoption process:

- The draft organic law on the transparency code for the management of public finances and the draft organic budget law were discussed at a national validation workshop in March 2012. It should be noted that the articles that deal with the final and transitional provisions of the current draft organic law must be reviewed. In fact, the budget law directive gives the Member States the options of implementing the reforms on an incremental basis: The implementation of these reforms is scheduled for January 1, 2017 for all the Member States (except for the implementation of accrual basis accounting which, if necessary, could occur on January 1, 2019). The current lack of similar provisions in the body of the draft organic law on the budget laws (the execution articles refer to regulations that have no deadlines for adoption) legally enshrines the possibility of not carrying out the reforms;

- The draft decrees on the general public accounting regulation, on the government budget classification system, the chart of accounts, and the table of government operations, were submitted as well to the WAEMU Commission for approval. Moreover, the mission was informed that their operative parts should address the references of the organic law on the budget laws after the budget law is enacted, which was not possible at this stage.

10. **The process of transposing the directives into national law is at a standstill today.** The mission was unable to determine the objective reasons for this situation, but assurances were given that the laws would be adopted promptly. It should be underscored that the failure to transpose the directives into national law explains some delays in the process of implementing the DPPD-PAPs, which conflict with current budget law.

Recommendation

- Adopt the improved transposition laws in the Council of Ministers before the legislative session resumes and add them to the agenda as priorities so that the reform will have a legal framework.

B. Put in Place the DPBEP and the Global MTEF

Current status

11. **The multiyear expenditure programming work consists of work on the medium-term macroeconomic and budgetary framework, the multiyear programming of investments and the preparation of the DPPD-PAP (ministerial MTEFs).** The work on macroeconomic and budgetary frameworks is performed by the DGE, and in the DGBF, by the Directorate of Budgetary Policies and Summaries (DPSB). The DPIP, which is attached to the DGPLP of the MPD, prepares a sliding three-year public investment program each year (PIP).

12. **Work on the medium-term macroeconomic and budget framework is carried out regularly**. The DGE prepares a medium-term macroeconomic framework that includes real sector projections and TOFE projections over three years. To prepare the real sector projections, the DGE consults the officials from the different sectors in the administration. The projections are made using a simple model constructed using a spreadsheet, but the DGE plans to develop more elaborate forecasting instruments. Based on the DGE's TOFE projections, the DPSB prepares an informal fiscal framework that is often for three years, and the projections detail some expenditure items that are specially monitored, such as subsidies for the refinery, the cotton sector, and electricity. The medium-term macroeconomic framework is updated several times a year when the budget is prepared and when discussions of the financial programs are held with the IMF. The fiscal framework is prepared as part of the budget preparation work. In 2012, the macroeconomic guidelines work faced difficulties

in terms of estimating the total amount of public investments. This difficulty should be mitigated for the preparation of the macroeconomic projections for the period from 2014 to 2016. The 2013–15 PIP provides an estimate of the amount of public investments for 2014 to 2015. Moreover, although the processes are iterative and the macroeconomic targets can be revised in the margin, the total level of the PIP depends on the macroeconomic and financial balance targets. Determining these targets should be one of the starting points for the macroeconomic and financial guidelines work.

13. **The DPIP prepares a sliding three-year sliding public investment program yearly (PIP).** The PIP is prepared during the second and third quarters of the year. To this end, the DPIP holds programming conferences with the different ministries. The 2013–15 PIP was finalized in September 2012. The PIP is in general prepared openly, and the ministries are not informed of the expenditure ceilings. The 2013–15 PIP was prepared based on the National Development Plan (PND). It distinguishes by ministry a financial envelope that is consistent with the budgetary guidelines and the estimated TOFE and an additional financial envelope. Over the period from 2013 to 2015, about 80 percent of the total amount of the PIP is consistent with the estimated TOFE. The 2013 tranche of the 2013–15 PIP was included in the 2013 investment budget (Title III). However, it is difficult to compare the 2013 budget with the 2013–15 PIP. In fact, the 2013–15 PIP does not indicate the budget code of the investment projects, as opposed to the previous PIPs.

14. **The medium-term macroeconomic framework efforts and the estimated TOFE have little impact on the work of multiyear expenditure programming.** The DPPD-PAPs are prepared, but expenditure ceilings for the three years for which there are projections are not disclosed. Therefore, they cannot be used to establish priorities between activities and projects in the ministries. Once the budget is adopted, some ministries update the first annual tranche of the DPPD-PAP to make it consistent with the budget. However, in general, the tranches of the second and third years of the DDAP-PAPs are not revised to include the arbitrage carried out for the first year. The final version of the 2013–15 PIP distinguishes an envelope consistent with the three-year framework by ministry and one additional envelope. However, the list of projects to be adopted to observe the envelope in order to be consistent with the framework is not specified.

15. **The lack of institutional arrangements and suitable schedules makes it difficult to implement global MTEF.** A global MTEF separates by ministry, and if need be by function, medium term (at least three years) budgetary expenditure projections by broad economic category. This provides expenditure ceilings by ministry to ensure that total expenditures are consistent with the overall objectives of the DPBEP. In order to prepare the global MTEF, a Global MTEF Committee was set up. This committee consists of the representatives of the key directorates in the MEF involved in expenditure programming, as well as those of the DGPLP, the Central Bank, and the INS. The Directorate of Budget Reform and the Modernization of Public Management (DRBMGP) in the MEF coordinates the committee. The lack of a schedule of activities required of all the members of the group

seriously hampered the effectiveness of the Global MTEF Committee. It was impossible to achieve synergy among the different administrative units represented in this committee. The DGPLP performed the investment programming work without coordinating it with the Global MTEF Committee, and the 2013–15 PIP was not available until September 2012. The 2013–15 fiscal framework efforts, carried out by the DPSB, were not validated, and thus it was impossible to use them to prepare an overall MTEF, and they should have been one of the starting points for this preparation. A study that proposes a methodology for preparing the global MTEF was carried out with EU support. However, the baseline data was not available on time, so that this study has had no impact on the multiyear expenditure programming work or on the decision-making processes.

16. **Coordination between the programming of the different economic expenditure categories should be bolstered.** By reviewing the different economic components of budget expenditures at the same time, the necessary arbitrage between personnel expenditures, ordinary non-personnel expenditures, and investment expenditures can be performed. In particular, such a review facilitates the arbitrage between construction expenditures and maintenance expenditures, and results in better taking into account recurring investment project expenses upon their completion. In several ministries, two multiyear expenditure programming efforts are carried out in parallel (preparation of the DPPD-PAPs and the PIP), yet the method of coordination between these two efforts is not clearly defined. The joint preparation of a three-year PIP and of the three-year ministerial DPPD-PAPs will require close coordination between these two multiyear programming efforts to prevent risks of confusion if these documents are inconsistent, as this would unnecessarily increase the multiyear expenditure programming workload. The development of a program budget approach reinforces this coordination requirement, because one program covers all expenditures, regardless of their economic nature. The PIP of one ministry must match the investment expenditures in that ministry's DPPD-PAP. Strengthening coordination between the budget, the DPPD-PAP and the PIP makes it necessary, among other things, for a global MTEF to manage the preparation of these three documents. In addition, the budget code for Title III will have to be revised for the projects in the 2014–16 PIP, as was done in the past.

Analysis

17. **The implementation of the new budgetary approach entails strengthening the budget framework and the multiyear expenditure programs, and in particular, preparing a DPBEB and a global MTEF.** In accordance with the provisions of WAEMU Directive 06/2009, the DPPD-PAP must be consistent with the DPBEP. The DPBEB sets the budgetary and financial balance targets over the medium term in a manner consistent with the provisions of the *WAEMU Convergence, Stability, Growth and Solidarity Pact.* It is submitted to Parliament for a budget policy debate in June, and then it is updated and annexed to the draft budget law. The global MTEF must ensure the consistency of the PIP and the ministerial DPPDs with the DPBEP's balance targets, as it sets the expenditure ceilings by ministry and broad economic category. The DPPD-PAP and global MTEF are

consistent with the annual budget for the first year of the projection. The global MTEF will supplement the fiscal framework currently prepared by the DPSB based on the TOFE, and will detail the expenditure headings by ministry.

18. **The analysis of budget execution and of the implementation of the priorities should be one of the starting points for programming expenditures.** A report on the execution of the previous year's budget should identify the issues found in the execution of the budget, such as underestimated necessary appropriations or, on the contrary, poor absorption and implementation capacities. This report should include an analysis of the implementation, during the previous fiscal year, of the priorities set forth in the PNDs and sectoral strategies. In the long run, the production of annual performance reports, provided for by WAEMU Directive 06/2009, should supplement this report; however, for the time being, there should be analysis of the execution of the 2012 budget and of the 2012 tranche of the PIP for preparing the 2014 budget, the MTEFs, and the 2014–16 PIP.

19. **The analysis of the future budgetary impact of current activities is an essential component of programming work.** The future costs of the activities that are in progress, for which the decision has been made to continue them, are a financial constraint for programming new activities. The evaluation of the financial constraints of current activities has two components: (i) estimating the future costs of these activities; and (ii) downsizing or discontinuing low-priority activities or projects that are poorly implemented. This analysis determines the leeway for new activities given the financial constraints that the provisional TOFE indicates. The ministries that prepare MTEFs identified a "reference projection" in their MTEF that is the future cost of current activities. Initially, this exercise could be expanded to all the ministries for the investment projects, and supplemented by identifying problematic projects that could be downsized. This exercise could be carried out under the direction of the DPIP in the first quarter. It would be desirable to have the results of this exercise for estimating the 2014–16 global MTEF.

20. **The fiscal framework documents must include an analysis of the government's budgetary and financial policy.** The economic assumptions on which the revenue projections and expenditure ceilings are based must be substantiated in the budgetary policy memoranda that are to justify the expenditure ceilings submitted to the authorities and that are in the DPBEP. These documents must include an estimate of "indirect" expenditures such as tax expenditures, which are used to fund public policies. The expenditure ceilings by ministry should be analyzed based on the inter-sectoral priorities, past trends, and implementation capacities.

21. **For the ministries to carry out their internal arbitrage, they should be informed of the financial constraints sufficiently early in the expenditure programming cycle.** Any programming and budgeting cycle is a combination of an ascending approach, in which the ministries express their requirements, and a descending approach, in which the central ministries (MEF and MPD) inform the sectoral ministries of the expenditure ceilings. To

encourage the sectoral ministries to set priorities, it would be advisable to have a descending phase early on in the expenditure programming cycle. Next, the ministries must have sufficient time to conduct their internal arbitrage based on priorities and in compliance with the financial constraints. Of course, the process is iterative. Before the final phase of preparing the budget, the ministries may submit additional requests, but they must be clearly separated from their main budget request, which must be consistent with the expenditure ceilings of which they were informed by the MEF or MPD.

22. **A global MTEF by ministry must be prepared beginning in 2013; however, the content of the DPBEP submitted to Parliament will be supplemented in stages.** WAEMU Directive 06/2009 provides for presenting the DPBEP at a budgetary debate to be held by the end of June. Among other things, the DPBEP must present a projection of "expected government revenue, broken down by broad category of income and other taxes and by broad category of expenditures." The instructional guide for implementing this directive further proposes including a global MTEF in the DPBEP. The first budget policy debate (DOB) must be held as soon as Directive 06/2009 is transposed into national legislation, and no later than June 2014. The documents submitted to Parliament must be realistic and must reflect budgetary policy correctly. Since this exercise is new, an incremental approach will be developed to ensure that the DPBEP presented to Parliament is of good quality:

- In the first stage, in 2014–15, the DPBEP would only detail expenditure projections by economic category and not by ministry, which is still consistent with Article 52 of Directive 06/2009, which defines the DPBEP. The DPBEP that is submitted at the DOB would thus include a provisional TOFE in this first stage, but would not include a global MTEF. Beginning with this first stage, the global MTEF would be prepared, but internally by the executive for the DPPD-PAP framework.
- Beginning in 2016, the DPBEP that is submitted at the DOB and the DPBEP that is annexed to the draft budget law would include a global MTEF that breaks down expenditures by function. The possibility of including in the DPBEP submitted to the DOB a global MTEF that presents expenditure projections by ministry should be considered based on the degree of progress of inter-ministerial arbitrage at the time of the DOB. Likewise, the possibility of including a global MTEF by ministry in the DPBEP that is annexed to the draft budget law will depend on the quality of the DPPD-PAPs the ministries prepare and the consistency of the DPPD-PAPs with the global MTEF.
- The institutional coverage of the DPBEP will be focused on the government budget in 2013-2014; then, beginning in 2015, the DPBEB will cover the financial situation of the public sector entities in accordance with the provisions of Directive 06/2009. To this end, a work plan should be prepared in the committee responsible for the global MTEF and the DPBEP.

23. **A budget preparation and multiyear expenditure programming schedule should be put in place.** This schedule should take into account the institutional constraints, which include the date the draft budget law is submitted to the National Assembly and the date of the budget policy debate provided for in the WAEMU directives by the end of June. It should cover the framework activities (TOFE, DPBEP and global MTEF), and the stages of detailed preparation of the budget and multiyear expenditure programs (PIP and DPPD-PAP). The key activity groups the schedule covers are presented in Box 4. The implementation of this schedule starting with this exercise is advisable, even if implementation is partial, so that the PIP and the budget are entirely consistent, and so that the DPPD-PAPs are framed.

Box 4. Major Stages of a Budget Calendar Expanded to Include all the Programming Exercises

- **Analyze the existing situation.** These activities include, among others, producing 2012 budget execution reports (sectoral ministries, the DGBF and the DGPLP), and estimating the costs for 2014, 2015 and 2016 of the PIP projects that are in progress in 2013 (sectoral ministries and DGPLP). Technical conferences that involve the DGBF, the DGPLP and the ministries could be held to formalize the exchanges. This work should be available by the end of March.
- **Macroeconomic and macro fiscal framework for 2014–2016**. Among other things, this framework provides the expenditure envelopes by broad economic category. This framework is led by the DGE, and then its budgetary component is supplemented by the DPSB. This framework should be available by the end of March or early April, although it can be revised during budget preparation if it is deemed essential to do so.
- **Preparation of the 2014–16 global MTEF**. This global MTEF will provide the ministerial expenditure envelopes that frame the preparation of the 2014 draft budget, the draft ministerial DPPD-PAPs, and the 2014–16 PIP. The preparation of the global MTEF requires close coordination among the different directorates of the DGBF, the DGPLP and the DGE. This work is performed in April and May, but iterations with the detailed programming work may be made following programming and budget conferences.
- **Decisions on expenditure ceilings at the policy level.** The DGBF submits the global MTEF and the budget policy memorandum to the Minister of the Economy and Finance who will then submit them to the Council of Ministers. At this stage, the important arbitrage work regarding tax policy must also be done. Based on the decisions of the Council of Ministers, the sectoral ministries are notified of the expenditure ceilings in early June.
- **Preparation of the draft budget and the detailed PIP and DPPD-PAP; negotiations; finalization.** The 2014 draft budget is finalized in September and is submitted to the Council of Ministers with the 2014–16 PIP; then, after the Council of Ministers adopts it, it is submitted to the National Assembly on the first Wednesday in October, in accordance with the Constitution. The budgetary documents include a 2014–16 DPBEP. The ministerial DPPD-PAPs and the 2014–16 PIP are again updated in December 2014 or January 2015 to take into account the amendments of the National Assembly to the 2014 draft budget.

24. **Responsibilities for preparing the global MTEF and the DPBEB should be clearly identified.** The preparation of the global MTEF is part of budgeting work. The global MTEF supplements the fiscal framework prepared by the DPSB and the expenditure ceilings prepared by the DBE. The coordination of global MTEF activities should be assigned to one of these two directorates in the DGBF. In view of current institutional provisions, and before a programmatic approach is effectively developed, the preparation of expenditure ceilings by ministry involves at the central level the different directorates responsible for the different expenditure categories (DS, DBE, DPIP, and DPE). The committee in charge of the global MTEF has an important role to play to coordinate the activities of these directorates and to provide the necessary iterations with the directorates and institutions in charge of macroeconomic and financial management and budgetary overviews. It is important to have the heads of the various entities involved play an active role in the work of the committee in charge of the global MTEF.

25. **As part of preparing the DPBEP, coordination between the units and institutions involved in the macroeconomic and fiscal framework efforts should be strengthened.** In 2014, it would be advisable to put in place a DPBEP committee consisting of the directorates and institutions that are now represented in the global MTEF Committee and revenue agencies. To strengthen coordination between the framework and macroeconomic work, this DPBEP committee would include the existing committees or working groups in the area of macroeconomic and fiscal framework. Thus, it would include working groups on the macroeconomic framework and the provisional TOFE, on the DPPD-PAP framework by a global MTEF, and on the components of the financial situation of the public sector to be included in the DPBEP. The director general of the DGBF should chair this committee. The chair will prepare the work program for the working groups. This DPBEB committee will be established by decree.

Recommendations

- Redefine the scope of the budget schedule to consistently include all the programming work and begin to implement it with the 2013 procedure, even if implementation is only partial.
- Prepare a global MTEF that contains a common framework for the ministerial draft budgets, PIP and DPPD-PAP that is consistent with the medium-term macroeconomic framework beginning in the second quarter, and implement this measure starting in 2013 to prepare the 2014 budget and the 2014–16 multiyear expenditure programming documents.
- In 2013, reactivate the global MTEF Committee in charge of preparing and monitoring a work program and validating programming on the technical level. The frequency of this committee's meetings should be indicated in the aforementioned schedule.

- In 2014, strengthen the coordination of the macroeconomic and fiscal framework forecasting work by establishing a DPBEP committee that will coordinate all the units, working groups and committees involved in this work.

C. Strengthen the Annual Budget Preparation Procedure

Develop revenue forecasting models

Current status

26. **Revenue projections are developed directly by the agencies that collect revenue.** The DGI, the DGD and, to a lesser extent, the DGTCP, use the macroeconomic framework that the DGE prepared, and there are details according to sectoral component. The agencies also use their knowledge of the dynamics specific to each revenue item: Thus, they themselves describe their projections as "empirical."

27. **Revenue projections are prepared over three years and execution is regularly monitored.** Proper revenue mobilization is a major issue for Côte d'Ivoire. To meet the demands of the financial partners, multiyear revenue projections are prepared, updated regularly, and discussed with these same partners. Since the regularity of in-year revenue collection is a key factor in budgetary execution, the agencies regularly monitor revenue execution due to cash flow tensions; to do so, they use the ISs that generate reports in real time and that detail charges against the budget. The DGI holds quarterly seminars on analyzing the execution data.

Analysis

28. **The internal organization and agency procedures for revenue projections are adequate.** For example, the DGI is very structured in its organization of the procedure for setting targets, monitoring execution, and analyzing gaps. Revenue projections are thus stated as collection targets negotiated with the departments involved, and are valued using numerical indicators. In addition to the Cash Position Committee, chaired by the minister, the DGI holds monthly expanded management committee meetings and quarterly seminars to discuss reaching the targets.

29. **However, the statistical apparatus is still limited.** The details of the data given to the agencies are insufficient for them to make their projections with greater accuracy. This is a hardship especially for the DGD, which must deal with complex revenue to be projected because there is no predictable collection cycle and because the customs tariff grid is complex (it will not simply translate the aggregate growth projection of the economy into a projection of revenue trends). On its side, the DGI is forced to conduct special surveys of the economic sectors involved in order to project the estimated effect of the changes in the tax framework.

30. **The agencies also suffer from weaknesses in their forecasting models.** Even though the general method used appears methodologically robust, both the DGI and the DGD acknowledge that they experience technical difficulties in upgrading the sophistication of their forecasting models. These two directorates informed the mission that they would like dedicated TA for this issue. The DGD has already prepared the terms of reference. In view of the good capacities in these units and their resolve to improve their methods, it appears advisable to send one or more experts who specialize in revenue forecasting methods and this will most certainly bring about good results.

Recommendation

- Upgrade the revenue forecasting models.

Improve transparency and the general budget

Current status

31. **Some government projects are implemented directly through tax expenditures or revenue allocations.** Tax expenditures are provisions of tax law, which may be used as a basis for executing direct public support arrangements to individuals or businesses, by offering payment via a reduction at the tax collection stage. The direct allocation of revenue results in transferring all or part of the proceeds from this as soon as they are collected and without transiting through the government budget to a third-party entity, such as sub-national governments, government agencies, or intervention funds.

32. **These intervention procedures are used frequently and are a significant financial issue.** Of 34 provisions, the tax annex of the 2013 budget thus included seven measures to create, extend, or defer tax expenditures, and it uses a restrictive definition of tax expenditures as well as three measures on allocated resources. The information provided to the mission indicates that in 2013, tax expenditures should cost CFAF 80 billion, and the allocated taxes should amount to at least CFAF 43 billion just for the resources the DGI collects, or 52 percent of tax revenue.

Analysis

33. **Tax expenditures and revenue allocations limit budgetary arbitrage capacity in management.** The budget mechanisms that govern tax expenditures and revenue allocations provide a guarantee for their beneficiaries by directly mobilizing public resources at the revenue collection stage. This is not the case for arrangements funded using expenses entered in the government budget, which are subject to stringent budgetary regulations owing to structural cash position tensions. In fact, these measures are given budget priority over all other public expenditures, but no reasons are given for this priority and they are not systematically justified or substantiated, which is a breach of the general budget principle,

making it impossible for the authorities to redeploy the means given to these public policies in the fiscal year.

34. **Greater transparency should be sought and a systematic evaluation should begin.** Replacing budgetary subsidies with tax expenditures could make the intervention more complex for taxpayers and would have additional management costs. The direct allocation of revenue to an expenditure may be justified if the tax owed is based on a clear concept of having certain taxpayers be responsible for the cost of a public policy made necessary by their area of business (such as a fee for pollution to fund the environmental policy). However, there should be a systematic assessment of these measures to rationalize them, and this may mean redefining or eliminating some measures, or re-budgeting some public policies for which the allocation of revenue is not justified. The list of existing measures and their impact on public finances should also be submitted in detail to the national representative office during the budget debate to determine the total cost of public policies.

Recommendations

- As an annex to the draft budget law, submit the list of tax expenditures and direct revenue allocations yearly with an estimate of their cost, and with a presentation of the rationale for the intervention.
- Periodically assess these measures and rationalize them.

Progress in the systematic review of expenditures

Current status

35. **In the MEF, the DGBF is the directorate that manages the budgetary procedure.** It is divided into 13 operational directorates and one division in charge of the audit and evaluating expenditures (the CRDP). Jurisdiction among the operational directorates is divided using a functional approach—the DPSB is in charge of the framework with the DGE, the DMP manages procurement, the DCB and the DCF are in charge of checking expenditure commitment and authorization, or by type of expenditure, the DBE is in charge of operating and investment expenditures, the Payroll Directorate is in charge of the wage bill, and the Government Property Directorate is in charge of subscriptions.

36. **The DBE divides the fiscal framework into envelopes.** The fiscal framework, prepared by the DPSB, determines the appropriations envelopes for operations and investment that can be distributed based on revenue projections, debt capacity, and the priority expenditures, which are the wage bill and subscriptions. The envelopes are divided up by the DBE. To do so, it uses as the basis the previous year's budget, which is adjusted taking into account nonrenewable expenditures, the capacity to actually implement the

expenditure, for investment in particular, the commitments the DGBF has already made, and government announcements.

37. **Next the ministries are informed of the budgetary envelopes and the envelopes are divided up in a budget conference.** Once the Minister of the Economy and Finance validates the framework that the DGBF proposed, the ministries are informed of the envelopes. After the needs of the different departments are surveyed, the ministries propose a breakdown of the envelope to the DGBF, and often the envelope includes complementary budgetary requests that are expressed at the budget conference. After the units meet, a meeting between ministers is held to arrive at a final arbitrage of the appropriations given for next year's budget.

38. **The CRDP performs targeted audits of the expenditures.** As the dedicated auditing entity of the DGBF, the CRDP conducts audits of the central government agencies and of the decentralized entities, i.e. local governments and other agencies. With a staff of roughly 30 inspectors and auditors, each year the CRDP publishes about 15 reports on an entity, a project, or a theme. The findings address organizational and financial aspects, but they also assess performance using numerical indicators. Once all parties review them, they are distributed to the MEF and the sectoral minister involved, and may be used to prepare the budgetary envelopes.

Analysis

39. **The theoretical organization of the budgetary procedure is satisfactory, but there is room for improvement in terms of meeting deadlines.** The procedure as described by the DGBF includes the correct stages for preparing a budget. However, the mission found that the knowledge of this procedure varies greatly outside the DGBF, including in the partner directorates for preparing the budget (Financial Affairs Directorate (DAF) of the ministries and DGP), and that not all deadlines have been met over recent years due to the events that occurred in Côte d'Ivoire. That is why the IMF TA mission in October 2011 recommended setting by decree a stable schedule for preparing the budget. This recommendation has been implemented in part, since the procedure for the 2013 budget was framed by an instruction from the Minister of the Economy and Finance. Adopting higher-ranking legislation that will better take into consideration the deadlines given to the DAFs to ensure that deadlines are met should strengthen this progress.

40. **The budgetary dialogue remains relatively poor.** The mission inspected examples of budgetary request documentation, which proposes either a strict rollover from the previous year's budget or inflating the appropriations well above budgetary capacities. Nonetheless, some best practices were observed, such as justification of a multiyear request for equipment based on an inventory or work for which a quotation serves as substantiating documentation for the calculation, but these best practices are for piecemeal initiatives. The critical analysis of the execution of expenditures for the previous year seems, by contrast, nearly nonexistent.

41. **The analytical description of expenditures must be the focus of the budgetary procedure.** The purpose of this approach is to document the expenditure by concentrating on the physical and financial determinants and by modeling, even simply, the dynamics of an expenditure in the same system, taking into account all types of expenditures. This is in fact a method that supports the implementation of the new budgeting tools that the directives of the WAEMU harmonized public financial framework directives prescribe. Thus, one prerequisite for deploying these reforms is building analysis and expenditure review capacities. Capacities in this area can be developed and maintained by carrying out regular forecasting and expenditure review exercises.

42. **The DGBF has certain advantages for beginning this project.** Despite several years of disorder in the country, the DGBF is today an agency that is operational and aware of the reform project that lies ahead. The DGBF has human resources that were hired at the correct level, but their initial training does not prepare them properly for a career in budgeting. The recent creation in the DGBF of a Training Directorate, which was being set up during the mission's visit, is an initiative that is headed in the right direction. Likewise, the work of the CRDP is such that it enriches analysis and methods, provided that information sharing is more efficient.

43. **The internal organization of the DGBF is too splintered and insufficiently focused on sectoral monitoring.** The organization of the DGBF into dedicated directorates by type of expense increases the number of persons involved for the ministries and does not guarantee effective coordination of these different contact points, other than holding the annual budget conference. For example, the DBE conducts negotiations with the ministries, but more focused monitoring, which guides the negotiations, is the responsibility of the DPSB. Each directorate has a small staff (the DBE has fewer than 30 employees). However, to be able to progress in the analysis of expenditures, it is necessary to concentrate sectoral expertise, supported by crosscutting tools and methods. This analysis should take place in the DGBF in order to modernize its organization. However, a complete reorganization should be undertaken with caution to prevent scattering the capacities that exist today.

44. **A formalized action plan for modernizing the DGBF is necessary to prepare the budgetary reforms.** Strengthening budgetary capacities requires two activities that involve work methods but also internal organization, with the goal of doing a better job of understanding expenditures in the context of a budget strategy. To ensure that the efforts are consistent, in a context of the reforms prescribed by the harmonized public finance framework, a schedule for the work of modernizing the DGBF appears necessary. Such an action plan should address all the issues that relate to carrying out the change and set clear objectives and deliverables to be produced. A specimen of an action plan that can be used as a basis for analysis is proposed in Box 5.

45. **Training other stakeholders in public expenditures should not be omitted.** Although it is natural for the DGBF to be the lead and precursor in strengthening budgetary

capacities, the other expenditure stakeholders involved are the DAF and, more generally, the appropriations administrators, who also need to make progress, since their starting point is generally lower. Training programs should thus be carried out. The existence of a very uneven knowledge of budget management procedures and rules, which the mission noted on numerous occasions, argues for a better explanation of these procedures in the form of manuals specially written by the DGBF for the different stakeholders and with unrestricted electronic access.

Box 5. Specimen of an Action Plan to Modernize the DGBF

A modernization action plan should be formalized, prepared by DGBF management, and approved by the minister to provide a clear mandate. It should include organization and training activities on working methods and the internal work of the Directorate General.

(i) Initiate one or more regular internal budget review exercises that culminate in a summary presentation to the Minister. Some examples of exercises follow:

- Actual needs for PIP expenditures (analysis by project of the appropriations necessary for all current projects until the project is completed, regardless of budgetary constraints);
- Execution report: analysis of expenditures executed for the previous year, analysis of changes, and focus on deferred expenditures (arrears);
- Execution projection (several times per year): report of expenditures since the beginning of the year (comparison with the budget and prior year execution), outlook for expenditures by the end of the year, prioritization of allocating appropriations given the seasonal requirements of the ministries (agriculture and education, for example), as well as new events.

(ii) Prepare budgetary envelopes by adopting an approach by ministry that summarizes all expenditures (wage bill, subscriptions, operation and investment) and that checks the consistency of the allocations among them. At the envelope stage, identify the priority requirements identified in connection with the budgeting process or management and the measures to be taken in case of difficulties in preparing appropriate responses.

(iii) Prepare a document that describes the objectives of the medium-long term fiscal policy and submit it to the government for approval.

(iv) Design an organizational reform of the DGBF that places greater emphasis on sectoral monitoring; strengthen human resources, targeting sectoral monitoring and expenditure audit functions, and hire sectoral experts;

(v) Adopt a human resources strategy:

- implement a systematic training plan for all the staff of the directorate, including by practicing feedback;
- organize an annual reporting seminar in the Directorate General.

(vi) Prepare the current CRDP program based on the requirements expressed by the persons in charge of sectoral studies.

Source: Mission

Recommendations

- Prepare and implement an action plan to modernize the DGBF in order to improve expenditure analysis and review.
- Publish and provide unrestricted access to procedure and management manuals to be used by all the agencies.

D. Improve the Flow of Budget Execution and Make it Secure

Organize and anticipate the procedure for opening appropriations

Current status

46. **The constitutional provisions provide that appropriations are opened beginning in early January after the budget law is enacted.** Decree 98-716 of December 16, 1998 provides that the DGBF shall notify the delegated payment authorization officers, financial comptrollers, and assignee accountants of the appropriations (Article 8). The delegated payment authorization officers are then responsible for notifying the delegated appropriations administrators of the commitment authorizations (Article 10), taking into account the commitment rate established in the budget regulation.

47. **In reality, the appropriations available to the managers in SIGFIP are not opened before mid-February.** For the last ten years or so, the political context has made it impossible to submit the budget law to the National Assembly for adoption by the deadline. Beginning with the budget law for 2012, there were noteworthy improvements, mainly because the crisis ended. The constitutional deadline for adopting the 2013 budget law was thus met. However, as in 2012, it will not be possible to execute the appropriations technically speaking until mid-February, and once again this will significantly delay the startup of fiscal year.

Analysis

48. **Once the budget law is enacted, unorganized processes and unsuitable information systems slow the appropriation implementation procedure.** Furthermore, given the lack of an interface between SIGBUD and SIGFIP, injecting the budget into SIGFIP is a manual operation that can take from 24 to 36 hours, especially since the fact that it is implemented once a year does nothing to contribute to mastering the entire procedure. Moreover, SIGFIP cannot simultaneously manage two fiscal years without a major risk of confusion between them. Therefore, it is difficult to make the appropriations available before the complementary period ends. Moreover, the appropriations can be actually used only once the DGBF receives the signature specimens of the delegated payment authorization officers; this procedure is delayed and not completed before February. Finally, in each ministry, the

project of informing the delegated administers is not computerized and is not always sufficiently anticipated and organized.

Recommendation

- Interface SIGBUD and SIGFIP to accelerate injecting the budget law into SIGFIP and to simultaneously manage the complementary period and the new fiscal year in a secure manner;
- Anticipate the procedure of collecting signature specimens and appropriations notifications to make the appropriations available as soon as they are entered in SIGFIP.

De-concentrate the delegation and appropriation reallocation procedures

Current status

49. **The regulation provides for a procedure for delegating appropriations from the senior payment authorization officer to the secondary payment authorization officers**. According to Article 33 of Decree 98-716 of December 16, 1998, "*appropriations that are opened at the central level may be delegated to the de-concentrated entities of the central government that are known as "regional administrations, to embassies and economic representative offices abroad. The delegated payment authorization officer at the central level sends the delegations of appropriations, in the form of a delegation-commitment or delegation-payment authorization, to a secondary payment authorization officer."*

50. **The appropriation reallocation procedure is highly centralized as well.** Article 40 of Decree 91-716 of December 16, 1998 shows that any reallocation during a fiscal period requires at the least a decision of the director general of the budget and finance to change the distribution between paragraphs or lines of appropriations (administrators). The Minister of Finance has authority over changes between chapters and reallocations between titles under a supplementary budget law.

Analysis

51. **In reality, all the payment authorization officers who have access to SIGFIP receive the appropriations without delegation, but when the budget law is injected into the information system.** There are two benefits to this procedure: it simplifies the appropriation implementation procedure and it is easier to show in SIGFIP the validity of the commitments than if they were delegated in the information system. In fact, when appropriations are delegated to a secondary payment authorization officer, the commitment authorizations are consumed by this delegation and not by the validity of the central government's legal commitment.

52. **However, this situation is inconsistent with the decree and may complicate management if reallocations are necessary.** The highly centralized reallocation procedure is indeed extremely cumbersome and makes budgetary execution excessively rigid because it makes it impossible to correctly allocate resources to needs. This situation is even more detrimental in that there are many posting errors by budget line item in the budget law, as illustrated by the many bank and other transfers during the fiscal period. Moreover, this method of operation is unsuitable for implementing program budgets that require more flexibility and accountability of managers (in this case, the future program officers). These officers, within their envelope, may simply reallocate the appropriations as part of implementing the fungibility of appropriations (Article 15 of the budget law directive); if necessary, the financial comptroller may approve this beforehand.

Recommendation

- Simplify and devolve to the ministries the duties of reallocating resources between paragraphs and budget line items by amending Decree 98-716 of December 16, 1998;
- Make the regulation and SIGFIP operations compatible so that entering the appropriations in the information system is based on a legal instrument of delegation of appropriations.

Make the ministries accountable for implementing the budget regulation

Current status

53. **The budgetary regulation is based on a commitment ceiling provided for in the regulation.** Article 9 of Decree 98-716 thus provides that "*the Directorate General of the Budget and Finance (DGBF) is responsible for implementing measures on the pace of consumption of appropriations determined by the Minister of Finance as part of the expenditure regulation policy. To this end, it enters in "SIGFIP" the commitment authorization rates to be applied to the different budget line items.*" A blocking control in SIGFIP prevents entering any commitment that would result in exceeding the ceiling that is set using this method.

54. **The procedures for setting ceilings may however jeopardize the flow of budgetary execution**. Until 2012, the ceilings were in fact set uniformly for each budget line item without taking into account the validity of the expenditure profiles, which were generally rather linear for operating and remuneration expenditures, but much more erratic for investment expenditures that are subject to the uncertainties of project life and procurement procedures. Thus, there is a great risk of preventing management from starting up before the middle of the second quarter owing to insufficient appropriations, thus creating a bottleneck in the expenditure processing chain by concentrating most of the management in the last quarter. The low budget execution rate attests to the reality of this risk.

Analysis

55. **The expenditure ceilings must take into account whether cash is available and commitment requirements**. The budget regulation policy therefore faces two constraints, which assume that there are good cash projections to set the amounts of the relevant ceilings, and also to leave some leeway for the managers to allocate available resources based on the reality of the needs. The policies adopted for 2013 fit into this perspective: On the one hand, the administrator set the ceilings; and on the other hand, no ceilings are planned for investment expenditures.

56. **The upcoming implementation of program budgets makes it necessary to reconcile the need for budget regulation with the heightened accountability of the future program officers**. In this regard, allocating the overall ceiling determined by the DGBF must be left up to the envelope managers, who are the administrators today and the program officers tomorrow. The failure that occurred when providing this allocation was assigned to the Directorates of Administrative and Financial Affairs (DAAF), who generally did not provide it, shows that the system must be managed and supervised. Thus, it seems necessary that, while delegating the duty of carefully dividing up the ceiling among the envelope managers who are in the best position to make the most operational choices, the DGBF, with assistance from the financial comptrollers, ensures that the ceiling is effectively allocated, and is able to block expenditures in SIGFIP until the indication is provided.

57. **An effective allocation of the ceiling also assumes that an expenditure commitment plan is put in place based on the programming of government contracts**. To determine appropriate ceilings, it is important not only to be well aware of the commitment requirements (by identifying unavoidable expenditures, such as subscriptions, for example), but also to enter them in an annual provisional schedule, taking into account, especially for investment, the deadlines imposed by procurement procedures. These instruments are nonexistent today.

58. **Finally, for the commitment ceiling to be effective, the expenditure execution procedures must be observed**. Although most expenditures are made using the simplified procedure, for which there is no prior commitment, or even special payment procedures using cash advances, this ceiling fails to control the expenditure. In addition, even if commitments are correctly posted, it is necessary to establish a provisional schedule of ensuing cash requirements, which is not done today.

Recommendations

- Allow the ministries (DAAF, administrators, and soon program officers) to allocate, within their budget envelope, the overall ceiling determined by the DGBF, while supervising the process to ensure that this allocation is effective and relevant.

- Put in place an expenditure commitment plan supported by contract programming to establish a relevant ceiling and to begin management as soon as the appropriations are in fact available in SIGFIP.

Simplify the expenditure chain

Current status

59. **The regulation provides for a standard procedure, a simplified procedure, and special procedures for executing expenditures.** The standard procedure consists of the following four stages: commitment, verification, payment authorization, and payment (Decree 98-716, Part Three, Chapter Two). The existence of a commitment beforehand distinguishes it from the simplified procedure. In the simplified procedure, commitment and payment authorization occur concomitantly, after the invoice is received and the expenditure is verified. This procedure applies only to expenditures listed in Article 68 of the aforementioned decree. Finally, there are special procedures for which the budget expenditure takes place after payment; these are the different types of expenditures using cash advances, such as payment without prior authorization (Decree 98-716, Article 44) or agency expenditures (Decree 98-716, Article 69).

60. **The use of the standard procedure has increased substantially in the last two years.** During the crisis period, the very belated adoption of the budget resulted in the massive use of special expenditure execution procedures. Since 2011, the use of these procedures has declined. There is a commitment for procurement expenditures, monitored in SIGMAP (government procurement management application), and interfaced with SIGFIP. In 2013, there will be a commitment for remuneration expenditures in SIGFIP so that they can be monitored monthly.

61. **The expenditure execution procedure is also highly centralized, except for the duties of the delegated payment authorization officer and appropriations administrator.** According to the provisions of Decree 98-716, the Minister of Finance is the principal payment appropriations authorization officer, and the directorates of administrative and financial affairs of each ministry are the principal delegated payment authorization officers except for staff expenditures and debt repayment, for which the director of payroll and the director of the debt are the delegated payment authorization officers respectively (Article 17). The ministers are also appropriations administrators, but they may appoint the administrators who, in fact, cover the country quite well. By contrast, sometimes they are far from their home payment authorization officer and frequently they have no access to SIGFIP. The organization of financial control continues to be highly centralized, despite the de-concentration efforts with the ministries and the regional government started in 2011. Finally, the network of accountants is also highly centralized: At the central level, it is based on the Treasury paymaster general for non-project expenditures, and on the public debt accounting officer for expenditures for repaying the debt (Article 28). However, changes have been

made to convert some agencies into primary treasury offices and to make some treasury offices specialized, not by ministry, but by major functions, so that an organization that is subject to frequent changes in ministerial scope are not put in place. Other than the debt, this already exists with the Armed Services Payroll Office and with the Treasury in charge of institutional authorities.

Analysis

62. **Despite the more frequent use of the standard procedure, most of the budget is executed without a prior expenditure commitment.** The accounting of commitments is still thus partial, especially since the "accounting commitments" (which do not show whether the appropriations are actually used, as opposed to a legal commitment) are still predominant: transfer and subsidy expenditures and delegations of appropriations to the secondary payment authorization officers. Since no provisional schedule of payment of appropriations is necessary for covering past commitments, it continues to be of limited usefulness for managing budgetary execution.

63. **The stakeholders in the expenditure chain are still very far apart from each other.** The organization of the network of public accounting officers and financial comptrollers continues to be highly centralized and vertical, which hinders the flow of exchanges among the different expenditure chain stakeholders and the swift exchange of information or substantiating documentation.

Recommendations

- Pursue efforts to improve commitment accounting and reduce the use of special procedures that fail to monitor and manage budgetary execution.
- De-concentrate budgetary execution, in particular for accounting and financial oversight functions to bring the expenditure chain stakeholders closer together.

Redefine financial control

Current status

64. **The regulatory provisions assign to financial control a role of systematically approving commitments and payment authorizations (Decree 98-716, Decree 95-121 of February 22, 1995 and implementing order 23 PM of November 6, 1995).** For commitment, the financial comptroller is in charge of verifying the authority of the appropriations administrator, the availability of appropriations, the usefulness and evaluation of the cost of the expenditure, and of posting it to the budget under the budget laws. Regarding the pre-authorization control, the approval is to ascertain that the service was actually provided, that it is consistent with the claim document, and that the certification of the service provided is valid.

65. **The authorization rejection rate is rather low.** For authorizations of expenditures for equipment, the 2011 financial control activity report thus shows a total rejection rate of slightly more than 0.5 percent. This raises questions about the efficiency and effectiveness of the procedure for reviewing the service that is provided.

66. **Financial control remains highly centralized.** The 2011 financial oversight activity report shows that the majority of expenditures are controlled at the central level, mostly by comptrollers in the Ministry of Finance. Although the approvals are shown in SIGFIP, the review operations, by contrast, are performed outside the information system. Combined with the systematic review of the service provided, this centralization is highly problematic in terms of conducting reviews in that it requires human and physical resources that today are insufficient for the comptrollers to be able to travel quickly throughout the country to ascertain whether the service has actually been performed.

Analysis

67. **The review procedure is cumbersome, often redundant, and ineffective for harnessing risks**. Although it is systematic and theoretically comprehensive, the control is not tailored to the risks and issues. Moreover, it appears redundant, especially in terms of the service provided, with the administrator carrying out the reviews and being in charge of certifying the service provided to the payment authorization officer, who is in charge of verifying the expenditure (reconciling the commitment with the service provided and the invoice) and the accounting officer (review prior to payment).

68. **The nature of the control is unsuitable for the upcoming implementation of program budgets**. Regarding commitment, the review is on the regularity (the authority of the administrator and budget posting), budget sustainability (availability of appropriations) and advisability of the expenditure (usefulness). With the implementation of the program budgets in mind, the review of budget sustainability (which extends beyond the mere approval of commitments) merits strengthening, while the advisability review should be incorporated into the review of the correct budget posting and limited solely to penalties for "obvious assessment errors," in order to respect the role of program managers in selecting the means to achieve their performance objectives.

Recommendations

- In the short term, strengthen the effectiveness of the controls of commitments and of payments in particular by developing: (i) internal control (bring risks under control) among the staff, and financial control to assess these arrangements; (ii) a hierarchical control of commitments and of the service provided based on the outcomes of the evaluation of the internal control and the issues (approvals should be only for sensitive types of expenditures and for expenditures above a significant threshold); and (iii) ex-post but very regular reviews (for example, monthly reviews by sample);

- In the long run, tailor the role of financial control in evaluating budget sustainability with a view to implementing program budgets, and do so by limiting: (i) the advisability review (usefulness) only to the obvious error of evaluation; and by developing (ii) the notification and counseling procedures for budget management actions (reallocation and fungibility, for example).

Strengthen comprehensiveness and access to budgetary accounting

Current status

69. **Contrary to the regulatory provisions, budgetary accounting is not comprehensive**. Decree 98-716 provides that budgetary accounting is supposed to show all government commitments and payment authorizations. This provision covers "the operations for which the government assigned project management to a public or private third party for operations carried out for its own account" (Decree 98-716, Article 6) and operations which, "by agreement, are paid directly by donors." In reality, despite progress, these provisions are not universally applied today, as external financing that is still significant has not yet been incorporated into the budget neither in previsions nor in execution, such as the AIDS Global Fund or the funds from the World Health Organization (WHO) and UNICEF that the Ministry of Health receives. Moreover, budgetary accounting does not show the entire expenditure chain. Upstream, it does not report on the use of commitment authorizations delegated to the secondary payment authorization officers or the use of transfers to the sub-national governments and grants to third parties. Downstream, it is still blind in SIGFIP to payments that are made, and it stops with the acceptance of issuances by the government accounting officer.

70. **Moreover, there is insufficient sharing of monitoring and summary statements among all the budgetary management stakeholders**. SIGFIP fails to produce summary statements that directly exploitable; this requires reprocessing, similar to what the Financial Control Directorate does to produce its annual activity report. The ASTER modular software package for monitoring the execution of government budgetary and accounting management (ASTER) is accessible to the government accounting officers only.

Analysis

71. **The lack of comprehensiveness of budgetary accounting and the lack of shared monitoring and summary statements make it impossible to truly manage budgetary execution.** The appropriations administrators, who are not connected to SIGFIP, do not know the amount of available appropriations to make a commitment. Other than the lack of management that it generates, this situation creates needless bottlenecks in the expenditure chain by submitting requests for commitment that cannot be met because appropriations are insufficient. In the ministries, the DAAFs do not have a convenient budgetary status report that summarizes the status of all the appropriations of the administrators that are attached to

them and that aggregate the central level and the de-concentrated level, and that incorporate all external project financing. This situation cannot sustain the successful management of a dialogue between the administrators and the DAAFs on the one hand, and between the DAAFs and the DGBF on the other hand. This should be corrected, especially since the program budgets are to be implemented, which assumes that this management dialogue will be strengthened so that resources are continuously adjusted to needs in order to achieve the objectives as much as possible.

Recommendation

- Incorporate all government operations into budgetary accounting, and in particular all external project financing;
- Put in place monitoring and summary statements that all stakeholders share for budgetary execution and management.

E. Manage and Coordinate the Management and Changes in the Information Systems

Current status

72. **There are many budgetary IS and they cover a broad range of functionalities**. This landscape is especially complex since the applications are managed separately. The central core is comprised of SIGBUD (budget preparation) and SIGFIP (budgetary execution of expenditures), which the DGBF manages. Other than the government SIGFIP, there are specific versions of the applications for the government agencies, sub-national governments (now being rolled out at two pilot sites), the institutional authorities (now being deployed) and the embassies (under development). There are many information systems around this central core. At the front end of SIGBUD, s SINAPSE is used for programming public investments and the DGP manages it. At the front end of SIGFIP, SIGMAP manages government contracts, *Solde An 2000* processes remuneration expenditures, and the integrated subscription management system (SIGADPE) manages subscriptions. The contracting authorities are the area directorates with authority in the DGBF. At the back end of SIGFIP, ASTER, which the DGTCP manages, keeps the accounting records for all government expenditures and revenue. ASTER thus shows the expenditures, from commitment until payment, and the expenditures are first recorded and monitored in SIGFIP, from their commitment to acceptance of the payment order by the accounting officer. Revenue is managed in the applications of the DGI (GUOAR) and the DGD before it is entered in ASTER.

73. **However, interface among the ISs is minimal**. The data from SIGFIP is entered in ASTER, but ASTER does not provide any information to SIGFIP on payments that are made. Even though the return interfaces exist technically speaking, the DGTCP has not activated it. By contrast, SIGMAP is interfaced with the “government” SIGFIP. In this context,

reservations for appropriations for contracts ensure that there was indeed a previous commitment for the expenditures that are entered.

74. **Proper access to the ISs is not provided correctly**. In the first place, the ISs are not rolled out consistently throughout the country. Although 90 percent of the accounting stations have ASTER today, coverage is much less extensive for SIGFIP: 53 of the 107 departments are connected, but only seven sub-prefectures out of more than 500. Most of the administrators, in particular at the de-concentrated level, have no access to the information system. Moreover, users have not completely mastered the information systems. The DAAF makes only partial use of SIGBUD and SIGFIP functionalities owing to considerable staff turnover and lack of training.

75. **However, the changes in progress do not take into account the requirements of adjusting to the WAEMU directives**. Several IS adjustment projects are under way and are carried out independently by each contracting authority to improve the operation of the existing ISs. They are in particular extending SIGFIP to all the government agencies, processing bank and other transfers of appropriations in SIGFIP, and integrating SIGBUD and SIGFIP. To be sure, the Computer Processing Directorate (DTI) in the DGBF launched a project to overhaul the budgetary information system with the goals of taking into account the impacts generated by implementing program budgets, integrating all the components (applications and frameworks) of the budgetary information system, and taking technology developments into account. At this stage, only the project of rewriting SIGBUD and SIGFIP into an integrated application has begun, under the aegis of the DTI, but there is no overall framework. Nevertheless, the DTI received no reply to the change request memorandum it sent in September 2012 to *Société nationale des développements informatiques* (SNDI), which is in charge of managing the applications.

76. **No coordination of the contracting authorities has yet been organized, despite several recommendations in this regard**. In particular, there has been no follow-up on the West AFRITAC recommendations made in October 2012 on the need to put in place a comprehensive governance system for all the ISs. A project for a governance committee at the cabinet level of the Minister of the Budget was studied, but this solution was not adopted. A draft order, now being validated in the DGBF, provides for organizing the governance system in this directorate and for launching five sub-projects, ranked by priority: integrate SIGBUD and SIGFIP; interface the new SIGBUD-SIGFIP with the other applications for which the Directorate General of the Budget is responsible; interface SIGBUD-SIGFIP with ASTER; dematerialize the procedures; and establish an information system for decision-making.

Analysis

77. **The current mapping of the budgetary ISs does not contribute to the flow of the expenditure chain or the security of information.** With no access to SIGFIP, the

administrators must submit commitment requests on paper to the payment authorization officer linked to the information system. Moreover, the substantiating documents that accompany the commitments, the approvals of the financial comptroller, and payment authorizations, must be sent on paper since SIGFIP is unable to process them in dematerialized form. This circulation of information in parallel to the data sent by the ISs lengthens time frames and makes the expenditure execution process more cumbersome. The lack of interface among the different ISs also generates numerous duplicate entries, which lengthens time frames and increases the risks of budgetary accounting errors.

78. **Significant changes are necessary to take the WAEMU directives into account.** In terms of the budget alone, these changes apply mainly to the multiyear system, the budgetary classification of programs, the identification of program officers and budgetary envelope managers, the management of the new level of single-purpose appropriations and fungibility measurements, and the management of commitment authorizations. Several changes seem accessible: commitment authorizations are already managed in SIGFIP; budgetary envelopes are already taken into account through the administrator concept; the presentation of an annual budget consists mainly of reproducing over three years what is reproduced today over one year. The implementation of a new classification system and fungibility rules is by contrast more sensitive—both in terms of making the necessary computer developments and for organizing data transfer subsequently. Finally, these budgetary changes should be connected to the accounting changes, in particular for putting in place a new chart of accounts and adjusting the table of government operations (TOFE).

79. **The current system of governance of the ISs is not suited to achieve this objective**. The extent of the necessary changes and the large number of contracting authorities require putting a suitable governance arrangement in place, and this has yet to be done. Although it clearly identifies, and with the relevant priorities, the different areas related to data processing developments to be made to adjust the existing tools, the draft order now being prepared in the DGBF suffers from two major deficiencies. First, it still focuses on adapting the applications only, and does not address components that are nonetheless essential for the success of the reform: transferring the data from the old to the new ISs (which involves both changing technical formats and enriching the data functionally to assign to them headings in the new classification systems); implementing the change (training staff in the new best practices [règles métier] of the area on posting expenditures and the expenditure chain circuits, and developing a tool for the new functionalities that are to be lodged in SIGFIP) in particular. Second, it does not implement a governance system capable of managing all the adjustments. In the DGBF itself, the DTI, created recently in 2008 and in charge of coordinating the work, does not seem to have a sufficiently strong position with the "historic" contracting authorities, which are the line directorates [directions métier]. Moreover, it is still confined to a technical role to support these directorates, including drawing up specifications and technical documentation, and seems unable to play a real management role. Finally, this governance arrangement does not include other directorates,

which could nonetheless serve as contracting authority for the major ISs, to which the reform also applies (the DGTCP for ASTER in particular).

80. **It is necessary to put in place an IS management committee using the existing contracting authorities and managers**. In view of the interactions among the many information systems for which the different directorates are responsible, this structure is essential for coordinating all the work and ensuring that the ISs will indeed be capable of implementing the rules that are adopted. In this respect, it must be made responsible for: (i) developing the functional specifications for the adaptations and the crosscutting rules that are essential for a good dialogue among the ISs, including interface flow format, rules of administration, and updating the frameworks; and (ii) regularly monitoring their results based on a detailed schedule of action items that each contracting authority is to implement.

Recommendations

- Improve the coverage of the information systems throughout the country in a manner consistent with the de-concentration of responsibilities by fostering access to SIGFP in terms of data entry and consultation for all the administrators.
- Develop dematerialized procedures, in particular for submitting substantiating documents after having identified the classification for these documents in conjunction with the audit office section.
- Audit the capacities of adapting the ISs to the WAEMU directives and the procedures for gradually moving to the new modes of management.
- Put in place an IS management committee that includes all the relevant contracting authorities.
- Integrate this IS management committee into the comprehensive governance of implementing program budgets.

F. Strengthen Cash Management

Current status

81. **The recommendations from the October 2011 FAD AT mission[8] have been implemented but there are delays in many areas.** This mission took stock of progress, identified the key weaknesses, and made recommendations for improving cash management. The mission noted that all the components necessary for implementing an effective cash management system exist, in particular: (i) a high-level institutional framework for cash

[8] See IMF, FAD: "Côte d'Ivoire – Propositions pour renforcer la gestion financière de l'Etat," December 2011 by Bacari Koné et al.; pp. 25-29.

management; (ii) a month-over-month annual budget execution plan for resources and expenditures used as a basis for cash management; (iii) a budgetary regulation system aiming to adjust and maintain the level of expenditures to the pace of resource mobilization during the year; (iv) an annual securities market intervention plan to raise the resources necessary for financing the budget; and (v) an advanced scheme for a single treasury account (TSA) that covers a large part of government resources.

Analysis

82. **The government cash management system continues to suffer from the weakness found by the October 2011 TA mission.** The institutional framework for managing government cash, created by Prime Minister (PM) Order 007 of March 26, 2007, is operating only partially (see weekly meetings of the technical unit chaired by the MEF). The annual cash plan and budgetary regulation plan do not take into account the seasonality of certain expenditures, whereas taking such parameters into account would not only make the expenditure execution process less cumbersome, but would also and especially eliminate the frequent cash tensions that are observed and that result in an accumulation of payment arrears. The weaknesses of the regulation system used were developed earlier and require putting in place a more effective system for regulating commitments to support cash management. Moreover, the plan for intervening in the markets does not seem to provide for ad hoc interventions to cover temporary cash shortfalls. Finally, since it does not cover all government resources, the STA is unable to provide full information in real time on available government resources

Recommendation

- Put in place an effective active cash management system.

III. Progressively Implement Program Budgeting

This chapter deals with the stages and technical innovations necessary for properly implementing the program budget.

A. Develop Sectoral Strategies for all the Ministries

Current status

83. **The new WAEMU harmonized public finance framework implies a change of perspective in connecting public policies to the budget.** It requires designing public policies that connect with multiyear budgetary programming (DPBEP and DPPD). Developing these new budgetary programming tools assumes that there are ministerial policy and strategy documents for implementing them at each level and that they are connected with the national reference framework.

84. **The RCI has a recent PND. As part of preparing it, some of the ministries analyzed the update/preparation of their own strategies.** The 11 pilot ministries made an effort to connect the PND with the ministerial level during the first exercises for preparing the DPPD-PAPs with the support of regional technical advisors from the UNDP/Office in June 2012 (presentation of the results-based budgetary programming methodology and use of the DPPD-PAP outline in the methodology guide). The Directorate of Budget Reform and the Modernization of Public Management (DRBMGP) requested this technical support as part of the process of reforming the WAEMU harmonized public financial framework.

Analysis

85. **The current ministerial strategy documents show certain differences in terms of substance as well as the area covered.** It is important to revise some ministerial strategy documents to make them consistent with the options in the PND and to ensure a good connection between the objectives identified at the national level and the objectives at the sectoral level.[9] The proper implementation of the DPPD-PAP requires putting development support in place and developing ministerial strategies that are consistent with the decisions made in the context of the reform of the WAEMU directives. This entails strengthening the capacities of the ministerial departments in identifying and preparing ministerial strategies. Sectoral planning capacities should be strengthened to support the connection between each of the links in the Planning, Programming, Budgeting and Monitoring-Evaluation (PPBSE) chain. Connecting all the tools of the PPBSE chain is essential for implementing the budget law directive. This connection may be distinguished between the national level and the sectoral/ministerial level:

- The first level connects the national reference framework for policies or strategies (e.g., the PND with its implementing instruments (PAP), the medium-term framework instruments (MTFF) and the government budget;
- The second level identifies the connection of the ministerial policies or strategies with the DPPD-PAPs;
- The third level translates the ministerial budget strategies or policies by program;
- The last level is connecting the monitoring-evaluation of performance with the preparation of the ministry’s annual performance reports of each program.

86. **Institutional capacity building is essential and must be based on identifying and putting in place an organizational system of sectoral planning**, developing methodology tools available in the ministerial departments, and ensuring unfailing support for ownership

[9] Updating the ministerial strategies for the agriculture subsector, energy, the financial sector, etc., is a priority objective as mentioned in the three-year 2012-2014 ECF program preparation framework with the IMF.

by the employees of the technical ministries. The Directorate of Budget Reform and the Modernization of Public Management (DRBMGP) has begun to put an assistance system in place with support from the regional technical advisors, and this involves both the DEPs[10] and the DAFs.[11] The challenge is to put stable and sustainable entities in place in each technical ministry with appropriate human, technical and financial resources, methodology tools, and to provide training in the use of the planning, programming, budgeting and monitoring-evaluation tools.

87. **It is essential to prepare a common methodology guide to ensure consistency among the ministerial strategy documents.** The guide is a planning support tool based on results and performance. It gives the different stakeholders a practical tool capable of guiding them through the process of planning and identifying a strategy. This tool will also bring out the basics of a ministerial strategy. The production of a methodology guide for preparing ministerial strategies should go hand-in-hand with a training plan for all the stakeholders (ministry of planning employees and employees from the technical ministries) that are involved in the process. Priority will be given to the ministries that have already adopted the process of preparing their DPPD-PAP.

Recommendations

- Prepare/update all the policies and strategies of the ministries to make them consistent with the options set forth in the PND and connect them properly with the objectives set forth in the national plan as well as the objectives at the ministerial level.
- Draft a common methodology guide for preparing the ministerial strategies.

B. Overhaul the Budget Documents

88. **The implementation of the reform of the WAEMU directives brings about a change in the presentation of the budget documents.** The budget law directive overhauls the procedures for presenting the budget law. Thus, in addition to presenting appropriations by programs associated with a performance framework of objectives, indicators, and targets, the directive identifies information that must now be included in the budget documents. These documents should now provide information on the number of staff in the ministries and institutions by program and on commitment authorizations; this is a new procedure for executing appropriations, and it must be linked to payment appropriations schedules. Moreover, the reform eliminates the presentation of appropriations based on whether they are "authorized services" (resumption of activities from previous years) or "new measures" (new

[10] The DEP for all matters related to the ministerial strategy/policy and preparing the logical framework for the programs in its ministry.

[11] The DAF for all matters related to budgetary programming and budgeting by program in its ministry.

expenditures under the budget law). The appropriations must then be detailed down to the lowest level: complete substantiation. Furthermore, after execution, the directive provides that the budget review law is to include a document that presents budgetary execution and the achievement of the objectives initially assigned to the staff: the RAP.

89. **The DPPD-PAP documents prepared to date do not yet observe all the directive's recommendations despite major efforts.** The staff has DPPD-PAP and RAP outlines that are consistent with the directives. These outlines are available in the methodology guide[12] on the program budget prepared with EU support in 2010. Nonetheless, these outlines are not fully used. Thus, regarding the DPPD-PAP, the work performed to date on the DPPD-PAP has been segmented. Not all the information for fiscal year 2012 was provided, especially the substantiation for appropriations for the four pilot ministries, and the appropriations part for the ministries that were new in 2012. Moreover, information is not provided for all types of appropriations, nor is there any detail, for example, for staff and investment appropriations. With regard to the RAPs, the preparation of an outline and a methodology guide for preparing them should be considered.

90. **It is necessary to reinsert the preparation of the budget tools into the objectives of the budget law directive.** Through the new budget documents it provides, the purpose of the directive is to improve the transparency and clarity of public action. Thus, the budget documents must be: (i) clear; (ii) detailed; and (iii) consistent. The DPPD-PAPs that are produced must thus adhere to an outline that is standardized, shared, and consistent with the information provided for in the directive. All the information required by the reform must be identified and action must be taken if the information is not currently available so that it is available in the medium term. As for the RAPs, which are a new exercise, it is strongly recommended that the RAPs be produced at the same pace as the DPPD-PAPs. Thus, the ministries that prepared a DPPD-PAP in 2012 (covering fiscal year 2013) must be able to produce a RAP in 2014.

Recommendations

- Prepare a final and standardized edition of the DPPD-PAP outline that is consistent with Directive 6/2009/CM/WAEMU and disseminate it to the ministries.
- Provide all the information that the outline requires, such as appropriations for staff and investment, substantiation of the appropriations, commitment authorizations, payment appropriations schedules, and substantiation of appropriations.
- Prepare the RAPs at the same pace at which the DPPD-PAPs are prepared.

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[12] *Cadre des dépenses à moyen terme et suivi de la performance – Guide méthodologique*, Pierre Demangel and Daniel Tommasi, August 2011.

C. Prepare the Performance Framework and put a Monitoring System in Place

91. **Preparing a performance framework is a milestone in moving to budgeting by program**. This framework should be structured around objectives and performance indicators and there should be a monitoring system to tabulate the outcomes that measure changes in the indicators. The organization of the ministerial budget into programs requires the following for each program: (i) a statement of the *strategy* that the program officers will use to implement the public policy for which they are responsible; (ii) identifying clear *objectives* that the program officers commit to achieving; (iii) *indicators*, which translate the pathway to achieving the objectives which are measured by (iv) *results*.

92. **The performance framework of the programs that are the result of the DPPD-PAPs that were submitted to the mission is somewhat sound;** the programs were designed based on the work in the PND and the sectoral strategies and development indicators that the PND describes.[13] All the programs in question thus have medium-term sectoral policies, which is a valid basis for a ministerial strategy, objectives and indicators. To arrive at this result, the design of the DPPD-PAPs was based to a large extent on the Ivoirien "MTEF and Performance Monitoring Guide" used to facilitate and implement a single methodology framework for all the ministries.

93. **However, there is room for improvement in this program performance framework for the following reasons:** (i) in terms of *management: because of* the lack of involvement of the operational directorates in identifying the indicators; (ii) *certain strategies* should be updated; (ii) the number of program-related objectives is still high for some programs; (iv) the number of indicators (which varies, however, according to ministry) and the multiyear targets are not indicated, and this situation seems to be the result of the choice of indicators and/or the difficulty of producing reference data for certain indicators; and; (v) the description forms for completing the program indicators (method of calculation, source, measurement tool, etc.) are not included in the DPPD-PAP.

94. **The performance framework can be improved by using the following approaches in all situations:**

- Prepare ministerial policies and strategies based on an analysis of the situation that show the ministry's strengths and weaknesses, the constraints it faces, as well as the principal challenges it must overcome. The strategy must highlight the important components so that the decision-makers, the public, and the employees involved

[13] The official documents that were used as the basis are the Presidential Government Program (PPG), including the Presidential Emergency Program (PPU), the Economic and Financial Program (PEF), the updated poverty reduction strategy paper, the Governmental Work Program (PGT), and the sectoral development plans of the ministries, institutions and public entities.

understand it. In sync with government policies, and in particular the policies in the PND, it should be part of the ministerial means that are derived from the framework components that the DPBEP provides.

- The choice of objectives that meet certain characteristics and that should:
  - ✓ be *limited in number*, i.e. three to four objectives by program, which would clearly demonstrate the priorities of government action, allow Parliament to focus its attention on the essential issues, and also generate the intermediate objectives when the program is identified in the agencies;
  - ✓ make a *balanced choice* between the following three types of indicators: measure (i) socioeconomic effectiveness (from the citizen's viewpoint) that reflects the expected effects of public policies; (ii) the quality of the service provided (from the user's viewpoint); and (iii) the efficiency of management (from the taxpayer's viewpoint on optimizing the means);
  - ✓ depend on means *allocated* to the ministry and program and avoid depending on the authority of other entities.
- The indicators should meet certain criteria: (i) be chosen to illustrate as well as possible the objective to which they pertain (tend toward two indicators per objective), (ii) be free of bias, be robust, be available (at an acceptable cost) and truly measure performance and not the activity of the units (thus, activity indicators should be avoided) or the means allocated. The choice of indicators is based on three qualities: (i) relevance (the logical link with the objectives to produce a representative judgment); (ii) intelligibility (clear, immediately interpretable, selective, and justified); and (iii) reliability (robust, documented, with a construction/ improvement plan whose accuracy of measurement is estimated). The quality of the indicator is based on the soundness of sources (computerized or manual) that produce it. It is also contingent on its availability, as indicators that cannot be provided cannot be adopted).

95. **A system for monitoring the program performance framework should be put in place with two pillars:**

- Performance management assigned to a manager in the long run: after arbitrage by the director of financial affairs, the program managers have appropriations and they use them to achieve the performance objectives they agreed to attain and report on to Parliament. They have the option of using the asymmetrical fungibility of the approach to achieve their objectives and organize the *management dialogue* with the appropriations managers who also make a commitment to them to achieve the objectives and report to them on their management.
- Design two performance documents: i) the annual performance project (annexed to the initial budget) to reflect the commitment in terms of results; and ii) the annual

performance report (annexed to the budget review law) to report on the results that are achieved. These two documents have the same presentation and structure in order to facilitate the comparison between projections and achievement. They contain numerical indicators with targets (for the upcoming fiscal year and for two other years). Once the value is achieved, the indicator will be changed. In the long run, to supply the two performance documents with additional material, it will be necessary to plan to design and complete the performance scoreboard and put in place a ministerial entity for monitoring performance.

Recommendations

- Put in place a performance monitoring system.
- Improve the existing performance documents by using the framework presented above.
- Appoint program managers no later than end-2015.

D. Identify and Implement the Methods for Program Audit and Evaluation

Current status

96. **The external audit system revolves around the Accounting Office.** Its duties include overseeing the management of all government agencies and sub-national governments and executing the budget laws (government budget); it expresses its opinion on the regularity and truth of the financial statements.

97. **The IGE and IGF carry out internal control.** The IGE is under the President's authority[14] and oversees, inspects, and promotes good governance. In this regard, it is in charge of performing financial review missions and managing the government agencies. Its duties extend to assistance in supporting reforms and information systems. The IGF's scope of authority has been expanded to the institutional level.[15] Its authority is limited to missions of counseling, verification, and inspections or investigations requested by the Minister of the Economy and Finance or jointly with other ministers to evaluate the performances of the entities in the Ministry and agencies under economic and financial supervision, and to monitor the fraud and corruption control program in the agency in conjunction with the staff of the Ministry of the Civil Service and Administrative Reform.

[14] Decree 2012-312 of April 13, 2012 on the duties, organization and operation of the Office of the Government Inspector General.

[15] Decree 2011-222 of September 7, 2011 on the organization of the Ministry of the Economy and Finance, Article 4.

98. **The supervision system is relatively compact.** In addition to the aforementioned entities, we can mention the supervision units specific to each ministry. The IGE coordinates the supervision work among the different stakeholders.

99. **Program auditing and evaluation methods are nonexistent.** The internal and external auditing institutions are not involved in the public financial reform process, even though the WAEMU directives assign to them duties and an important role in assessing results and program performance through the PAPs and RAPs, including an audit of program effectiveness, efficiency and economy. Moreover, the Audit Office does not yet exist in terms of the WAEMU directives and the Constitution of the Republic of Côte d'Ivoire, and no arrangements are planned for internal control or program auditing. The Office is supposed to play a leading role in evaluating performance and thus must be part of the reform in progress to understand the concepts, objectives and issues.

Recommendations

- Create the accounting section in the Accounting Office.
- Start now to involve the oversight entities and institutions in the reform implementation process (DPPD-PAP) and strengthen stakeholder capacities, in particular in performance supervision.

E. Strengthen Administration Capacities

100. **The reform's success depends on adapting the administration to the changes in the new legal framework.** The reform brings about major changes in the procedures for planning, programming, budgeting, implementation and monitoring-evaluation of public finances. Including new stages and new tools in the procedures as well as the change in how public finances are managed (for example, by making the government management officers accountable) assumes that the central government has the means to implement them. Moreover, the provisions of the budget law directive and the provisions on the regulation governing public accounting provide for changing the role of the stakeholders in terms of preparing, executing and monitoring the budget. This involves de-concentrating the position of senior payment authorization officer, the emergence of new stakeholders (in this case the program manager), strengthening the role of the financial comptroller, and adding new features to the method of monitoring-evaluation.

101. **The understanding of adapting to these changes is insufficient despite some initiatives, and the national agencies do not yet seem to have been made aware of the implications and challenges of the reform**. First of all, it should be noted that there is a lack of sufficiently trained personnel, mainly due to the high turnover of the employees involved, in particular in the DAFs. This makes it difficult to establish a critical mass of stakeholders capable of implementing the reform, which is nonetheless decisive in the success of the

reform. In reading the DPPD-PAPs produced in the experimental phase, the mission also found considerable unevenness in mastering the methods and tools of the reform. Many stakeholders feel that the reform does not apply to them, and they consider it "an MEF matter."

102. **It is necessary to promptly validate and implement a plan to build the technical capacities of the stakeholders to adapt the knowledge that is acquired, to strengthen it, and to maintain it over time.** One starting point would be to indicate the training modules prepared by the WAEMU Commission and tailor them to the country's specific features as soon as the new laws are enacted. Other than identifying the capacity building activities to be carried out, this plan will also consolidate the activities that are carried out in isolation. This plan should:

- identify the human and financial resources that the entities require;
- identify and prioritize the technical needs made necessary by the change in the role of the stakeholders and propose capacity building strategies for the stakeholders;
- contain a timeline for implementing the capacity development plan and a system for monitoring-evaluating the capacity building strategies for the stakeholders.

103. **Train all the stakeholders with priority on the reform pilots.** All the staff and stakeholders should have the same understanding of the concepts, principles, and methodology that guide the organization and operation of the new public financial management system. Furthermore, the plan should cover the requirements of all the stakeholders, with priority on certain audiences: the payment authorization officer, program manager, managers of the central and de-concentrated entities, etc. Priority should be given to the persons in charge of managing the reform. All types of training (à la carte, refresher training and initial training) should be offered. With regard to initial training and professional development, the National School of Administration (ENA) and the universities and vocational training schools could include modules in their training program. To accelerate achieving the objective, the priority is to identify a core of national trainers and train them immediately. Afterwards, this training should also be extended to all the stakeholders and the audience involved should also include: the oversight entities (IGF and IGE), Parliament, the universities, civil society, etc.

104. **Urgency of reorganizing careers and the stakeholders' roles.** Provisions of the directive on the budget law and the regulations governing public accounting provide for a change in the role of the stakeholders. For example, we can mention the de-concentration of the position of senior payment authorization officer, the emergence of the program manager, the change in the financial comptroller's role, and the creation of new missions of monitoring-evaluation method. The stakeholders involved do not correctly understand the changes in careers and in the role. Therefore, these inevitable changes should be anticipated and they should be taken into account in drawing up the training plan.

105. **It is necessary to carry out internal and external communication activities adapted to the reform and for all stakeholders.** Many staff members we met during the mission expressed their lack of knowledge of the reform and of its implications for their respective positions. Therefore, an appropriate communication strategy seems essential to provide a good understanding and ownership of the reform, and thus to ensure stakeholder acceptance. The strategy will aim to identify the relevant communication requirements and determine the appropriate methods and channels for disseminating information about the reform. Various channels could be used, such as a budgetary reform journal, a dedicated web site on the MEF portal, awareness days," etc.

Recommendations

- Promptly validate and implement a comprehensive capacity building plan (2013 for preparation and 2013–17 for implementation).
- Conduct a study on the impact the reform has on the change in occupations and stakeholder roles.
- Prepare and implement an internal and external communication strategy on the reform (2013 for preparation and 2013–17 for implementation).

F. Put in Place a Budgetary Reform Management Framework

Current status

106. **The implementation of the budgetary reform is having difficulty reaching its cruising speed and as of today it appears that the involvement of the authorities is poor.** The implementation of the budgetary reform began in December 2009. With support from certain partners such as the EU and UNDP, DPPD-PAPs began to be produced in 2010. A support unit prepared a methodology guide, financed by the EU, and training was held. Nonetheless, despite these efforts, there is no clear strategy or clearly defined objectives for implementing these reforms. The program budgets prepared to date seem to meet the partners' requirements, such as EU and WB conditionalities, more than being a real commitment to the reform. The number of DPPD-PAPs produced was limited for a long time to the pilot ministries (2009, 2010, and 2011), and this was a conditionality issued by the partners that encouraged the authorities to continue the exercise with eight new ministries. For 2013, five new ministries should nonetheless begin to participate in the exercise.[16] However, the procedures for updating the 11 previous DPPD-PAPs and linking this exercise with the annual preparation of the budget seem unclear.

[16] Water and Forests, the Family, Solidarity, Women and Children, Postal Service and Telecommunications, Animal and Fish Resources, and Transportation.

107. **There is no budgetary reform management framework despite several successive attempts to implement one.** Early on in the process, the authorities identified the need to put in place support teams and a working framework for budgetary reform. Thus, an MEF order[17] dated April 16, 2010, supplemented by a decision[18] of July 7, 2010, attempted to establish an operational framework for implementing the reform of the budgetary tools. The management bodies, provided for under these statutes (management committee, supervision commission, technical secretariat and sectoral committees), such as the Ministry of Health, have never been able to make the reform operational or implement it, as opposed to the sectoral committees of the pilot ministries. A new draft order was being prepared during the mission, but it had not yet been approved. It appears that to date, the only entities that are seriously involved in implementing budgetary reform are the DRBMGP and the sectoral committees of the ministries involved in the DPPD-PAP process. The duties of the DRBMGP are broader than just implementing the new budgetary tools for which the WAEMU directives provide: It intervenes, for example, in the annual budget preparation procedure. This situation prevents it from dedicating itself fully to this reform, which nonetheless amounts to a considerable workload. The recent progress in preparing new DPPD-PAPs was thus made in the constrained framework and with the additional task of preparing the budget law (concentrated over several months), and not in an ongoing approach over the entire year.

108. **Putting in place a budgetary reform implementation unit with an overall and operational management framework is an essential condition for success.** The implementation of the new budgetary tools generates major changes for all stakeholders in public financial management. These changes involve the technical aspects, but they also affect the human, political and managerial components. The scope of the reform and its complexity make it necessary to identify an implementation strategy and to put dedicated means in place. It also requires a coherent and consistent approach that moves toward a shared objective: Therefore, a dedicated management framework is necessary. The other reforms as part of the WAEMU directives, such as the overall MTEF, the government accounting reform and the financial ISs, apply primarily to the activities of the MEF and its specialized directorates, such as the DPSB for the overall MTEF. By contrast, the implementation of the DPPD-PAPs applies first and foremost to the sectoral ministries: The ministries must identify their programs, determine their performance framework, allocate their appropriations according to the new classification system, etc. These components argue in favor of putting in place a specific implementation unit that should continue along the lines of activities that have already been implemented; subject to greater specialization of its activities for implementing results-based budget programming, the DRBMGP could

[17] Order 197/MEF/DGBF of April 16, 2010 on the creation, organization and operation of the institutional framework for implementing the medium-term expenditure framework (MTEF) in the process of results-based management (RBM).

[18] Decision 008/DGBF/CRBMGP of July 7, 2010 on setting up the MTEF support teams and the committee to prepare the overall MTEF.

accommodate this DPPD-PAP unit. This DPPD-PAP unit should coordinate with the overall management framework of public financial reform with a Permanent Technical Secretariat in charge of coordinating and monitoring all the public financial reforms (STPFP). The DPPD-PAP unit should also work with the other units in charge of the other aspects of the overall public financial reform, such as the overall MTEF, IS, public accounting reform, etc.

109. **Put in place a participatory management framework for the public financial reform, and the framework should continue along the lines of the activities that have already been carried out.** The complexity and time necessary for the reform requires: (i) high-level leadership that can be mobilized during the entire process; (ii) dedicated means to carry out these reforms that are both complex and ambitious, and that apply to all the stakeholders; and (iii) broad-based participation and strong involvement of the ministerial level. In this regard, it is recommended that the reform management framework revolve around three levels: strategic, technical and ministerial (see Figure 1):

- **At the strategic level (management committee and interministerial committee or Council of Ministers), high-level leadership in charge of giving impetus, and the major guidelines of public finance reform**: the strategic level should give impetus to the reforms by establishing the major guidelines and validating the important technical proposals of the STPFP. We recommend putting in place a management committee to include the directors general of the departments in charge of the reform, as well as the Ministry of the Economy and Finance and the Ministry of Planning, but also the other stakeholders involved, such as the representatives of the sectoral ministries and institutions, the de-concentrated entities, as well as the oversight entities and institutions. In view of the necessity of reaching out to a broad-based audience beyond the government alone, we also recommend adding representatives from the training centers (and/or universities) and representatives from civil society. This level should also demonstrate Côte d'Ivoire's commitment to implementing the reform; moreover, we propose having it chaired by an authority that is directly involved in the public financial reform, such as the Minister of the Budget, that it should meet regularly (e.g. once each quarter), and that the minutes of its meetings should be submitted to the Council of Ministers (e.g., twice or three times a year as needed). The composition of this non-permanent entity, whose key members are high-level administrative officials, may make it necessary to have a more political level regularly make or validate certain decisions. Two solutions can be considered to complete this strategic level of political validation: either (i) in the Council of Ministers; or (ii) through an interministerial committee consisting of a few key ministers as part of the reform.
- **At the national technical level, a Permanent Technical Secretariat in charge of coordinating and monitoring the public finance reforms.** This entity will be in charge of monitoring on a daily basis the implementation of the reforms and synchronizing them, as well as planning and coordinating the pillars of the strategic

plan of the reforms. The STPFP will prepare the meetings of the management committee and coordinate relations with the TFPs. The STPFP will use the technical experts that serve in the secretariat as well as the focal points of the units in charge of implementing the different components of the public finance reform, including a unit dedicated to implementing the DPPD-PAPs. Its positioning should give it some leeway and legitimacy for discussion with all the parties involved. Placing this entity at the level of the Minister of the Budget's cabinet could be an interesting option. With regard to the DPPD-PAP unit in particular, it should determine an action plan for the budgetary reform, produce the national frameworks, such as guides, DPPD-PAP models, transition tables, etc., and support the ministerial stakeholders by making production consistent and meeting deadlines. Thus, this unit is the preferred contact point for the ministerial committees in charge of implementing the DPPD-PAPs in the ministries and institutions, and it carries out the daily tasks necessary for implementing the DPPD-PAP reform. This unit has the strategic level validate the important components through the STPFP. It is necessary for this unit to continue the reforms that have already begun and for it to benefit from the experience of those stakeholders that are already involved in the process. Since the DRBMGP is already involved in the process, this directorate should house the DPPD-PAP unit.

- **At the ministerial level, making the reform operational**. We recommend placing in each ministry and institution an entity that serves as the contact point for the stakeholders at the national technical level and that is in charge of implementing at its level the action plans and annual guidelines set forth in the national plan. These ministerial/institutional entities will thus be in charge of carrying out the work on the reform tools (for example, for the DPPD-PAPs, preparing sectoral strategies, identifying programs, preparing the DPPD-PAPs, and establishing the program performance framework). The entities must establish three types of relations to carry out their activities. First of all, internally, they coordinate the work of the different entities in the ministry. Next, with the national technical level, they implement the jointly used methods and tools, identify the needs for capacity building, and report on the progress of the work. Finally, with the strategic level, they take part in establishing the guidelines as representatives of the ministry or institution on the management committee. In this regard, we recommend having the representative of the ministry on the management committee chair and coordinate the ministerial entity. In each ministry, these entities should consolidate the work of the different units, (for example, the DAF for transitioning from the conventional budget to the program budget, and the DEP for the performance framework). The idea is not to create a permanent unit, but to establish a body for dialogue.

Recommendation

- As quickly as possible, prepare a draft to establish a management framework to implement the public financial reforms based on the above-mentioned recommendations and have the Council of Ministers adopt it to demonstrate the commitment of the highest authorities.

IV. Reform Schedule

A. Priority Measures

110. **The process of implementing the new budgeting tools under the WAEMU directives on the harmonized public financial framework has begun and the results have been significant**. The work on the macroeconomic framework and medium-term fiscal framework began in 2009 and is performed regularly, and the DPPD-PAPs are being prepared in 11 pilot ministries. There are plans to expand them to five other ministries in 2013. The mission welcomes this incremental approach and recommends expanding the implementation of the DPPD-PAPs to all the ministries by end-2015.

111. **The evaluation of the work performed to date has identified the measures and actions to be put in place to make the reform successful** and proposes an action plan, in Table 1 above, to support and strengthen the current process. One essential and priority component of the first strategy pillar is to strengthen every aspect of the public financial management system to create and strengthen an environment suitable for budgeting by programs.

112. **The following priority measures should be taken as promptly as possible**:

- Adapt the statutory and regulatory framework by adopting as quickly as possible the draft laws for transposing the directives to provide a legal framework for the reform.
- Put in place the DPBEP and the overall MTEF.
- Put in place better coordination between the different programming exercises: the annual budget, the DPPD-PAP and PIP.
- Create a high-level institutional framework for managing and carrying out the reform to strengthen and maintain the political will necessary for implementing it and to provide leadership and operational management for the different areas of the reform, and monitor their progress daily.
- Prepare and regularly update the sectoral policies and strategies that are to be used as a basis for preparing the DPPD-PAPs in all the ministries.
- Implement the DPBEP or medium-term fiscal framework (MTFF) and the overall MTEF, taking into account the DPPD-PAPs at the beginning of the budget preparation process, making sure to include the macroeconomic and tax constraints in order to establish the target sectoral envelopes for expenditures that provide predictability and discipline in budget management.
- Validate and implement a capacity building plan to support the reform.

B. Sequences and Schedule

113. **Table 1 summarizes the technical reforms and the measures the mission recommended with a target sequence and schedule.** In the table, the activities are grouped according to the two pillars of the strategy to introduce the DPPD-PAP that was proposed and programmed according to a sequence that reflects the order of priority and precedence.

114. **It is essential to phase in the reform.** Given the current status described above, and assuming that the measures in the action plan are implemented diligently, the incremental approach developed below is proposed for implementing budgeting by programs (DPPD-PAP) in Côte d'Ivoire. Using a "trial approach" that becomes increasingly substantial, the purpose is to increase the security of introducing program budgets that will only become effective (and only become legally binding) on January 1, 2020, although everyone must validate the proper operation first to be able to advance to the next step and abandon conventional budgeting. Thus:

(i) For the 2017 budget (prepared in 2016), all the ministries are required to submit their DPPD-PAP (budget in program form) to Parliament for information, in a manner consistent with their budget in conventional form. Only the "conventional" budget is adopted.

(ii) For the 2018 budget (prepared in 2017), the information system must be ready so that it is possible to monitor budgetary execution in program form. "Pilot" ministries will thus be required to monitor the execution of their budget, not just in conventional form (the only legally binding monitoring), but in program form as well. Feedback from the "pilot" ministries must be provided to the other ministries. The RAPs for 2017, prepared using an ex-post reconstruction based on the results in conventional form, will be submitted to Parliament (along with the results of the performance system).

(iii) For the 2019 budget (prepared in 2018), all the ministries monitor execution in the program mode in parallel to the conventional mode. This monitoring is not always legally binding. At this stage, the ISs must be fully operational for the changeover and monitor execution in real time. The pilot ministries submit their 2018 RAP in the previous year based on execution data from IS monitoring in the program mode. The other ministries continue to prepare their RAPs based on ex post reconstructed data.

(iv) For the 2020 budget (prepared in 2019), all the ministries submit only one budget form: the DPPD-PAP. The conventional budget no longer has legal value. Parliament debates the budget by program and enacts it in this format. Execution and monitoring are by program only.

C. Needs for Technical Assistance

115. **Given the current state of the reform, the scope and nature of the tasks that remain to be done require substantial means for completing them.** The implementation of the recommendations proposed in this report will have considerable needs in terms of TA and financing. The IMF Fiscal Affairs Department (FAD) stands ready, to the extent of its technical and financial resources, to assist Côte d'Ivoire in implementing the reforms mentioned in this report. This is the case for West AFRITAC as well.

116. **FAD is already proposing to mobilize two expert missions in May 2013 and February 2014 to assist the authorities to put the DPBEP and the overall MTEF in place,** as well as a mission from headquarters in March 2014 to support the implementation of the strategy and the plan to strengthen the fundamentals of public financial management.

117. **There is a need to identify additional TA resources.** Thus, it would be desirable to call on Côte d'Ivoire's other TFPs. Several procedures could be considered, such as bilateral intervention by the TFPs, or having these TFPs finance a trust fund jointly with several TFPs. The management reform entity could be in charge of coordinating the TFPs through a partnership framework to be put in place.

Figure 1. Proposed Management Framework for Implementing the DPPD-PA