

**PUBLIC EXPENDITURE MANAGEMENT**

**COUNTRY ASSESSMENT AND ACTION PLAN  
FOR HIPCs**

**CAMEROON**

**AUGUST 2004**

## ABBREVIATIONS AND ACRONYMS

ARMP	Procurement Regulatory Agency
BEAC	Banque des Etats d’Afrique Centrale
CEMAC	Communauté Economique et Monétaire des Etats d’Afrique Centrale
CFAA	Country Financial Accountability Assessment
CFAF	Franc des Colonies Françaises d’Afrique
EPA	Parastatal Body
GDP	Gross Domestic product
GFS	Government Finance Statistics
GFSM	Government Finance Statistic Manual
GoC	Government of Cameroon
HIPC	Heavily Indebted Poor Country
IFMS	Financial Management System
MTEF	Medium Term Expenditure Framework
PETS	Public Expenditure Tracking Survey
PRGF	Poverty Reduction and growth Facility
PRSP	Poverty Reduction Strategy Paper
SIGEFI	Système intégré de gestion des finances Informatique de Gestion Financière
SNH	Société Nationale d’Hydrocarbures
UDEAC	Union Douanière et Economique des Etats d’Afrique Centrale
WAEMU	West African Economic and Monetary Union

## EXECUTIVE SUMMARY

This report contains an assessment of the existing capacity of the Cameroonian budget management system for tracking overall public spending, including poverty-reducing spending. The report also clarifies the type of technical assistance to be provided to improve systems for managing poverty-reducing and other public spending. This assessment is based on a common framework, including 16 indicators, which applies to all the countries which benefit from the HIPC Initiative (Heavily Indebted Poor Countries). The assessment and the corresponding action plan were examined and adopted by mutual agreement with the Cameroonian Government (GoC) and the principal development partners of the country and will be published once completed.

At the time of the first evaluation of HIPC Initiative, in 2001, Cameroon met 4 of the 15 criteria. Since then, some progress has been made in several fields. The present assessment reveals that the country meets 7 of the 16 indicators (Table 1). Regarding the objectives which have not yet been achieved, the country is closer to the goal than in 2001 for one objective, while the results of the evaluation are lower than those of 2001 for three objectives.

### Budget formulation

The budgetary nomenclature is administrative, economic and detailed by function. The functional nomenclature makes it possible to correctly track expenditure devoted to fighting against poverty. However, there are some weaknesses which should be eliminated as soon as possible. In particular, at the budget level, the receipts and total expenditure of the Parastatal bodies (EPAs), as well as those of the local communities, could be presented and consolidated in an appendix of the Finance law. This would become easier if their nomenclature were harmonized with that of the State. In addition, the flows of execution regarding the projects financed by donors are not known in an exhaustive way. Lastly, it is expected that priority ministries gradually elaborate medium term expenditure framework to help align sector strategies objectives with annual budget appropriations.

### Budget Execution

Arrears have accumulated over the last year, and their amounts are not even fully known. The overall organization of the structures in charge of internal control is currently being reformed. The situation must be quickly clarified in order to strengthen internal controls without further delays. Tracking surveys are carried out only within the ministries of health and education.

### Budget Reporting

Two benchmarks over four have been met on budget reporting. Some progress has been made since the previous assessment, but significant improvements remain to be done to produce the final accounts within two months of the end of the fiscal year. Also, it is essential that the Chamber of Accounts become operational as soon as possible.

The new benchmark relating to the procurement is partially met. The public procurement system has been satisfactorily reformed over the last three years, and important measures were taken as a result of this reform. The GoC should from now on focus on enforcing set rules and taking sanctions against identified cases of misconduct.

The report suggests an action plan to reinforce the public management capacity in Cameroon. The main goal of this plan is to help the country satisfy, in the medium term, all the 16 benchmarks.

## I. Introduction

With the goal of assessing the capacity of the Government of Cameroon to track poverty reduction public spending, a World Bank mission composed of Ms Florence Charlier, Country Economist, and M. Robert Cauneau, Public Finance specialist at the World Bank visited Yaounde in August 2004 and prepared a draft document which was further discussed with the Government and the IMF (M. Dominique Bouley, Public Finance specialist at the IMF) in December 2004. A previous mission on the same topic was carried out by the IMF in the first semester of 2003. These two missions were based on the initial assessments done in 2001.

## II. Evaluation of the capacity to manage poverty-reducing spending

### A. Coverage of the institutions to be assessed

#### Involvement of different levels of the Government.

Cameroon is a country whose administration is centralized. Nevertheless, the central Government is decentralized in 10 provinces and 58 departments. Expenditure carried out by these decentralized is between 40 and 50% of total expenditure.

Decentralization is anticipated in the 1966 Constitution, but it is only by mid-2004 that the implementing legislation has been adopted by the National Assembly. The amount of expenditure carried out at the decentralized level is not yet important. Taking into account the very limited role of the local communities in the execution of the expenditure, this report thus excludes the assessment of their financial management.

### B. Budget formulation

#### **Indicator 1 : Coverage of the budget or fiscal reporting entity**

**Benchmark 1 : A.** Fiscal reporting covers the Government Finance Statistics definition of the general government sector, i.e., including central, regional, and local governments, and all government operations, whether funded through the budget or not.

**Assessment : B. The benchmark is not met.** Fiscal information matches the GFS definitions of the general government sector with more than 75% coverage, but all entities associated with poverty reduction covered by the GFS definition of general government are not included in the fiscal reporting.

The consolidated statements for the public agencies pertain to the central government, some public institutions, such as the National Amortization Fund (*Caisse Autonome d'Amortissement*) and a number of public funds such as the Road Fund. These statements do not cover all central government institutions of an administrative nature (only the subsidies and transfers from the central budget are recorded) and decentralized autonomous budgets.

The consolidation of the operations of local communities poses problem in so far as: (i) some of them are not managed by a public accountant and thus, their operations are not known and (ii) their budgetary and accounting nomenclature is not compatible with that of the State. The budgetary data corresponding to the definition of the sector of the public administration appearing in the GFSM are thus of an amount higher than 75% during a given exercise and the 'B' assessment can be maintained.

**Indicator 2 : Degree of spending being funded by inadequately reported extrabudgetary sources**

**Benchmark 2 : A.** Government activities are not funded through inadequately reported extrabudgetary sources to a significant degree (less than 3% of total spending).

**Assessment : B. The benchmark is not met.** Extra-budgetary sources are estimated at a minimum of 6 percent of total spending

**Off-budget expenditure on government activities are not minor.** In 2003, the National Oil and Gas company (SNH) made some direct expenditures, which represented roughly 6% of total spending. The mission was not given information on the nature of these direct expenditures which are a posteriori imputed on some budget lines. Also, some expenditure, not included in the budget law, give rise to direct payments made by the Treasury without prior commitment and authorization ("*ordonnancement*") and is regularized later on budget lines without taking into account "credit specialization":

As a result, Answer 'B' seems justified.

**Indicator 3: Reliability of budget as a guide to future**

**Benchmark 3 : B.** Budget outturn data are quite close to the original budget.

**Assessment: B. The Benchmark is met.** The average global execution rate of the budget is 88,8%.

Ratios of executed expenditure to budgeted expenditure appear quite good, with the exception of investment expenditure. But the mission notes that these estimates are based on the financial statistical tables estimates (TOFE), which register expenditure at the stage of commitment ("*engagement*") or credit delegation<sup>1</sup> ("*délégation de crédit*"). During 2000/2001, recurrent expenditure had an execution rate of 100.7%, compared to the forecasts. Capital expenditure, including expenditure financed from external sources, had an execution rate of 57.2%. During 2001/2002, recurrent expenditure had an execution rate of 90.9% compared to the forecasts. Capital expenditure, including the expenditure financed from external sources, had an execution rate of 69.5%. Regarding the 2003 exercise, the execution rate of recurrent expenditures was 101.1%. In the investment budget, the rate was 75.3%. Total expenditures had an execution rate of 86% in 2000/2001, 85.6% in 2001/2002, and 95% in 2003.

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<sup>1</sup> Though the latter is not an execution phase.

The reliability of the budget could be improved through a better assessment of the wage bill, public service utilities provision and “frais de justice” : For example, there is a need to make a census to clean the payroll as the latter operation dates from 2002 as well as control the level of “frais de justice” which appear quite high (30 billions CFAF, i.e. % of the current justice budget).

In so much as the average global rate based on the last 3 years of the budget execution (88,8%) appears under 95 % (rate A) but above 85 % (rate C), the adequate notation is B.

#### **Indicator 4 : Inclusion of donor funds**

**Benchmark 4 : A.** Budgets and/or fiscal reports at all levels of government include, without exception, grants projected to be provided by donors, and the capital and current expenditure of all multilateral and bilaterals on government activities.

**Assessment : B. The benchmark is not met.** The adherence to this indicator requires the declaration of all the activities financed by donors in an exhaustive way ex ante and as soon as possible ex post, which is not currently the case.

The amounts of the loans and the foreign grants are not fully budgeted. The mission has suggested to the GoC to estimate the percentage of loans and foreign grants not yet included in the budget. Information relating to the execution of donor-financed operations is available only partially and often later than for the other operations of budgetary execution. In 2000, under World Bank assistance, a database of all donors-financed projects had been set-up, and the latter was updated in 2004 under UNDP financing. In addition, information coming from the donors is not always presented in a form compatible with budgetary nomenclature.

Since donor funding is not totally included in the fiscal reports, it is not possible to track all government resources allocated to poverty-reducing purposes. The benchmark should be rated B.

#### **Indicator 5 : Classification**

**Benchmark 5 : B.** Budget expenditures are classified on an administrative, economic, and detailed functional or programmatic basis.

**Assessment : A. The benchmark is met.** The new budget nomenclature allow an administrative, economic, detailed by sub function and programmatic classification of the State receipts and expenditures.

At the time of the 2001 evaluation, the operating expenditures were classified according to an administrative nomenclature (Ministry, Directorate, Department, etc) and by nature (wages, operation of the services, maintenance, etc). The capital expenditures financed on domestic resources were coded according to the same administrative nomenclature but according to a different economic classification (studies, equipment, constructions). On the other hand, capital expenditures financed on external resources were gathered under only one heading (contributions). The budget nomenclature thus missed consistency and did not give a clear picture of the actions of the State.

Work in progress at that time aim at setting up a new budget nomenclature that could be used for the investment as well as for the operating budget. It was to be implemented for the preparation and the execution of the 2003 budget. The elaboration of the functional and administrative (destination) nomenclature was completed. Work on economic classification (by nature) was still in hand. The mission had reminded the authorities that it was essential that the economic classification of the budget nomenclature be consistent with the corresponding classes of the State Chart of accounts (UDEAC-CEMAC).

As of January 1, 2003, the budget nomenclature includes the administrative, economic as well as functional and very detailed sub functional classifications. The functional part of classification has been validated. It is attached to the additional documents of the Finance law and thus submitted to the Parliament. It is used for the preparation of the budget by objectives. All the budgetary headings have a function code and the documents of presentation of the budget are detailed by principal and secondary functions. Moreover, to record execution of budget operations, the Treasury now uses the new classification, which is compatible with the economic part of the budget nomenclature.

Hence, the benchmark must be rated B.

**Indicator 6: Identification of poverty-reducing spending**

**Benchmark 6 : A.** Poverty-reducing expenditures are clearly identified.

**Assessment : A. The benchmark is met.** The budgetary classification is used to manage the poverty reducing expenditures, which are easily identified without the use of a virtual poverty fund.

The Budget Directorate has identified poverty reduction expenditures using functional classification. Until recently, a major problem lay in the fact that payroll expenditure was not disaggregated within the ministries, which made it impossible, for example, to know the real operating costs of primary, secondary or technical education. The 2003 joint mission had indicated that if the payroll was not broken down, there would be no point in having functional classification, and that it was necessary to list payroll expenditure under the relevant classifications. The GoC took the necessary steps to disaggregate payroll expenditure.

The August 2004 mission reported that the staff costs from now on are classified according to the functional nomenclature. The expenditures assigned to poverty reduction are identified by the function to which they belong and they are carried out according to the same procedure as other expenditures.

One can thus consider that poverty expenditure are easily identifiable and note “A” should be attributed to this indicator.

**Indicator 7 : Integration of medium-term forecasts**

**Benchmark 7 : A.** Multi-year expenditure projections are integrated into the budget formulation process.

**Assessment : C. The benchmark is not met.** The approach of multi-year expenditure projections is still at its starting point.

The education and health ministries have elaborated a medium-term expenditure framework consistent with their respective sector strategies. A global MTEF was prepared in the PRSP. However, capital expenditure fell short of the PRSP's objective in 2004. Though acknowledging that difficult trade-offs have had to be made in the 2004 budget to adjust to a smaller budget envelope than initially envisaged, the staffs stress the need to improve budget alignment with PRSP priorities. The 2004 budget letter prescribes that each ministry work out a sector strategy and a budget program. The GoC is currently strengthening its efforts to establish a MTEF in priority ministries that have approved their sector strategies. This work is in progress in several priority ministries. However, the prebudget conferences, which have been recently formalized, make little reference to these medium-term projections.

In these conditions the benchmark should be maintained at C.

**C. Budget execution**

**Indicator 8 : Evidence of budget execution problems – Arrears**

**Benchmark 8 : A.** Small stock of expenditure arrears, with little accumulation of arrears over the previous year.

**Assessment : C The benchmark is not met.** Arrears are not fully captured by the current public finance management system and have increased in 2004.

The concept of arrears is not formalized, contrary to the practice in many countries. (For example, in the WAEMU, the arrears correspond to sums which have been scheduled and not paid within 3 months). In Cameroon, the arrears are defined at the level of the Treasury as the sums remaining to be paid at the end of the fiscal year.

Observation of the Treasury's consolidated balance as of September 30, 2004 indicates that the Account 40 "Creditors current exercise," has a balance of 169 billion CFAF. The mission has requested a monthly breakdown of this amount to assess the amount of debt related to 2003.

The situation has gradually deteriorated since 2003, especially over the last six months. First, the Goc has built a sizeable amount of expenditure committed, liquidated but not authorized for payment – DENOs – in 2003. As a result, in 2004, the government has been falling behind increasingly in paying its suppliers, including public utilities. The payment lag at end

December 2004, reached about \*\*\* months. As a result, the stock of outstanding domestic debt has increased.

Secondly, the stock of domestic debt has never been properly assessed despite the various audits that have been conducted at the CAA. The government has partially reimbursed its debt according to the schedule of the current domestic debt amortization plan.

Third, it is important to specify that the evaluation of the stock of arrears is made difficult by the fact that the orders to pay are carried out by the Direction of the Budget after the visa is issued by the Treasury. The amounts included in the treasury balance are thus not exhaustive, since they do not integrate the sums liquidated by the authorizing officer (the person responsible for making the order to pay) but which have not yet been processed.

Therefore by end 2004, both visible arrears (conventional debt and “instance du tresor”) and hidden arrears (expenditure committed, liquidated but not authorized for payment) have accumulated. All in all, the assessment should be C.

**Indicator 9 : Effectiveness of the internal control system**

**Benchmark 9 : A.** Internal control is effective.

**Assessment : B. The benchmark is not met.** An internal control system exists, but it needs to be strengthened

The a priori and a posteriori internal audits suffer from an inadequate legal framework as well as personnel with insufficient capacity.

A priori control with regard to physical accounting in particular, is regarded as particularly vulnerable and ineffective. The Country Financial Accountability Assessment (CFAA) carried out in 2002 had recommended to close the Directorate of Stock Accounting (“*Comptabilité matière*”) and transfer the auditing of services rendered to the authorizing officers (“*ordonnateurs*”, i.e., ministers). This recommendation was not followed.

Controls done by the financial controllers through the DEPMI system are operating in a satisfactory manner. However, reconciliation between the accounts produced by DEPMI and those produced by the accountants (CADRE) is not effective.

A posteriori control are deficient.

In 2001, the mission noted that a posteriori controls were seriously handicapped by the multiplicity of operators (five in total), who intervene without any coordination and with an insufficiently trained and poorly motivated personnel. In 2004, the mission was informed that the ministry organigram was modified and that the compliance inspectors, coupled with the directorate inspectorates, had been placed under the authority of the Secretary-General. This new arrangement is cumbersome and is not operational. Such arrangement, if implemented, would inhibit the functioning of already weak directorate inspectorates.

The CFAA had recommended the creation of a General Inspection of Finances (IGF) unique under the direct supervision of the Minister for Finance, as a replacement of the five current General Inspections, and which would be regarded as competent by both the authorizing officers (*ordonnateurs*) as well as by public accountants. On the other hand, a study on the internal audit financed by the European Union, was discussed in April, 2004. During that

seminar, a consensus emerged not for the creation of an IGF, but for the maintenance of the inspections placed near the financial controls of the State and the ministries. Also, there was a consensus on the need to reinforce the role of the State Accounting Office, which would set the standards regarding control. A special committee has been created to investigate this issue. The action plan emerging from this seminar should be validated as soon as possible by the government.

Given that for the time being, operational controls remain weak note B appears suitable.

**Indicator 10 : Tracking surveys are in use**

**Benchmark : B.** Tracking surveys are used, where necessary, to supplement internal control, but may not yet be a regular feature of the PEM system.

**Assessment : B. The benchmark is met.** PETSs have been trialed, and are in the process of becoming a regular feature of the PEM system

Budget tracking surveys and beneficiary assessments (PETS) were carried out in 2003/04 within the ministries of health and education. Insofar as this type of investigation is carried out and becomes a regular feature of the system of public financial management, the assessment B should be maintained.

**Indicator 11 : Quality of fiscal information**

**Benchmark : A.** Satisfactory reconciliation of fiscal and banking records is undertaken routinely.

**Assessment : A. The benchmark is met.** Monthly reconciliation between treasury and BEAC accounts

The 2003 mission paid particular attention to the reconciliation of Central Bank and Treasury data. It has been told that reconciliation was performed routinely, but the 2001 assessment report found that such reconciliations were not exhaustive. In November 2002, significant discrepancies between the Treasury and the BEAC data were found, amounting to 1 percent of GDP. Studies were done in response to mission's comments, and the Treasury and BEAC staff routinely reconciled their data. Nonetheless, the mission found that the unexplained discrepancies at the end of March, 2003 hovered around 0.3 percent of GDP. Since then, the Government has made significant progress for the monthly production of reconciliation tables, including a disaggregated reconciliation by treasury offices throughout the territory as well as a detailed listing of uncashed checks. As of September 2004, the "unreconciled" amount between the treasury and BEAC accounts amounts to 300 millions CFAF (i.e. 0.02% of GDP).

Also, it should be noted that some operations passed through accounts with commercial banks, which introduced an element of fuzziness into monitoring Government activities. An initial study carried out at the request of the mission in September 2001 and presented in June 2003 found 714 accounts on a statement dated December 31, 2002 which all together hold deposits worth about CFAF 20 billion. During the June 2003 mission, an updated inventory of the bank accounts was produced. The report indicated that there were over 800 accounts

following the update. Some of these accounts (the majority) were no longer active, but there were significant transactions on others. As of today, 134 accounts remain opened. They should be merged into a single account at the BEAC with the exception of those which are opened within the framework of the projects on external financing.

#### **D. Budget reporting**

##### **Indicator 12 : Regularity of timely internal fiscal reporting**

**Benchmark 12 : B.** Internal budget reports are received within four weeks of the end of the relevant period.

**Assessment : C. The benchmark is not met.** Only a few priority ministries produce regular reports on budget execution.

In theory, all ministries should produce a quarterly report on budget execution and an overall quarterly report should be put together by the Ministry of Finance. In 2000, the production of these reports were set a PRGF benchmark for four priority ministries. Over 2003/2004, ministries have gradually stopped the production of these reports. The PSRP progress report indicated that only very few priority ministries (i.e. education) had produced reports in 2003.

Sector Ministries do not have standard data-processing tools to monitor their budget and produce their administrative accounts. Consequently, they do not systematically draw up a report on budget execution. The assessment should be C.

##### **Indicator 13 : Regular fiscal reports track poverty reducing spending**

**Benchmark 13 : A.** Good-quality classification of poverty reducing spending is reflected in the in-year budget reports

**Assessment : A. The benchmark is met.** The database used by the new Integrated Financial Management System allows the reporting of the poverty reducing spending.

The new integrated Financial Management System (IFMS) allows the preparation of synthesis documents containing all information on public expenditure chain: budgetary allocations, available appropriations, expenditure commitments, orders to pay, amounts taken in charge by the Treasury, and payments to be paid. These syntheses can be published according to the functional classification and thus, it is possible to isolate the expenditures devoted to poverty reduction. However, the reliability of these reports depends on the quality of the reports produced by IFMS which is yet to be fully operational.

The benchmark must be rated A.

**Indicator 14 : Transactions are recorded in the accounts in a timely fashion**

**Benchmark 14 : A.** Routine transactions are entered into the main accounting system(s) within *two* months after the end of the fiscal year.

**Assessment : B. The benchmark is not met.** Routine transactions are entered into the main accounting system within *six* months after the end of the fiscal year.

The official date for the publication of the treasury balance is March 31, (i.e. 3 months after the closure of the previous exercise). The 2003 treasury balance was issued in June 2004. This delay was partially linked to difficulties encountered with the new nomenclature. The delay in the settlement of final accounts by the Treasury Directorate is partly the consequence of the difficulty in recording into the right budgetary appropriation the expenditure paid before the order to pay.

The benchmark must be rated B.

**Indicator 15 : Timeliness of audited financial information**

**Benchmark 15 : B.** An audited record of the financial outturn should be presented to the legislature within twelve months of the end of the fiscal year

**Assessment : B. The benchmark is met.**

The accounts are presented to Parliament within twelve months. However, Cameroonian legislation does not currently prescribe audits by an external auditor before submission of the accounts to Parliament. These accounts are certified by the Minister of Finance.

On April 3, 2003, Parliament passed a law approving the creation of a government audit office (*Chambre des Comptes*) to audit accounts for budget execution in a given financial year. This government audit office will be attached to the Supreme Court. Its duty will be (i) to judge the accounts of the public accountants and (ii) to audit the accounts before they are presented to Parliament. The 2004 budget is expected to be audited by this office in 2005. The August 2004 mission noticed that the *Chambre des Comptes* was in the process of being implemented. Three first judges were hired and about twenty new financial judges (*“magistrats financiers”*) should be appointed among the staff specialized in public finance.

In so far as the audited report on the annual accounts is presented to the legislature within 12 months of the end of the fiscal year, the benchmark must be rated B.

## E. Procurement

### **Indicator 16 – Efficiency and effectiveness of the public procurement system**

**Benchmark** : A. The procurement system promotes efficiency and effectiveness in the expenditure of public funds through clear and enforceable rules that promote competition, transparency and value for money.

**Assessment** : B. **The benchmark is not met.** The system, while promoting competition and value for money, operates in a weak governance environment that lacks effective controls does not enforce rules, has poor accountability structures and fails to measure and report on procurement performance.

The public procurement system has been satisfactorily reformed over the last three years. Important measures were taken as a result of this reform, including : (i) the publication of Decree No. 2000/155 of June 30, 2000 regulating procurement, and Decree No. 2000/156 of June 30, 2000 on the mandate, organization, and operation of procurement commissions; (ii) the creation of a new *Procurement Regulatory Agency* (ARMP) in February 2001; (iii) the legal obligation for “*maitre d’ouvrages*” to prepare and update a procurement plan for the investment program and (iv) the institutionalized presence of independent observers in procurement commissions and recruitment of independent auditors to audit procurement contracts upon their completion. The agency, the tender commissions, and specialized control commissions are fully operational. Independent Observers have been working on a regular basis since April 2001. Regular Ex-post audits have been performed for public contracts awarded since June 2000. More recently, a new public procurement Code, gathering in a coherent framework existing rules, has been adopted. This procurement reform will help move towards better governance in Cameroon.

However, the GoC hasn’t brought proof of sanctions against identified case of misconduct.

Assessment B can be given.

### **III. Action plan for improvement of public expenditure management [to complete]**

#### **A. Budget formulation**

##### **Indicator 1 : Coverage of the budget or fiscal reporting entity**

It would be advisable to append to the Finance law a consolidated presentation of the receipts and expenditure envisaged in the budgets of parastatals bodies (EPA) and local communities, including those which are not managed by a public accountant.

The harmonization of the charts of accounts of these entities with that of the State would facilitate budgetary consolidation.

##### **Indicator 2 : Degree of spending being funded by inadequately reported extrabudgetary sources**

The Government should reintegrate in the budget extra budgetary spending by the SNH and publish annual audits to enhance transparency in the oil sector.

The Government should re-do a census of personnel to clean the payroll

The Government should reassess the level of provision for public utilities consumption (water, telecom, energy etc) that are consistent with current public consumption.

The Government could launch an audit of justice fees (*frais de justice*) to adequately provision this type of expenditure according to needs and implement a control system to avoid any misuse.

##### **Indicator 3: Reliability of budget as a guide to future**

Revenue : In order to properly assess oil revenue, the mission recommends to launch an audit of SNH by an international expert and elaboration of a simple revenue model to roughly reconcile data revenue with SNH forecasts.

Expenditure : See above

##### **Indicator 4 : Inclusion of donor funds**

All information relating to the execution of the donor-financed operations should be available and routinely added to the other operations of budgetary execution. This information should be presented in a form compatible with the budgetary nomenclature.

##### **Indicator 5 : Classification**

No action is proposed for this indicator.

##### **Indicator 6: Identification of poverty-reducing spending**

No action is proposed for this indicator.

##### **Indicator 7 : Integration of medium-term forecasts**

Accelerate the formulation of sector strategies and related MTEF by priority ministries. Link these sector MTEF's to the global MTEF and use it as the basis of discussion during the budget preparation stage in order to align the annual budget to the PRSP.

Sector targeted in 2005 : education, health, rural sector, public works, forestry etc

#### **B. Budget execution**

##### **Indicator 8 : Evidence of budget execution problems – Arrears**

Restrain current expenditures on goods and services on a commitment basis to reduce the float.

Regularize domestic arrears : (i) Assess arrears on the existing repayment plan for (structured/securitized and non structured) domestic public debt obligations and renegotiate the repayment schedule . (ii) audit of new arrears as of end 2004 and develop a plan to regularize these amounts.

#### **Indicator 9 : Effectiveness of the internal control system**

In order to strengthen the responsibility of sector ministries, the CFAA mission had recommended to close the Directorate of Stock Accounting (“*Comptabilité matière*”) and transfer the auditing of services rendered to the authorizing officers (“*ordonnateurs*”, i.e., ministers). This recommendation, which was not followed, is still of topical interest.

The position of the GoC regarding the future of the overall organization of internal control bodies should be clarified in order to re-operationalize internal controls. In particular, the mission suggested to re-establish the general finance inspection (IGF) while service inspections will fall under the authority of their respective directors (budget, treasury, tax etc).

The personnel of the various bodies must be trained in order to improve their technical skills.

#### **Indicator 10 : Tracking surveys are in use**

Budget tracking surveys and beneficiary assessments are carried out only within the ministries of health and education. This type of investigation should be extended to other priority ministries and become a regular feature of the system of public financial management .

#### **Indicator 11 : Quality of fiscal information**

The government should also merge all remaining treasury accounts at commercial banks into a single account at the BEAC.

### **C. Budget reporting**

#### **Indicator 12 : Regularity of timely internal fiscal reporting**

The timely production of quarterly reports on budget execution should be re-established and be done by all ministries. The Ministry of Finance should produce a report on overall budget execution based on those sector reports. The findings of these reports could be presented to the cabinet of the Prime Minister every quarter.

#### **Indicator 13 : Regular fiscal reports track poverty reducing spending**

It is important that the GoC accelerate the data processing of accounting operations by the Treasury so that SIGEFI reports, in particular the treasury balance, provide timely reliable information. The treasury balance should be produced after one month.

Now that the functional classification and the Information System allow the reporting of poverty reducing spending, it is recommended to provide at least quarterly reports on these expenditure.

#### **Indicator 14 : Transactions are recorded in the accounts in a timely fashion**

The mission proposed that the complementary time period be shortened if not eliminated altogether and replaced by a period of about one month to clear accounts.

### **Indicator 15 : Timeliness of audited financial information**

The presentation, reliability and scope of the Budget Settlement Law (*loi de règlement*) which is an essential tool for assessing the transparency of budget execution, need to be substantially improved. The current presentation of the Budget Settlement Law prevents an accurate comparison between the budget forecasts and actual execution of the Budget Law.

The Goc should improve the quality of the budget settlement law regarding its exhaustiveness and legibility to allow the reader to have a judgement on the quality of budget execution.

It is essential that the Chamber of Accounts become efficient as soon as possible, inter alia in order to verify the final public accounts before their presentation to the National Assembly in the framework of the draft *Loi de Règlement*.

## **D. Procurement**

### **Indicator 16 – Efficiency and effectiveness of the public procurement system**

In so far as the regulatory framework and the institutions are implemented, the GoC should from now on focus on enforcing regulations by taking sanctions against identified cases of misconduct.