



PUBLIC EXPENDITURE MANAGEMENT
COUNTRY ASSESSMENT AND ACTION PLAN (AAP)

GUINEA-BISSAU

**PREPARED BY THE INTERNATIONAL MONETARY FUND AND THE WORLD
BANK IN COOPERATION WITH THE AUTHORITIES OF GUINEA-BISSAU**

Helio Tollini (IMF), Cláudio Soares (IMF), and Francisco Carneiro (WB)

August 2004
Draft (February 26, 2004)

ABBREVIATIONS AND ACRONYMS

AAP	Country Assessment and Action Plan
AC	Audit Court
AFR	IMF African Department
BAO	Bank of West Africa
BCEAO	Central Bank of West African States
CFAF	African Financial Community Franc
COFOG	Classification of Functions of Government
DAF	Directorate of Financial Administration
PRSP	Poverty Reduction Strategy Paper
DGI	Directorate General of Inspection
DGO	Directorate General of Budget
DGP	Directorate General of Planning
DGRH	Directorate General of Human Resources
DGT	Directorate General of Treasury
DNPE	National Department of State Assets
DNT	Expenditures
EU	European Union
FC	Financial Control
GDP	Gross Domestic Product
GGB	Government of the Republic of Guinea-Bissau
GSB	General State Budget
HIPC	Heavily Indebted Poor Countries
IGF	Inspectorate General of Finance
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
NA	National Assembly
PEM	Public Expenditure Management
PIP	Multiyear Investment Plan
PEMFAR	Public Expenditure Management Financial Accountability Review
TOFE	Table of Government Financial Operations
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union
WB	World Bank

TABLE OF CONTENTS

I. Executive Summary.....	4
II. Coverage of the Institutions to be Assessed.....	7
III. Budget Formulation.....	7
IV. Budget Execution.....	14
V. Budget Reporting.....	18
VI. Government Procurement.....	20
VII. Action Plan to Upgrade Public Expenditure Management.....	22

Tables

1. Public Expenditure Management AAP Indicators.....	6
2. Budget Estimates and Actual Expenditures.....	10
3. Budget Estimates and Actual Expenditures for Selected Ministries.....	10
4. Summary Table of Arrears.....	15
5. Summary Action Plan to Upgrade Public Expenditure Management Capacity in Guinea-Bissau.....	24
6. Overview of Technical and Donor Assistance in Upgrading Public Expenditure Management.....	26
7. TA providers.....	27
8. Summary Assessment of Public Expenditure Management in Guinea-Bissau.....	28

I. EXECUTIVE SUMMARY

The mission met with authorities of the Government of Guinea-Bissau (GGB) to: (i) assess the capacity of the system of public expenditure management (PEM) to track expenditures that help reduce poverty; (ii) identify coherent initiatives that have been planned to improve PEM, and the technical assistance required to implement them, and; (iii) prepare a draft plan of action to upgrade PEM.

The assessment showed that the GGB has not been able to reach the benchmark for any of the 16 PEM indicators. The GGB was given a 'C' on 14 of the indicators, and a 'B' on only two of them. A similar assessment carried out in 2000, with no field visit, was much more favorable, with the GGB meeting 3 benchmarks. Another assessment carried out exclusively by the World Bank¹ in February 2002 was less favorable, with the GGB meeting 2 benchmarks (see summary table below). The decline now registered in regard to 2000 and 2002 is probably due to the fact that the data now available are more accurate, and also that the assessment procedure itself is better focused. The assessment revealed the total deterioration of all PEM stages within the GGB following the 1998-1999 civil war. The current system needs to be substantially reformed across the board for the budget process to be functional and transparent.

The IMF African Department (AFR), together with the GGB, has been trying to coordinate technical and financial assistance among the major active donors to the country for some time. While this mission was taking place, another mission from AFR was discussing a baseline plan with the GGB. At the same time, the World Bank (WB) presented a Public Expenditure Management Financial Accountability Review (PEMFAR) to the GGB, containing several recommendations for PEM. This mission was able to consult the draft baseline plan for technical assistance, and attended the presentation of the PEMFAR to the government authorities. Thus, the PEM action plan proposed herein is entirely consistent with both the GGB-AFR baseline plan for technical assistance and the World Bank PEMFAR recommendations.

In the mission's view, the legal and regulatory aspects of the current system should be reviewed at the outset. Guinea-Bissau inherited the practices, regulations, and institutional structure of the Portuguese budgetary process, but in 1997 joined the West African Economic and Monetary Union (WAEMU), which has a strong French PEM heritage. Sequencing of a transition to a PEM system compatible with WAEMU standards and requirements is needed. Subsequently, all PEM areas would need to receive considerable technical assistance, starting from very basic levels. These include: reviewing and strengthening the budget formulation and execution process, cash management, accounting, reporting, and the internal and external control systems.

¹ Although it was not agreed with the IMF/FAD, nor part of the formal 2002 HIPC/AAP evaluation process, the assessment was agreed with the authorities.

As an illustration of how dysfunctional the current process is, all or nearly all government purchases in 2003 were first effectively paid, and then recorded in the system at a later date. This is the exact opposite of what is supposed to occur in a model PEM system; it shows the complete lack of credit available to the government and how irrational the current process is. Credibility needs to be restored so that the GGB can step up compliance with the existing rules and institutions in all areas of PEM and, with international technical assistance, bring about the desired improvements in fiscal performance.

Another risk that new initiatives pose to fiscal management is found in the limited human resources available in the majority of departments in the Ministry of Economy and Finance (MEF). The mission suggests that careful consideration be given to the proper training of experts in all areas so that when new initiatives are introduced, a skilled team of staff members will be in place to understand and competently implement them.

Table 5 of this report lists the short and medium-term measures (numbered from 1 to 33) proposed by the mission for PEM improvement in Guinea-Bissau. The measures aim to solve problems identified in the course of the assessment, on the basis of indicators for budget formulation (1 to 7), budget execution (8 to 11), budget reporting (12 to 15), and government procurement (16). The timeframe for the proposed measures is based on the mission's assessment of the likelihood of implementation. The great number of actions to be taken derives from the existing weaknesses of the PEM system. The government and the institutions involved will have to make a sustained effort for the management system to meet the minimum acceptable standards. In view of the limited capacity for implementation that is recognized by both the GGB and donors, the mission believes that, for the reforms to succeed, it is vital to constantly monitor the impact of changes to current practices.

The suggested measures cover issues such as review and amendment of basic legislation, improvements to organizational infrastructure, reform of budget classifications, reporting, development and implementation of computerized procedures, review of the presentation of government accounts, regulation of the procurement process, the system of internal control, and the need for an integrated system that provides the timely data that the authorities need to make decisions.

Table 1: Public Expenditure Management AAP Indicators in Guinea-Bissau

	EVALUATION				
	Accepted Standard	Office Evaluation	2002 (WB) Evaluation	2004 Evaluation	
FORMULATION					
COMPREHENSIVENESS					
1	Coverage of budget or fiscal reporting authority.	A	B	B	C
2	Proportion of spending being funded by extrabudgetary sources.	A	A	B	C
3	Reliability of budget as a guide to the future.	B	B	C	C
4	Inclusion of donor funds in fiscal reports.	A	C	A	B
CLASSIFICATION					
5	Budget expenditures are classified on an administrative, economic, and detailed functional or programmatic basis.	B	C	C	C
6	Poverty-reducing expenditures are clearly tagged.	A	C	C	C
PROJECTION					
7	Medium-term forecasts are integrated into the budget formulation process.	A	C	C	C
EXECUTION					
INTERNAL CONTROL					
8	Evidence of budget execution problems – arrears.	A	C	C	C
9	Effectiveness of internal control system.	A	B	C	B
10	Tracking surveys are in use, or are unnecessary.	B	C	C	C
RECONCILIATION					
11	Satisfactory reconciliation of fiscal and banking records is undertaken routinely.	A	A	A	C
REPORTING					
IN-YEAR REPORTING					
12	Internal fiscal reports are received within four weeks of the end of the fiscal year.	B	C	C	C
13	Good fiscal reports track poverty reducing spending over the fiscal year.	A	C	C	C
FINAL AUDITED ACCOUNTS					
14	Routine transactions are recorded in the accounts within two months of the end of the fiscal year.	A	B	C	C
15	An audited report of the financial accounts is presented to the Assembly within twelve months of the end of the fiscal year.	B	C	C	C
NEW					
PROCUREMENT					
16	Efficiency and effectiveness of government procurement system	A	NA	NA	C
TOTAL NUMBER OF BENCHMARKS MET			3	2	0

II. COVERAGE OF INSTITUTIONS TO BE ASSESSED

Inherited structures, institutional weaknesses, low income level, and recurrent macroeconomic imbalances remain as core issues behind Guinea-Bissau's current problems. After emerging from a violent conflict that lasted from June 1998 to May 1999, difficulties in the management of the public accounts continued to deteriorate and have contributed to a less than adequate macroeconomic performance. The current situation is clearly worse than prior to the war. Guinea-Bissau also exhibits all of the major characteristics that are present in post-conflict countries with a high risk of conflict recurrence, such as: a history of violent conflicts in the past 10 years; low income per capita; high dependence on primary commodity exports; political instability with frequent break downs of law and order; abuse of civil rights; ethnic dominance of state institutions; active regional conflicts; and widespread unemployment and poverty.

Joining the WAEMU in 1997 has helped to maintain some macroeconomic stability; since 1999 inflation rates have stabilized around 4 percent per year. In 2000, the government embarked on a Fund-supported Poverty Reduction and Growth Facility (PRGF), which paved the way for a favorable consideration of the HIPC Decision Point by the Boards of the Bank and the Fund. However, the program went off track immediately after it came into force. The authorities were not able to correct this situation, despite several efforts, including two short-term macroeconomic programs in 2001 and 2002. Consequently, the country's macroeconomic performance and fiscal stance continued to deteriorate.

Guinea-Bissau is a small, unitary country with a centralized government. There are no subnational governments, either provincial, district or local, with the power to draft their own budget. Until the armed conflict of 1998-99, the central government budget covered eight autonomous regions, plus the capital city of Bissau. These administrative regions provided basic public services to the local population, and acted as central government agencies. This entitled them to a pre-established share of tax revenues from fishing licenses and the forestry fund in the state budget.

However, with the increased economic hardship, starting in 2000 these resources ceased to be transferred through the budget. The administrative regions continued to provide some basic services to the local population, with only the few resources they were able to collect on their own, which were not recorded in the state budget. Considering these factors, and the reports from the authorities themselves, the mission could infer that the continued spending by the administrative regions accounts for a negligible share of total public social spending. Therefore, assuming that the current context will probably not change substantially in the near future, it may also be concluded that any possible public spending increase in Guinea-Bissau to reduce poverty will be central government spending. This assessment is therefore confined to the PEM system at the central government.

III. BUDGET FORMULATION

Indicator 1 ~ Fiscal reports adequately cover the definition of general government found in the Government Finance Statistics Manual (GFSM).

General Assessment: Consolidated reports on general government are not produced. In recent years, reports prepared have provided information on only a small portion of the central government expenditures that are still included in the budget process.

(C) - Benchmark not met.

In the case of Guinea-Bissau, due to the recent political and economic problems facing the country, there is absolutely no real disclosure of budget execution. Most of the expenditures, in a number of areas, were realized entirely off-budget. The central budget and accounting authority is only able to obtain data on what sectoral authorities actually pay in the spending package. The government does not give the National Assembly (NA) any information on budget execution in the course of the financial year. After the close of the financial year, the government prepares a report on budget execution, with data gathered through the system, and sends it to the NA.

The MEF should draft and publish this annual report, and send it to the NA immediately following the end of the financial year. This would simply require consolidation of the monthly reports with the budget execution data. Meanwhile, the close of the financial year is governed by several different regulations, which makes formulation a complex exercise under the current conditions. Thus, the final accounts are only consolidated several months later. The final accounts for the financial years have not been consolidated since 1986.

In short, because a significant share of public spending is not executed by means of the conventional mechanisms, the few reports on budget execution that are produced do not give the true picture of real spending. Major sectors and expenditures are not consolidated in these reports.

Indicator 2 ~ Share of spending funded through inadequately reported extrabudgetary sources

General Assessment: Budget coverage is extremely limited. It is safe to assume that less than half of expenditures that should appear in the government budget are not included.

(C) – Benchmark not met.

With the heightened political and economic crisis, there was a total breakdown in the budget formulation and execution processes in Guinea-Bissau. The draft 2003 budget was not sent to the NA, with the result that the 2002 budget law was adopted for 2003. The draft 2004 budget was prepared by the GGB under time pressure, with the help of the IMF and WB. The budget contains the minimum amounts needed to pay public sector wages, and to keep essential sectors such as health and education running.

Faced with a chronic lack of financial resources, several sectors, including important social sectors like health and education, have lost budget coverage. To fend for themselves, the

institutions have started retaining the revenue that they collect directly, rather than turning it over to the Treasury. Arbitrary fees have been introduced to finance various essential services, for example, to pay the wages of public school teachers, or to purchase medicine and fuel for hospitals. It is said that the military is raising funds from the local population to meet its needs.

The nine administrative regions that used to receive funds from the budget have also moved to finance their activities with new fees for public service users. Embassies and consulates abroad have long been appropriating the revenue that they generate through service fees, and not recording it in the budget. Projects funded by international grants are not normally budgeted. At the end of the year, some donors inform the General Budget Directorate (DGO) of the expenditure amount, which is then recorded as public spending.

Therefore, according to estimates given to the mission by the authorities, upwards of 50 percent of expenditures that should appear in the state budget do not, either in the formulation stage, or in the execution of the budget law.

Indicator 3 ~ Reliability of the budget as a guide to the future

General Assessment: Given the patchiness of the formulation stage, with no negotiations between the DGO/MEF and the relevant sectoral institutions, with a considerable portion of their own resources not included, and with no accurate information on grants, the reliability of the budget can be said to be extremely low. (C) – Benchmark not met.

To be properly implemented, the budget law formulation process should be carried out in phases, combining “top-down” spending caps with “bottom-up” programming. On the basis of a macroeconomic framework that defines the revenue and overall spending options, the central budget authority should request an estimate of mandatory government expenditures, which must be incurred for legal or contractual reasons. These include wages, transfers, international agreements, etc. Once resources for mandatory expenditures have been earmarked, the remainder should be distributed to the sectoral budget authorities, with guidelines and deadlines for each of them to present their respective programs, and with, at the very least, a distinction between current and capital expenditure.

The spending ministries along with the other institutions covered by the guidelines should remit their draft budgets to the DGO by the established deadlines. Only after the draft budgets are submitted should negotiations be initiated between the spending ministries and the DGO/MEF on a possible increase in the initial spending caps. To allow for adjustments, a small amount is customarily earmarked in the initial caps for subsequent claims. The draft must then be submitted to the Assembly for discussion, voting, and approval.

Most of these steps are not taken in Guinea-Bissau. The budget guidelines phase is ineffectual in that the guidelines are not observed, either by the spending ministries, or by the MEF itself. The “survey cards” (*cartões de levantamento*) that the DGO sends out to the

spending ministries are rarely ever filled in, and the DGO has to call for them to be returned. The sectors almost always make unrealistically large demands that are not well justified. In the end, the MEF grants appropriations to the various ministries on the basis of its own convictions and pressures placed on it, with no transparent methodology. There is a clear lack of any kind of real negotiation between the spending ministries and the DGO/MEF, and, in practice, the budget is prepared incrementally by the central authority, on the basis of expenditures established in the previous year.

If we add to that precarious budget formulation process the unreliable financing capacity of the state, which focuses efforts on immediate and short-term concerns, it becomes clear that significant mismatches between budgeted and real expenditures are inevitable. Grants are overstated in the budget law year after year, and execution is inconsistent with estimates, as Table 2 shows. The capacity to predict changes in revenue throughout the financial year is limited, and driven by very short-term pressures, forcing the government to decide what to pay and what not to pay on a day-to-day basis, using its resource base for the most urgent priorities. The informal committee set up in the Directorate General of Treasury (DGT), which controls the government cash flow, tries to give preference to expenditures classed as priority, but they are not always able to. A large number of spending items provided for in the budget, for considerable amounts, are executed with a fraction of the amount provided, while other items far exceed the initial appropriation. Table 3 shows that the sectors with the greatest social impact end up receiving fewer Treasury resources relative to other sectors.

Table 2: Budget Estimates and Actual Expenditure in Guinea-Bissau (as a share of GDP)

Item	2000		2001		2002	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Total Revenue	34	21	36	21	40	16
Taxes and fees	15	19	19	19	22	14
Grants	19	1	17	2	18	1
Expenditure	38	19	37	19	36	20
Wages	6	7	7	8	8	7
Transfers	4	3	5	4	4	5
Goods and services	4	6	7	4	7	4
External debt service	5	1	5	0	1	0
Capital	19	2	13	3	15	4

Source: Ministry of Economy and Finance, GGB.

Table 3: Budget Estimates for 2002 and Actual Expenditures in Guinea-Bissau in 2003, for Selected Budgetary Authorities (in CFAF millions)

Authority	GSB – 2002 Budgeted	GSB – 2003 Executed	Degree of Execution
Ministry of Economy	1,291.5	3,486.5	270%
Ministry of Internal Administration	1,649.2	1,714.8	104%
Office of the President of the Republic	883.5	804.3	91%
Ministry of Defense	4,445.7	3,673.0	83%
Courts of Law	561.4	398.3	71%

Sec. of the Treasury, Budget, and Fiscal Affairs	5,947.9	2,972.2	50%
Ministry of Public Works	484.4	215.5	44%
Ministry of Education	4,848.0	1,699.1	35%
Ministry of Health	3,509.2	838.3	24%
Sec. of Labor and the Fight Against Poverty	232.2	51.1	22%

Source: Ministry of Economy and Finance, GGB.

Indicator 4 ~ Inclusion of donor funds

General Assessment: In the budget formulation phase, the DGO does not receive very much reliable information on estimated revenue from grants. However, some information does exist, even if incomplete: after the expenditure is realized, some institutions send the data to the DGO, which appropriates it in the execution reports. (B) -Benchmark not met.

The DGO has little up-to-date information on external financing granted by governments and international institutions. Grants from these sources are normally included in the budget in an incomplete and generic way, with no clear indication as to the amount of resources involved or what they are to finance. The Directorate General of Planning (DGP) does not do a very good job of collecting, consolidating, and transmitting data on these expenditures to the DGO, with the result that there is no prior examination and approval of the data for inclusion in the budget law, nor is there any systematic tracking.

Information on the execution of investments is difficult to obtain, and the GGB depends on the international body coordinating the project to provide the data, with the result that it usually receives only partial information. This incomplete information is included on the budget execution reports. Hence the significant discrepancies in the data on budget formulation and execution.

In light of the unstable economic conditions in Guinea-Bissau, nearly all investment expenditure, and even some current expenditure, is financed with international grants. Even when it is included in the budget headings, investment financed externally is executed directly by the project coordinators according to the rules established by the donor. The authorities, therefore, do not in any way intervene or control how the expenditures are realized. This situation, common to many African countries, reflects a lack of donor confidence in official execution mechanisms and the belief that the excessive red tape involved in executing the projects through the official channels would slow the process.

To remedy this situation, and employ official mechanisms both to estimate grants and to execute the resource flow, as befits a sound public expenditure management system, it will be necessary to win donor trust with regard to how the funds released are used. To this end, incorporating a “financing source” classifier in the budget law to identify the funds from each donor along with other receipts, may be one good way to encourage donors to support the formal budgeting of their funds.

Moreover, the GGB will need to demonstrate its ability to control resource allocation, as well as its accountability. In the medium term, an oversight and assessment model will have to be developed to show donors that the funds are being used to achieve their stated purpose, targets, and goals. Due to the limited technical capacity of the country, it will be necessary to request technical assistance from the donors to develop the model.

Indicator 5 ~ Budget classifications

General Assessment: In the budget process of Guinea-Bissau, the administrative and economic classifications used are reasonably adequate. Classification by function is not sufficiently explained and needs to be better defined. There is no program-based budgeting. (C) – Benchmark not met.

The budget process in Guinea-Bissau uses an administrative and an economic classification, and another classification known as expenditure group. While the first two seem to be reasonably adequate, the expenditure group classification does not meet the requirements of what is commonly called functional classification, since it is simply an administrative aggregate, and excessively aggregated at that. There are no budget programs in the sense of program-based budgeting, but there is a list of activities and projects to carry out.

Administrative classification uses different codes for each ministry, and goes down to the level of sectoral units for integrated services. In theory, if all expenditures were recorded in the system, the government authority would be able to track spending. The reality is that, because functional classification is deficient, the administrative classification actually provides the best assessment of the expenses included in the budget as well as those actually incurred. The chain of command of the budget authorities and units has room for improvement.

Economic classification breaks spending down into six main categories: personnel costs, procurement of current goods and services, transfers, debt service, other current expenditures, and procurement of capital goods. It would be useful to review the separation of the ‘procurement of current goods and services’ and the ‘other current expenditures’ categories, to facilitate analysis of the government account components. Under each economic classification category there is a wide range of items distributed according to the nature of the expenditure. These categories need to be reviewed so that actual spending in the different categories of expenditure can be known with a reasonable degree of detail.

Classification by functional group is quite limited. It breaks down expenditures, based on administrative classification, into just four groups: social/education sector, economic sector, sovereignty and defense institutions, and other sectors. The internationally accepted standard for functional classification, which individually codes transactions, requires a breakdown of at least ten functions, which are themselves divided into several dozen subfunctions. As this classification is structured in Guinea-Bissau, it is nothing more than a way of aggregating

expenditures, and does not serve to distinguish each expense category from among the different functions of public spending.

The classifications adopted in Guinea-Bissau should be adapted to the standard used by other WAEMU member countries. Although a Portuguese-inspired independent standard is not necessarily bad in itself, if the country joins an economic union in which the principles adopted are mostly based on the French model, it makes sense to harmonize.

Indicator 6 ~ Tagging poverty reduction expenditures

General Assessment: There is as yet no government definition that serves to accurately identify expenditures that reduce poverty. (C) – Benchmark not met.

The GGB has not yet proposed a precise method of tagging expenditures that reduce poverty. When the budget classifications are restructured, in particular functional classification, the GGB should bear in mind how important it is to clearly distinguish those expenditures that have a direct impact on poverty. The GGB is apparently experiencing internal difficulties in developing this method. A group of individuals from several different sectors that was established to carry out the necessary work did not come to a decision. On more than one occasion, the mission was asked if expenditures for payment of government employees could be considered a poverty reduction target.

Indicator 7 ~ Including medium-term forecasts

General Assessment: The medium-term macroeconomic situation is not taken into consideration in the budget formulation process. (C) – Benchmark not met.

It is essential for the GGB to plan medium-term government policy if it is to have an overview of the problems and options before it. The annual budget law should address this requirement by appropriating amounts that will make it possible to meet medium-term expectations. For the plans to be feasible, it is important to have a medium to long-term macroeconomic framework based on realistic hypotheses. As a complement to this framework, trend projections for the main current expenditures are needed, using the same parameters. Only then will it be possible to know the future impact of current public policy, by anticipating the real spending capacity that the GGB will have in the future. Using fiscal targets and realistic revenue projections in budget formulation would mean that the budget would have to explicitly state how much the government can spend, and priorities would have to be established in public policy formulation.

In Guinea-Bissau, the medium-term macroeconomic situation is not taken into account in the budget formulation process. The few, incomplete time series analyses and forecasts produced by the Short-term Economic Indicators Directorate [*Directoria da Conjuntura*] are not considered by the DGO in the budget formulation process. The last time that thought was given to medium-term planning for the accounts was in 2001, when an abortive attempt was

made to start a program supported by the IMF. Since then, the country has not had a consistent macroeconomic framework. Consequently, there is no knowledge of the spending limits that the economy can tolerate.

The immediate priority should be to establish a macroeconomic model that provides information on the fiscal situation for the medium and long term. It is important to set the fiscal targets needed for the country's long-term debt sustainability, with an indication of the possible international financial aid needs. Such an instrument could be developed with technical assistance from international bodies working in Guinea-Bissau. Subsequently, a medium-term expenditure framework for the country should be prepared. This is a greater challenge, and should be seen as a medium-term goal. At the same time, the INEC (National Institute of Statistics and Census), the institution in charge of preparing the national accounts and conducting population censuses, would need to be strengthened through the hiring of skilled staff and technical and equipment upgrades, so that it could assist in determining the macroeconomic projections that will inform the budget formulation process.

IV. BUDGET EXECUTION

Indicator 8 ~ Indications of budget execution problems – Arrears

General Assessment: The large amounts of arrears, namely outstanding items dating back to the time of the civil war, have become a standard feature of expenditure actuals. This shows that the problem is clearly endemic to the system. (C) – Benchmark not met.

Under current procedure, the expenditure commitment request forms that the Financial Management Directorates (DAF) of the sectoral ministries complete are sent through the relevant financial control coordination unit to the financial control coordination unit of the DGO, which requests that additional documents supporting the claim be submitted for examination by the DGO director. Expenditure verification and payment authorization orders are handled by the DGO verification directorate, which enters the validation and payment authorizations budget data in a computer. The accounting department also collects funds, and states the difference between the appropriations and the payment authorization as the “available balance” in periodic expenditure reports, by budget heading. The sectoral ministries with financial autonomy, the so-called decentralized services, produce these reports themselves, and present them by administrative unit. After entering the payment authorization by the DGO validation directorate in a computer, the issue of the payment voucher is then entered in the data processing system.

In the DGT, the vouchers are recorded separately in the computer system according to the ministry and type of expenditure: health, food, plane tickets, etc. In this way, the DGT is able to establish a degree of priority for payment of expenditures. The current regulations still allow for the payment of certain expenditures, known as expenditures without vouchers (DNT), in exceptional circumstances, if they are directly authorized by the relevant minister. The sector ministry then has seven days to issue the corresponding voucher. If it does not, it

will be subject to penalties, for example, it may be banned from collecting payments on vouchers due to it. However, in spite of strict accounting measures for this kind of expenditure, the greatest risk is noncompliance with the adjustment process, either because of insufficient appropriations or negligence on the part of staff.

Owing to the serious financial crisis that Guinea-Bissau is going through, treasury cash flow management is mandated by a Treasury Committee, which has the support of experts from the United Nations Development Programme (UNDP), and meets twice a week. Decisions on amounts to be paid are based on forecasts of the available values that must be confirmed on a daily basis. Decisions as to which vouchers are to be paid follow the same logic, with planning restricted to the very short-term. The DGT tracks the amount available in the Treasury account in the Central Bank of West African States (BCEAO) every day, and, based on information from the voucher control system, decides which expenditures will be paid on that day. Several sectoral units have their own accounts in the Bank of West Africa (BAO), held jointly with the DGT. Deposits are made to these accounts with own resources that are not processed through the budget or the accounts, which results in extrabudgetary expenditure.

Validated vouchers pending payment account for a large volume of arrears. There are still many outstanding items from the civil war period, and perhaps earlier. Late payments are the rule in expenditure actuals, which shows clearly that arrears are endemic to the system. For this reason, public institutions do not have credibility with their suppliers, and must pay for the goods and services they order prior to delivery. Thus, the public expenditure execution process has been reversed in Guinea-Bissau: goods and services are entered in the system after they are paid for. The sectoral authorities then begin the process of requesting commitment and validation of the payment, which has actually already been made.

Spending on government wages is much higher than recommended by the WAEMU guidelines. While the aim of WAEMU is to limit these expenditures to 35 percent of fiscal revenue, Guinea-Bissau currently spends about 82 percent. This is partially due to a lack of control by the Secretariat of Administration over this kind of expenditure: it is believed that so-called “phantom” employees account for a large share of that amount. In addition to reviewing the payroll and the hiring process (which has been temporarily suspended), and introducing performance standards, an integrated system needs to be developed to provide timely basic information for the effective management of the civil service.

Guinea-Bissau would do well to adopt an automatic tracking mechanism for late payments. Information on performance, amounts in arrears, and their monthly changes for each ministry should be made available to the public. The preliminary values in Table 4 below indicate the magnitude and recent growth of these arrears.

Table 4: Summary Table of Arrears (Estimated Values for December)

Arrears	2001	2002	2003
In millions of African francs	25,112	29,425	42,688

% Government spending	40.0%	62.1%	87.7%
% GDP	17.2%	20.7%	30.9%

Source: Preliminary data from the MEF, GGB, compiled by IMF AFR.

Indicator 9 ~ Effectiveness of the internal control system

General Assessment: The institutional environment is not conducive to internal control. However, there is at least an ex-ante control, as well as a few reports signaling shortcomings (although the recommendations are not usually acted on). (B) – Benchmark not met.

Since Guinea-Bissau's independence, it has never been able to develop an institutional environment that would enable effective internal control in the country. The legality of the public expenditure execution process is subject to an *ex ante* control by the financial control coordination unit of the DGO. *Ex ante* checks are also carried out on availability of budget appropriations and the accuracy of budget entries, as well as the legality of the transaction. The directorate enters the expenditure commitments in a computer by budget appropriation so as to track the balance to be collected.

The Inspectorate General of Finance (IGF) is not autonomous, does not have the necessary technical capacity, and is crippled by the absence of a public finance law. The authority is tasked with supervising the directorates of the MEF and state enterprises. Its working methods are unpredictable, and it acts mainly at the request of the Office of the Prime Minister or other ministries in auditing public services. Its working program of inspections and audits is approved at the beginning of each year by the MEF, and only a very small part of it is actually completed by the end of the year. In recent years, its end-of-year reports have not been sent to the Public Ministry, and remain under review indefinitely in the MEF. The MEF does not discuss the reports in the Council of Ministers. Moreover, as is often the case in developing systems, the IGF does not have the means to enforce its recommendations. Some directorates general have inspection units in charge of internal audits, which appear to be largely inactive.

Indicator 10 ~ Tracking studies are used

General Assessment: The control system is so fundamentally flawed that Guinea-Bissau has not yet been able to create the necessary conditions to track specific expenditures. (C) – Benchmark not met.

The government authorities told the mission that in 2003 almost no public expenditures followed the normal procedure. The procedures are in place, but are not observed, and no one is ever penalized. In addition to the difficulties caused by the lack of frameworks, both in terms of figures and adequate technical training for current staff, the circumstances favor corruption and flouting of the laws.

In addition to the *ex ante* controls in the DGO, *ex post* controls are also carried out by the IGF, which drafts reports stating whether or not the desired results have been achieved. The report for financial year 2001, the last published, cites several oversight failures in a number of instances. However, the MEF rarely reports such cases to the Public Ministry.

Guinea-Bissau has never been able to carry out special operations to track a given expenditure from initial authorization in the budget law to the final beneficiary. There are no plans nowadays for undertaking them, not even using sampling. The control system is so fundamentally flawed that tracking a given expenditure seems like an impossibly complicated task.

Indicator 11 ~ Quality of fiscal information

General Assessment: As budget execution practices are informal and there is no dissemination or proper auditing, significant procedural improvements are required, especially in the payment offices. (C) – Benchmark not met.

Daily reconciliation of expenditure accounts between the BCEAO and the DGT and the state chart of accounts inspired by the WAEMU directive are recent advances that received sustained support and technical assistance from the French Cooperation service. Disbursements are entered manually in a journal, along with the source of the funds, a payment schedule, and the number of the receipt issued to the creditor. The journal is closed every day and sent to the accounting department.

However, the revenue accounts are not properly reconciled. In May 2001, state tax collection was centralized through specific administrative bodies (payment offices), which were also tasked with entering the amounts collected in the accounts. Payments should be entered and recorded in the accounts on a daily basis in the double-entry pages of a journal, but are not to be reported to the government accounting office. Before the chief revenue collector transfers the amounts to the BCEAO, they must be recorded in the accounts under the appropriate budget heading in the ledger.

Countless problems impede the smooth functioning and recording of tax collection, the biggest of which is the practice, common in tax and customs payment offices, of using revenue directly for urgent expenditures. An additional problem is unreliable internal reconciliation between the amounts collected and those actually recorded by the chief revenue collector, as well as inadequate infrastructure, equipment, and human resources.

As budget execution practices are informal and there is no dissemination or proper auditing, significant procedural improvements are required, especially in the payment offices. The situation calls for the reform of management procedures to clearly define duties and eliminate direct payment of expenditures, thus creating the conditions for the production of reliable and timely fiscal data and information.

V. BUDGET REPORTING

Indicator 12 ~ Regularity and timeliness of internal fiscal reporting

General Assessment: The execution of a considerable share of expenditures outside of normal procedure gives rise to data incompatibilities and recording delays of more than one month. (C) – Benchmark not met.

The weaknesses in the budget formulation process are mainly to blame for problems of execution, and consequently, for inadequate and irregular dissemination of relevant data. Irregular expenditure execution means that innumerable adjustments and reconciliations are made, which delays the timely posting of account entries. These parallel financial circuits give rise to huge discrepancies between the data obtained by the DGO (commitment and validation) and those obtained by the DGT (payment). Examples of this include off-budget allocation by various authorities of the revenue collected by them, and the increasingly common practice of paying expenditures without prior validation.

In spite of data incompatibility and compartmentalized computer tracking in the budget and treasury directorates, the MEF has managed to produce financial statements. The DGO produces a monthly statement on budget execution that covers all commitments and validations, while the DGT reports on the budget execution of expenditures that have already been authorized for payment and that have effectively been paid, in addition to the balances payable. Both reports show expenditures by ministry and budget heading.

The MEF should strive to improve the budget formulation and execution process and ensure timely recording in the accounts by installing a computerized integrated financial management system, which would provide domestic fiscal data within four weeks after the end of the relevant period.

Indicator 13 ~ Periodic fiscal reports track poverty reducing spending.

General Assessment: The fact that the kinds of expenditure that are part of the poverty reduction program have not been identified or sufficiently defined means that the data needed to assess the impact of the measures adopted are not available.

(C) – Benchmark not met.

Given the current state of PEM in Guinea-Bissau, it is hard to obtain remotely reliable data on estimates and execution of poverty reduction expenditure. The functional classifier used, a simple aggregate of similar public institutions, does not serve to clearly identify expenditures that have a substantial social impact in state budget spending. No alternative solution has been proposed that might give consideration to specific headings. Therefore, because there is no clear definition of which kinds of expenditures are included in the poverty reduction program, the data needed to assess the scope of the benefits are not available.

In addition to tracking these expenditures, a good budget classification system should serve to introduce the necessary transparency in the periodic reporting of government spending. With these reports, the society will be able to see how much the GGB spent on each activity and project underway in each ministry or public office over a given time period. Transparency will highlight the policy priorities of the government in the allocation of its scant resources.

The government authorities urgently need to define the scope of the Poverty Reduction Program. The MEF, through the DGO, should establish the necessary functional classification to identify those data in the state budget that relate to the said program so as to facilitate monitoring and assessment of its execution.

Indicator 14 ~ Timely recording of accounting transactions

General Assessment: A general review and reform of the parallel budget and financial procedures practiced is needed to determine the outturn for each fiscal year in a timely fashion. (C) – Benchmark not met.

The political instability that was predominant until September 2003 disrupted the budget cycle, creating a management procedure void so great that the accounts for the last two financial years could not be closed. Given that the system does not process more than one financial year at a time, and that common practice has been to grant an additional three-month grace period following the end of the fiscal year, expenditures at the beginning of the year in question are only recorded after that time period is up, i.e. in April.

Furthermore, the existence of parallel financial circuits (in other words, state revenue that does not go through the government accounts), combined with the fact that a considerable number of special, very urgent expenditures are executed outside of normal procedure, gives rise to lengthy, labor-intensive adjustment work. In addition, expenditures financed with grants have been realized in the context of specific projects that are not controlled through the state budget, which makes it difficult to obtain timely data on execution.

A general review and reform of the parallel financial and budget procedures is necessary for the budgetary outturn of each year to be determined in a timely manner, that is, at the latest, two months after the close of the financial year.

Indicator 15 ~ An audited report of the financial accounts is presented to the legislature (Assembly) within twelve months.

General Assessment: The GGB has not been able to close the annual accounts and present them to the NA since 1986. (C) – Benchmark not met.

Although the budget and budget execution are recorded in a computer in the DGO, and the vouchers and bank accounts for making payments are recorded in a computer in the DGT, the

two directorates do not exchange information, which makes it difficult to construct the validation and payment positions. The procedures adopted on the basis of the system used by WAEMU member countries have not produced the desired results due to generally weak management structures. According to practice, it can be said that current entries relate only to budget execution, on an accrual, single entry basis. As the accounting system is not sophisticated enough to record all administrative acts of the GGB bodies, the annual accounts have not been closed and sent to the NA since 1986.

The lack of structure and functionality of the accounting system makes it impossible to record all the activities carried out by state administrators, and is one of the most serious problems that exist today. The problem cannot be solved simply by setting a deadline to be met by the government financial authority, in this case, the MEF. The existence of arrears going back several fiscal years, which are monitored by the Treasury but not entered in the accounts, is an indication of the inefficiency of the accounting process. Insufficient technical capacity and frequent staff changes at the DAFs in the sectoral bodies are yet another reason for the poor functioning of the financial process as a whole. With regard to internal and external control, the IGF lacks technical capacity, and the Audit Court (AC) does not operate properly, especially in the *ex post* auditing of government accounts.

A general review of the budget, financial, asset management, and control procedures in the GGB financial system is required so that the outturn for each financial year can be determined in a timely manner (in keeping with established deadlines) and with the requisite quality and reliability for decision making by government officials and international organizations working to rebuild the country.

VI. GOVERNMENT PROCUREMENT

Indicator 16 ~ Efficiency and effectiveness of the public procurement system

General Assessment: At this time, Guinea-Bissau does not have a system of procurement that functions effectively and efficiently.

(C) – Benchmark not met.

Regulations for the procurement process, which are currently based on rules established annually, mostly under the Budget Law (limits on open and selective tendering, etc.), are under review. A “preliminary draft law” has been prepared which, if passed, will govern all procedures for public bidding for government project, service, procurement, transfer, or leasing contracts, in the branches of government. This document, drafted by a specially recruited consultant, is now in the final stage of evaluation by the state authorities, who are to send it to the NA for review and approval by the end of March 2004.

Although steps are being taken to improve the process overall, at this time, the GGB clearly does not have a functional system for the procurement that is both efficient and effective, and that renders the investment of public funds transparent. The steps presently being taken need

to be effectively consolidated. These are: the approval of the preliminary draft law to regulate the procurement process, the identification and registration of all state assets, and the installation of an integrated computer system to register and control liquid and fixed assets.

VII. ACTION PLAN TO UPGRADE PUBLIC EXPENDITURE MANAGEMENT

Every phase of the budget cycle in Guinea-Bissau is fundamentally flawed, from ad hoc budget formulation to flexible execution practices to the lack of dissemination and proper audits. The relative progress in budget discipline in 2001 has been completely rolled back, and irregular practices have predominated since July 2002. It is no wonder that the Poverty Reduction Strategy Paper (PRSP), prepared by the government in 2000, is still a provisional document because there is no macroeconomic framework or list of poverty reduction priorities, and because the cost of the strategy has not been presented.

The lack of political maturity and sound democratic institutions continues to make institutional instability a marked characteristic of the country. The nascent democratic structure of the state is not developing in a manner that ensures a clear separation of powers that would allow for accountability, transparency and the functioning of an independent judiciary. Currently, a major constraint on the performance of the public sector is the lack of a strong political and legal framework that enables and supports the norms of good governance and proper management of public affairs. In the first semester of 2004 the country will have elected a new government, and the most immediate challenge will be how to establish fiscal discipline and strengthen the country's institutions, so that it can return to a path of sustainable economic growth within an adequate macroeconomic framework.

Compared to the other WAEMU member countries in the area of public finance, the GGB still has a long way to go in adapting its internal standards and institutions. The WAEMU body of rules and regulations on budget classification, government accounting rules, the state chart of accounts, and state financial operations is based on the French budget system. Therefore, issues relating specifically to Guinea-Bissau, with its roots in the Portuguese system, should be dealt with in a visible and transparent fashion.

The procedures presently used for budget formulation, recording of the approved budget, financial and budget execution, and accounting result from an alignment with the WAEMU member countries. Some surmise that, because the procedures were approved by the council of that organization, there is no need for the country to issue its own legal text. Although this may be grounds for somehow legitimizing the existing process, it is advisable for the country to draft and pass its own legislation for enactment by Parliament that gives more extensive coverage than the document that was issued under the aegis of WAEMU and tailored to the local context.

Experience in other African countries that have reformed their public finances shows that, for faster, better results, reform should begin with the amendment of the main legal text, or in this case, with the drafting of a new Framework Law covering all aspects of public financial execution. The new law should stipulate the basic rules defining the formulation of the state budget; budget classification as it relates to revenue and expenditure; the system and method used for the execution and recording of administrative acts and events over the financial year; the arrangement for the safekeeping of state assets; the internal control process to be implemented by the GGB; the format and time periods for the presentation and dissemination

of data to the public; and the penalties that will apply to government authorities for noncompliance with the rules set out in the law.

This measure should be the first in the administrative and financial reform process to be undertaken. Some elements of the reform are already underway in Guinea-Bissau. The next step should be to review and issue, by presidential decree, the guidelines which will be needed to regulate each of the components of the Financial Law.

Table 5 below, "Action Plan to Upgrade PEM Capacity in Guinea-Bissau," lists the short and medium-term measures recommended by the mission, which are consistent with recommendations in the World Bank Public Expenditure Management and Financial Accountability Review (PEMFAR) recently approved by the government. The measures aim to solve the problems identified in the course of the assessment, on the basis of indicators for budget formulation (1-7); budget execution (8-11); budget reporting (12-15), and; public procurement (16).

The timeframe for the measures presented (numbered 1 to 33), listed in order of the likelihood that they will be implemented in the short or the medium term, is based on the analysis of the mission itself, following an assessment of the probability of implementation. Most of the actions to be taken relate to the serious weaknesses that exist in the public expenditure management system in Guinea-Bissau. The GGB and institutions concerned will have to make a great effort over a long period of time to achieve a management system that meets the basic minimum standards. In light of the limited capacity for implementation, as recognized by the GGB and donors, the mission considers that, for the reforms to succeed, it is vital to constantly monitor the impact of changes in current practices.

The measures, listed in order of priority under each section, address issues such as review and amendment of basic legislation; improvements to organizational infrastructure; adaptation of the budget classifier; reporting; development and implementation of computerized procedures; review of the presentation of government accounts; regulation of the procurement process; the internal control system, and the need to develop an integrated system that provides timely basic information for the authorities to make their decisions.

Table 5: Action Plan to Upgrade Public Expenditure Management Capacity in Guinea-Bissau

BUDGET		SHORT-TERM MEASURES (Within next 12 months)			MEDIUM-TERM MEASURES (12 months to 3 years)		
		Action	Ind	T A	Action	Ind	T A
Formulation	Comprehensiveness	<p>01. Implement a methodology and a calendar for the budget formulation.</p> <p>02. Improve DGO infrastructure.</p>	3 1		<p>01. Establish a single, comprehensive budget for the state</p> <p>02. Eliminate the MEF/PM dichotomy in budget formulation.</p> <p>03. Prepare plan to reinforce the DAFs in the ministries with a sufficient number of skilled staff.</p> <p>04. Organize seminars to train and sensitize the different staff involved in the budget and finance department.</p>	2 3 3 1	
	Classification	<p>03. Effectively implement financial legislation and WAEMU guidelines.</p> <p>04. Review and finalize the state budget classification.</p>	5 5		<p>05. Propose a new functional classification for budget expenditures that is compatible with COFOG.</p> <p>06. Review the administrative and economic classifications.</p> <p>07. Define and clearly identify poverty reducing expenditures in the budget.</p> <p>08. Introduce the “financing source” classifier in the budget to identify funds from each donor individually.</p>	5 6 2 4	
	Projection				<p>09. Review and regulate the process of revenue collection in such a way that all revenue goes through the government accounts.</p> <p>10. Organize and execute the commitment of the Short-term Economic Indicators Directorate and the INEC in the budget process.</p> <p>11. Create a medium-term fiscal framework.</p>	7 7 7	

Execution	Internal Control	<p>05. Implement a permanent routine for managing the Treasury cash flow plan.</p> <p>06. Identify and ban the use of parallel financial circuits and irregular practices.</p> <p>07. Limit the use of the DNT procedure to exceptional circumstances.</p>	8 8 8	<p>12. Eliminate duplication in expenditure control.</p> <p>13. Prepare a timetable of periodic inspections to be carried out by the IGF.</p> <p>14. Conduct a study on the organizational chart of each control entity and train staff.</p> <p>15. Develop an integrated system that provides timely basic data and serves to effectively manage the civil service.</p>	9 10 9 9
	Reconciliation	08. Develop a procedure for monthly reconciliation of data between DGO, DGT, and tax and customs administrations.	11	16. Improve the financial controller information system.	11
Reports	In-Year Reporting	09. Determine the basic reports to be issued periodically during the financial year.	12	<p>17. Define the scope of the Poverty Reduction Program and identify the budget headings covered.</p> <p>18. Implement an integrated financial management system in the DGO and the DGT.</p> <p>19. Develop IT procedures for issuing the periodic reports.</p>	13 14 12
	Final Audited Accounts			<p>20. Conduct a study to determine the necessary procedures for developing the new state chart of accounts.</p> <p>21. Develop IT procedures for issuing the annual reports to be included in the state accounts.</p>	15 15
New	Public Procurement	10. Approval of the preliminary draft law to regulate the procurement process.	16	<p>22. Identification and registration of all state assets.</p> <p>23. Installation of an integrated computerized system to register and control liquid and fixed assets.</p>	16 16

Table 6: Overview of Technical and Donor Assistance in Upgrading Public Expenditure Management

Donor/Provider**	RECENT/ONGOING Assistance by Major Project		PLANNED Assistance by Major Project	
	Description	Dates	Description	Dates
IMF/Afritac			Budget formulation: improve the process to define the annual sectoral spending caps and the subsequent negotiations with spending ministries.	2004-06
			Budget formulation: improve budget classifications, in particular redefine the functional classification. Add a funding source classifier to the budget law.	2004-06
			Budget formulation: improve working conditions in the DGO and sectoral DAFs. Staff training.	2004-06
			Manage Treasury Plan, cash flow: methodology and training.	2004-06
			Budget execution: improve working conditions in the DGT. Staff training.	2004-06
UNDP	Recast civil service legislation, and introduce a payroll management and control system.		Regulate public finance: prepare a general public finance code.	2004-06
EU			Install a public finance management computer system to involve the DGO and the DGT in all phases (formulation, execution, and reporting) of the government accounts process.	2004-06
Cooperation Francaise			Train DGT staff to reconcile Treasury accounts with the Central Bank.	2004-06
Portuguese Government			Improve working conditions in the DGI: staff training, equipment.	2004-06

Table 7: TA providers in PEM

AfDB	African Development Bank
China	China
CF	French development assistance
NEDA	Netherlands Development Assistance
EU	European Union
IMF	International Monetary Fund
ISDB	Islamic Development Bank
SIDA	Swedish International Development Agency
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union
WB	World Bank

Table 8: Summary Assessment

BUDGET MANAGEMENT		GENERAL ASSESSMENT
Formulation	COMPREHENSIVENESS	
	1. Budget reports use the <i>GFS Manual</i> definition of general government.	Consolidated general government reports are not produced. In recent years, the reports prepared show only a small portion of central government expenditures that are still processed through the budget. (C)
	2. Government activities are not funded through inadequately reported extrabudgetary sources to a significant degree.	Budget coverage is extremely limited. Probably less than half of expenditures that should appear in the government budget are actually included. (C)
	3. Budget execution (levels, functions, allocation) is quite close to initial budget.	Due to the unreliable way in which the budget is formulated, with no real negotiations between the DGO/MEF and the sectoral authorities concerned, with the exclusion of a significant portion of own revenue, and with no accurate data on grants, its reliability can be said to be extremely low. (C)
	4. The budget contains current and capital expenditures financed by donors.	In the budget formulation phase, the DGO receives little reliable data on incoming grant estimates. After expenditure actuals, some authorities provide data to the DGO, which appropriates it in its execution reports. (B)
	CLASSIFICATION	
	5. Budget expenditures are classified on an administrative, economic, and functional basis.	The budget process in Guinea-Bissau uses reasonably adequate administrative and economic classifications. Functional classification is neither sufficiently explained, nor well defined. There is no programmatic budgeting. (C)
	6. Poverty reducing expenditures are clearly tagged in the budget.	There is not yet a government definition that allows for the accurate tagging of poverty reducing expenditures. (C)
	PROJECTION	
7. Medium-term forecasts are integrated into the budget cycle.	The medium-term macroeconomic situation is not factored into the budget formulation process. (C)	

BUDGET MANAGEMENT		GENERAL ASSESSMENT
Execution	INTERNAL CONTROL	
	8. The stock of arrears is small, with little accumulation in the last year.	There is a large stock of arrears relating to the numerous outstanding items dating back to the civil war period. Arrears have become standard in expenditure actuals, and are clearly endemic to the system. (C)
	9. There is regular, active internal control.	Although the institutional environment is not conducive to internal control, and although the recommendations have not been acted on, there is at least an <i>ex ante</i> control, and some reports have signaled flaws. (B)
	10. Internal control includes expenditure tracking surveys.	The control system is so fundamentally flawed that Guinea-Bissau has not been able to create the necessary conditions to track specific expenditures. (C)
	RECONCILIATION	
	11. Reconciliation of fiscal and banking records is undertaken routinely.	Informal budget execution practices and a lack of dissemination and proper audits point to the need for substantial procedural improvements, especially in the payment offices. (C)
Reporting	REPORTING	
	12. Internal fiscal reports are received from the sector ministries and the Treasury within four weeks of the end of the fiscal year.	The execution of a significant number of expenditures outside of normal procedure causes data incompatibilities and account recording delays of over one month. (C)
	13. Functional classification is reflected in the budget reports over the fiscal year.	The kinds of expenditures to go into the poverty reduction plan are not identified or defined, with the result that the data needed to assess the scope of the measures adopted are not available. (C)
	FINAL AUDITED ACCOUNTS	
	14. The accounts are closed within two months of the end of the fiscal year.	Parallel budget and financial procedures need to be generally reviewed and adapted to obtain the outturn for each fiscal year in a timely manner. (C)
	15. The audited accounts are presented to the Assembly within twelve months of the end of the fiscal year.	The GGB has not been able to close the annual accounts and present them to the NA since 1986. (C)

BUDGET MANAGEMENT		GENERAL ASSESSMENT
Procurement	16. The government procurement system ensures the efficient and effective management of public resources and expenditure with clear rules that promote competition, transparency, and value for money.	At this time, Guinea-Bissau does not have a state assets procurement and control system that functions efficiently and effectively. (C)