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MALI

**HEAVILY INDEBTED POOR COUNTRIES INITIATIVE
ASSESSMENT AND ACTION PLAN**

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List of Abbreviations

AFD = Administrative and Financial Director
AfDB = African Development Bank
ASSC = Accounts Section of the Supreme Court
BCEAO = Central Bank of West African States
COFOG = Classification of the Functions of Government
CTAO = Central Treasury Accounting Office
DBM = Development Bank of Mali
FAD = IMF Fiscal Affairs Department
GAA = Government Administrative Agency
GDPP = General Directorate for Public Procurement
GFSM = IMF *Government Finance Statistics Manual*
GPSAO = General Public Services Audit Office
HIPC = Heavily Indebted Poor Country
INTOSAI = International Organization of Supreme Audit Institutions
MTEF = Medium-Term Expenditure Framework
NDT = National Directorate of the Treasury
NFAD = National Financial Audit Directorate
NGO = Nongovernmental Organization
NSSI = National Social Security Institute
PEM = Public Expenditure Management
PRSP = Poverty Reduction Strategy Paper
TOFE = Government Flow of Funds Table
WAEMU = West African Economic and Monetary Union

SUMMARY OF RECOMMENDATIONS

This report contains an assessment of Mali's budget management system capacity with respect to tracking poverty-reducing spending. It is based on a common framework of 16 benchmarks¹ that is applied to all IMF/World Bank Heavily Indebted Poor Countries (HIPC) Initiative beneficiary countries. The assessment and corresponding action plan were reviewed and mutually agreed upon with the Malian authorities and Mali's main development partners and will be published once they have been completed.

At the time of the first HIPC Initiative assessment in 2001, Mali met 8 of the 15 benchmarks. In the meantime, considerable progress has been made in various areas. This assessment shows that Mali has met 11 of the 16 indicators (Appendix Table 1). With regard to the targets that have not yet been achieved, generally speaking, Mali is much closer to its goal than in 2001. However, in two areas, the results of the assessment are worse than in 2001. This is attributable to the fact that these indicators have been refined and does not reflect deterioration in management capacity in the areas concerned.

The budget now covers the entire general government sector, as described in the *Government Finance Statistics Manual 2001* (GFSM), and in particular, the entities identified in the Poverty Reduction Strategy Paper (PRSP). The functional classification is in conformity with the Classification of the Functions of Government (COFOG), harmonized with the classification by program, and enables the poverty reducing expenditure to be tracked correctly. In addition, multiyear spending projections are included in the budget formulation process.

Nevertheless, there are some weaknesses that it would be advisable to eliminate as soon as possible. Specifically, total government administrative agency (GAAs) revenues and expenditures could be consolidated and presented in an annex to the budget law, and their implementation could be tracked in greater detail in the expanded government flow of funds table (TOFE). Further, the coverage of donor-funded projects is not comprehensively reflected in forecasts and outturn data.

Although the four benchmarks regarding budget execution were met at the time of the previous assessment, only two are still met now. This is due to the change in assessment method mentioned above and does not therefore reflect deterioration in the situation. However, efforts should be made in particular to: (i) improve the information relating to outstanding expenditures; (ii) strengthen internal control; and (iii) develop the number and quality of tracking surveys carried out to supplement internal control.

¹ The 2001 assessment was based on 15 benchmarks. A new indicator on expenditure procurement was added at the time of this mission, bringing the total number of benchmarks to sixteen.

Significant progress has been achieved with regard to budgetary account auditing and submission. The lags involved in submitting monthly budget execution reports to the Treasury for consolidation are acceptable. These reports now provide information on poverty-reducing spending according to functional classification. It should be stressed that the complementary period is shorter than that permitted by the West African Economic and Monetary Union (WAEMU) (one month instead of two). Elsewhere, the delay in preparing the draft budget execution laws (*lois de règlement*) has been largely eliminated. Nevertheless, some shortcomings remain: in particular, the databases are still uncoordinated; the use of several software and a restricted circulation of financial reports. The authorities are aware of these shortcomings and have undertaken to remedy them.

The recently introduced benchmark relating to public procurement is not met. The legal and regulatory framework for public procurement is quite comprehensive. However, the recent World Bank report on public procurement raises some important issues that need to be addressed.

The report puts forward an action plan to strengthen Mali's budget management capacity. The plan's general objective is to help the country to meet all 16 indicators in the medium term. In the mission's opinion, this is an ambitious, but achievable target that calls for sustained effort at all levels of government. One of the main priorities in many areas will now be to extend beyond the procedural monitoring of compliance with the rules to give greater emphasis to effectiveness and efficiency based on a sharper focus on risk management.

I. INTRODUCTION

An IMF/World Bank mission visited Bamako from April 4 through 17, 2004² to assess the capacity of the Malian government to track poverty-reducing spending, and to prepare, with the Malian authorities, an action plan to make the necessary improvements in this area. The mission assessment and the action plan proposed are based on constructive discussions with the various stakeholders, whose contribution was welcomed by the mission.

In particular, the self-assessment prepared by the Malian authorities formed a very useful basis for the mission's work. The draft mission report was reviewed in the course of meetings attended by the authorities and representatives of the main development partners, and their comments have been taken into account in the final draft report.

During its stay, the mission met the Minister of Economy and Finance (Mr. Bassary TOURÉ), the President of the Accounts Section of the Supreme Court (Mr. Ouéna Baba NIARÉ), the General Controller of Public Services (Mr. Amadou GADIAGA), the General Secretary of the Ministry of Economy and Finance (Mr. Bangaly N'Ko TRAORÉ), the official representative (*chargé de mission*) for the Minister of Economy and Finance (Ms. Assitan KOUYATÉ), the National Director of the Budget (Mr. Abdoulaye TOURÉ), the Deputy National Financial Audit Director (Mr. Adama Yacouba TOURÉ), the Deputy National Director of the Treasury and Public Accounting (Mr. Souleymane ONGOIBA) and the first *Fondé de pouvoir* (Mr. Sidi Almoctar OUMAR), the Central Treasury Accounting Officer (Mr. Fangatugu DOUMBIA), the Paymaster General of the Treasury (Ms. Diarra Aminata COULIBALY) and of the Procurement Department (represented by Mr. Sidi COULIBALY), and their colleagues. The mission also visited the Ségou region and met the Economic and Financial Adviser to the Regional Governor (Mr. Kassoum KONÉ), the President of the Ségou Regional Assembly (Mr. Abdouramane TRAORÉ), the President of the Ségou County Council (*Conseil du cercle*) (Mr. Siaka MALLÉ), the mayor of the Pelengana commune (Mr. Yamoussa COULIBALY), the Regional Director of the Budget (Ms. Germaine SAMANKÉ), the Regional Treasurer/Paymaster (Mr. Marimpa SAMOURA), the Regional Director of Financial Audit (Mr. Gaoussou MAKADJI), the Principal of the Ségou Educational Academy (Mr. Boniface KEITA), the Regional Director of Health (Dr. Mady KAMISSOKO), the General Director of the Rice Board (Mr. Kassoum DENON), and various other regional and local officials. The mission traveled to the villages of Dougoukouna and Zambougou Zoumaira to obtain information on the various projects financed by the HIPC resources and implemented by the Ségou Rice Board.

² The members of the mission were Mr. Eivind Tandberg (mission head), Mr. Lubin Doe and Mr. Jean-Luc Helis (all from the Fiscal Affairs Department, FAD), and Mr. Robert Cauneau (World Bank). Ms. Gisèle Suire, FAD Expert at the West AFRITAC, and Mr. Abdoulaye Konaté from the World Bank resident mission took part in various meetings.

A. HIPC Assessment Process

In 2001, the staffs of the Fund and the World Bank jointly undertook a comprehensive assessment of the public expenditure management (PEM) system in Mali. The assessment was based on 15 benchmarks in the areas of budget formulation, execution, and reporting. The objective of the exercise was to assess the capacity of the PEM system to track poverty-reducing spending in the context of the Enhanced HIPC Initiative and to ascertain how the international community could provide further assistance in strengthening existing systems. Based on the assessment, an action plan was agreed with the authorities and technical assistance needs were identified. The results of the assessment (along with those of 23 other HIPC Initiative beneficiary countries) were reported to the Executive Boards of the Bank and the Fund in March 2002.³ Subsequently, progress in implementing the action plans was reported to the two Boards in March 2003.⁴

The 2001 assessment concluded that the PEM system in Mali needed upgrading. Eight of the 15 benchmarks were met – three (of seven) in budget formulation, all four in budget execution, and one (of four) in fiscal reporting. In the view of the 2001 mission, budget preparation was relatively satisfactory, although improvements were required in information on grants, budget classifications, and medium-term forecasts. The budget provided categories for HIPC-financed expenditures, but did not identify non-HIPC poverty-reducing expenditures. As mentioned above, budget execution procedures generally met the assigned standards. The main weaknesses related to fiscal reporting and auditing of annual accounts, where there were significant shortfalls in the regularity, reliability, and timeliness of publication of fiscal and audit reports.

The review of the implementation status of the action plan as conducted by the IMF mission in 2003 indicated that Mali had implemented five of the 13 measures proposed in the action plan of the 2001 mission. These included the identification of poverty-reducing headings in the budget and the inclusion of a table specifying these expenditures; application of COFOG to the current and development budget; the preparation of two-year budget projections, and strengthening of external audit. Measures that remained to be implemented included improving the accounting of externally financed disbursements, introducing an economic classification consistent with the *GFSM*, strengthening internal audit, introducing tracking surveys, improving local government reporting, and preparing quarterly budget execution audit reports.

³ Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries, SM/02/30, Revision 2 dated March 21, 2002.

⁴ Update on Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending, SM/03/90 dated March 11, 2003.

The Executive Boards of the Bank and the Fund asked the staff to carry out another comprehensive review of the PEM systems in the HIPC countries and to submit the findings in the Fall of 2004. This assessment of Mali is part of this process. It is based on the same general framework as the 2001 assessment, but the assessment guidelines have been refined and made more specific to facilitate comparisons from one country to the next. The 2004 assessments use a new 16th indicator on public procurement.

B. Mali's Poverty Reduction Strategy

Mali completed the preparation of its poverty reduction strategy in May 2002. This exercise was based on a broad-ranging participatory process. The strategy resulting from this process is used as the framework for all medium-term policies and as the core document for negotiation with all technical and financial development partners. Poverty is widespread in Mali inasmuch as it affects 64 percent of the population, including 21 percent living in extreme poverty. Illiteracy, malnutrition, reduced life expectancy, underemployment and unemployment are common.

The poverty reduction strategy is based on three main priority areas that are intended to be mutually beneficial:

- **Developing institutional capacities, and improving governance and participation**, which require several major reforms to strengthen the capacity of government and civil society, specifically the efforts to strengthen budget management that are assessed in this report;
- **Developing human resources and improving access to basic social services**, which aims to meet the basic needs of primary health care, education, and the fight against endemic diseases, in particular malaria and HIV/AIDS; and
- **Developing infrastructure and support for the productive sectors**, which aims to increase productivity and spur economic growth through regional and rural development, as well as by strengthening the capacity of the private sector.

Current efforts to strengthen budget management capacity are consistent with the implementation of the poverty reduction strategy in several respects. First, budget management reforms are considered to be key objectives of the strategy. Second, they are essential to enable the government to implement the other parts of the strategy. Any initiatives aiming to strengthen primary health care or regional development measures are doomed to failure unless the government has a sound, transparent, and reliable system to channel resources to priority areas, to track the use of these resources, and to ensure that they are used wisely. Finally, the HIPC assessment process makes clear that a sound budget management system is a matter of the utmost importance for the partners; for in this way they will be assured that their resources are used wisely and responsibly. This will strengthen the country's ability to attract external resources and to move from project financing toward support for sectoral and general budgets.

II. ASSESSMENT OF THE CAPACITY TO TRACK POVERTY-REDUCING PUBLIC SPENDING

A. Assessment Coverage

This assessment essentially covers the structures of central government, including the deconcentrated central government agencies at the regional level. Mali has nine administrative regions, 49 counties (*cercles*), and 703 communes. The regions and counties are governed by a governor and a prefect, respectively, who are appointed by the central government. The National Directorates of the Budget, the Treasury, and Financial Audit, as well as the main ministries, specifically education and health, have been devolved or “deconcentrated” to the regions, and in some cases to the counties.

The budget law contains an annex that reports the resources allocated to each of the deconcentrated administrations. From 2001 through 2003, the deconcentrated central government agencies executed between 11 percent and 15 percent of total poverty-reducing expenditures from their own resources. Their share in the HIPC resources grew from 4 percent in 2001 to 14.5 percent in 2003.

The deconcentrated administrations are closely bound up with the central government structure. They are governed by the same laws and regulations, and use the same budget and accounting classifications and control mechanisms. The specific concerns relating to budget management at the deconcentrated level are reviewed under the various indicators in this section.

Besides the deconcentrated administrations, there are decentralized administrations (i.e., local governments), which are the regions’ assemblies, the county councils, and the communes. The decentralized authorities’ tax revenues are divided among these three levels of government, with the major portion being allocated to the communes. For example, the revenues from the regional and local business tax (*taxe de développement*) levied on income are apportioned as follows: 5 percent for the region, 15 percent for the counties, and 80 percent for the municipalities. Conversely, property tax (*impôt foncier*) is entirely allocated to the municipalities. The local governments also receive central government subsidies.

However, the overall level of financial activity of the local governments is very modest. In 2003, total expenditures of these local administrations were estimated at less than CFAF 20 billion, or about 3.5 percent of total government expenditures. The local administrations take very little part in poverty reduction efforts and HIPC expenditures. They may use counterpart financing in order to ensure that certain poverty-reducing investment activities, financed by the budget, are executed in their region, but they do not participate in the management of these counterpart funds. In 2001, counterpart financing represented 4 percent of total poverty reduction expenditure. This ratio fell, however, to 0.6 percent and then 0.5 percent in subsequent years. Given the very limited role of the local governments in expenditure execution, this report does not cover assessment of their financial management.

B. Budget Formulation

Indicator 1: Coverage of the state budget or fiscal reporting entity.

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

Assessment: The benchmark is met. Overall, the fiscal data match the definition of the general government sector set out in the GFSM and the entities are identified in the PRSP. The financial operations of all these structures are tracked in the existing accounting systems and budget reporting have the same coverage as the budget.

The government budget is sufficiently comprehensive, covering at least 95 percent by volume of the general government as defined in the GFSM. Poverty-reducing spending is clearly identified. The general government budget covers the expenses of the ministerial departments and institutions (31), the administrative agencies (50 GAAs), the special accounts (3), and the specific budgets (5). It includes the budgets of the deconcentrated government agencies. Capital expenditures are associated with the relevant functional unit (agency).

GAA and local government operations are recorded only in respect of the amount of transfers conducted through the state budget. The organizations that do not receive government subsidies, such as the National Social Security Institute (NSSI) are not included in the general government budget. However, the expenditures of these entities are less than 5 percent of total spending. The benchmark is deemed to be met.

Indicator 2: The degree of spending being funded by inadequately reported extrabudgetary sources

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

Assessment: The benchmark is not met. Extrabudgetary operations are significant. Data on their execution are not always detailed and transparent.

Some self-raised revenues of GAAs and the associated expenditures are not included—or are only partially included—in the budget law and the fiscal reporting. According to the public

finance table (TOFE) (drawn up by the Treasury based on ledgers of expenditures and revenues), the known revenues of the GAAs, outside the general government budget, amounted to CFAF 23.7 billion in 2003, or 4 percent of total government revenues. Some of these revenues are used for poverty reduction.

In Mali, there is an accounts officer (a government accountant) in each GAA, and a financial controller in 25 of the largest GAAs. The other GAAs are audited by the central or regional agencies. The government accountant audits the execution of the entire budget with respect to revenues and expenditures. However, the financial and budgetary documents available (statements of budget execution, general Treasury trial balance, and TOFE) do not provide sufficiently precise information on extrabudgetary operations. The mission thus considers that this benchmark is not met.

A more detailed and clearer presentation of all the resources and expenditures of the GAAs, based on accounting and/or financial information held by the financial controllers and the government accountants, should enable this benchmark to be met. In particular, the expanded TOFE should contain at least one line for the GAAs' extrabudgetary operations. At present, these are mingled in with the special accounts and the specific budgets.

Indicator 3: Reliability of budget as guide to future

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

Assessment: The benchmark is met. There is no systematic under budgeting of current items and the overall budget utilization rate is reasonable, particularly with regard to poverty-reducing spending.

In the mission’s view, the budget is a reasonably reliable guide overall to the government’s fiscal policy. Over the past three years, the average execution rate for total expenditure was about 85 % (Table 2). However, this can be decomposed in an average execution rate for domestically funded expenditures, which was 93 percent, while the execution rate for externally funded expenditures, representing on average 95 percent of total capital expenditure was only 65 percent.

Table 2. Mali: The State Budget Execution Statements, 2001-03 (in CFAF billions):

| Years | Source of financing | Budget appropriations | Execution | Execution Rate |
|-------------------------|---------------------|-----------------------|------------|----------------|
| 2001 | Domestic Financing | 392 | 367 | 94% |
| | External Financing | 196 | 125 | 64% |
| | Total | 588 | 492 | 84% |
| 2002 | Domestic Financing | 471 | 451 | 96% |
| | External Financing | 208 | 140 | 67% |
| | Total | 679 | 591 | 87% |
| 2003⁵ | Domestic Financing | 518 | 465 | 90% |
| | External Financing | 220 | 141 | 64% |
| | Total | 738 | 606 | 82% |

Source: The Malian authorities

This indicates that the main problem has to do with obtaining information on operations carried out through external financing. Full information is not available on these operations, which relate specifically to projects financed by external loans or grants where the expenditure payment orders are not cosigned by the Malian authorities. The investment

⁵ The amounts for the 2003 execution are provisional.

budget execution statement does not therefore fully reflect all operations carried out. These issues are assessed more explicitly under benchmark 4.

As the overall budget gap in the last two years was about 15 percent of total budget expenditures, and as the analysis at the functional level showed that the average variations were less than 20 percent during the last three years, the mission considers that this benchmark is met (Table 3). The total variation is clearly at the limit of what is required. However, since this primarily is related to the inadequate inclusion of donor funds, which is

Table 3. Mali: Sectoral Deviations of Outturn from Budget, 2002–03 1/

| Functional classification | 2002 | | | 2003 | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | Budget | Actual | % Variation | Budget | Actual | % Variation |
| General public services | 73.37 | 63.25 | - 13.80 | 79.08 | 77.29 | -2.26 |
| Diplomacy and Foreign Affairs | 11.99 | 11.19 | - 6.67 | 12.82 | 8.46 | -34.00 |
| Defense | 46.43 | 46.21 | -0.47 | 52.79 | 51.72 | -2.02 |
| Basic Education | 51.08 | 51.84 | 1.48 | 74.16 | 64.02 | -13.67 |
| Secondary education and scientific research | 27.04 | 26.49 | -2.03 | 28.15 | 27.76 | -1.38 |
| Culture recreation and sports | 6.32 | 5.68 | -10.12 | 8.53 | 7.98 | -6.44 |
| Health | 38.50 | 31.19 | -18.98 | 52.06 | 33.47 | -35.70 |
| Public health services | 16.96 | 12.35 | -27.18 | 17.20 | 17.96 | 4.41 |
| Employment | 0.70 | 0.63 | -10.00 | 1.03 | 1.03 | 0.00 |
| Agriculture | 110.19 | 82.00 | -25.58 | 100.27 | 63.39 | -36.78 |
| Mining manufacturing and hydroelectricity | 32.67 | 22.92 | -29.84 | 27.82 | 21.43 | -22.97 |
| Urbanism and construction | 65.45 | 55.78 | -14.77 | 70.77 | 68.86 | -2.70 |
| Transport | 17.02 | 11.50 | -32.43 | 10.75 | 3.13 | -70.88 |
| Communication | 6.29 | 3.70 | -41.17 | 9.17 | 8.57 | -6.54 |
| Total | 504.01 | 424.73 | -15.73 | 544.60 | 455.07 | -16.44 |

Source: The Malian authorities

1/ The debt service (budgeted and actual) is not included in the table.

discussed a separate benchmark (4), the mission felt that it should not also be the determining factor for benchmark 3.

Indicator 4: Inclusion of donor funds

Benchmark 4: Budgets and/or fiscal reports at all levels of government include foreign grants and loans and related expenditure.

Assessment: The benchmark is not met. Observance of this benchmark requires that all activities financed by donors be disclosed in full in advance or as soon as possible after the event, which is not currently the case.

Information on all external project financing is not comprehensive; information on programs is satisfactory. In 2003, the amounts of foreign aid projected in the budget were CFAF 141 billion in total. The main donors of grants were the European Union with CFAF 29.6 billion and the Netherlands with CFAF 11.6 billion, and the main providers of loans were the AfDB (CFAF 19.7 billion) and IDA – SAC 3 with CFAF 15.8 billion.

On December 31, 2003, CFAF 86.6 billion was actually released, including CFAF 51.7 billion from grants and CFAF 34.9 billion from loans. In the 2004 budget law, external resources are funding 98 percent of the investments provided for in the state budget.

With regard to the formulation of the budget law, there are sometimes lags between the approval of financing by donors and the preparation of the beneficiaries' budget. Moreover, some grants are not included in the budget, in particular in the special investment budget, as the corresponding operations are carried out directly between donors, NGOs (relating to government operations), and beneficiaries, without passing through the Ministry of Finance. According to our contacts, the amounts of such operations are small.

The problems are more related to project execution. As mentioned above, the government agencies have problems in obtaining reliable information from donors on the execution of project spending where the disbursements are not cosigned by the Malian authorities. Several donors impose their own procedures for resource disbursement. These expenditures are estimated based on off balance sheet records held by the National Directorate for Planning, which is not a satisfactory situation.

The government has undertaken discussions with donors, including at the round table held in March 2004 in Geneva, so as to simplify the procedures, reduce conditionality, and encourage them to make greater use of the Malian expenditure management systems.

Indicator 5: Classification

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

Assessment: The benchmark is met. The budget nomenclature used conforms to international standards. In particular, the functional nomenclature conforms to the functional classification of general government, has been harmonized with the programmatic classification, and allows poverty-reducing spending to be tracked correctly.

The budget operations are classified in conformity with international standards. During the past few years, the Budget Directorate revised the entire budget classification to enhance transparency in tracking poverty-reducing spending and program budgets.

The new nomenclature, used in the context of the 2004 budget law, includes an administrative, functional classification, by economic type, by source of financing, and by program, and enables poverty-reducing spending to be identified.

This classification has been adapted to meet the rules of the WAEMU 4/98 directive on budget nomenclature and to ensure standardization with the accounting nomenclature.

The only comment relates to the purpose and the explanation of the fifth and sixth digits in the economic classification, which are not self-evident and would benefit from clarification.

Indicator 6: Identification of poverty-reducing spending

Benchmark 6: Poverty-reducing expenditures are clearly identified.

Assessment: The benchmark is met. The poverty-reducing expenditures are explicitly linked to the existing budget classification, in conformity with international standards. The PRSP priorities are fully tracked in the budget law.

The poverty-reducing expenditures are sufficiently well covered. The 2004 budget law identifies poverty-reducing spending within the functional units (or agencies). This identification procedure uses a specific code that was introduced into the functional classification. The Budget Directorate has thus determined for each functional unit whether or not its activities were included in the poverty reduction framework, as defined in the Poverty Reduction Strategy Paper (PRSP). The poverty-reducing spending forecasts by function and type of expenditure can be obtained promptly through a computer application.

The changes requested by previous missions to include various types of expenditures deemed to be poverty reduction priority areas have been taken into account. These included combating corruption, strengthening the public prosecutor's offices, improving communications, developing small businesses and trades, and promoting investment.

The conditions required to satisfy the objective are met.

Indicator 7: Integration of medium-term forecasts

Benchmark 7: Multiyear expenditure projections are integrated into the budget formulation process.

Assessment: The benchmark is met. The multiyear expenditure projections are integrated into the budget formulation process. They are approved by the executive and legislative authorities and are generally of high quality.

Medium-term projections are made and used as a guide for budget forecasts.

Major efforts have been made and tools have been developed to integrate the multiyear expenditure projections into the preparation of the budget law, to assess the long-term costs of current policies, and to forecast poverty-reducing spending.

During the budget formulation process, the spending ministries and the Budget Directorate rely particularly on the program budget, the three-year investment plan, and the PRSP. These documents are approved by the government and the parliament. The medium-term priorities are reviewed in the macro fiscal management paper (*lettre de cadrage*) that defines the appropriation ceilings allocated to each ministerial department. At the end of this process, the budget is based on a realistic macroeconomic framework.

In addition, some ministerial departments (i.e. health, education, and infrastructure and transport) are in the process of formulating more detailed medium-term expenditure frameworks (MTEFs). The work appears to have been undertaken with considerable rigor, but further consultation with all donors is called for, particularly in order to obtain more information on and properly incorporate external financing.

C. Budget Execution

Indicator 8: Evidence of budget execution problems: arrears

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

Assessment: This benchmark is met. There is no stock of domestic or external arrears, and there has therefore been no accumulation over the course of 2003.

According to the information available, there are no payment arrears. The definition of arrears used in Mali is the WAEMU definition: that is, any expenditure that has not been paid within a three-month period from its payment order. The balance sheet accounts as at the 2003 fiscal year-end show an outstanding amount of CFAF 21 billion (credit balance of the 460 accounts). This sum only contains amounts overdue for less than three months.

The timing of issuance of commitments is based on the timing of the availability of appropriations, the rules for which are clearly defined. It is worth noting that the sectoral ministries may act as payment authorizing officers and that in this capacity they may make autonomous decisions both with regard to the timing of the commitment and the authorization of payments. Appropriations are allotted quarterly (current expenditures), or semiannually (personnel expenditures, wages and salaries, HIPC, etc.). They may be made in the form of the allotment of a dedicated appropriation (*ouverture de crédit motivée*); involving specific, individualized disbursements (study grants, investments, etc.). This method is also predominantly used at the regional level, as the availability of delegated appropriations does not require cash transfers as revenue collection is generally sufficient to meet spending at the deconcentrated level.

The timing of issuance of payment orders is independent of the cash flow position. Mali does not appear to suffer cash flow problems, and the government cash flow position is reviewed weekly by a treasury committee. The mission was told that cash rationing requiring specific regulatory measures is rare. When it is needed, it is reported to the financial controller representing the Ministry of Finance within the sectoral ministries. These findings, applicable both to commitments and to payment orders, demonstrate that the ministries enjoy good visibility with regard to expenditure management, and in particular with respect to the timing of expenditure execution.

Consequently, as there is no stock of domestic or external arrears, and as there has been no accumulation during 2003, this benchmark must be considered to have been met.

Indicator 9: Effectiveness of the internal control systems

Benchmark 9: Internal control is effective.

Assessment: This benchmark is not met. Internal control is relatively satisfactory with regard to monitoring the procedural regularity (*régularité*) of expenditures, but it is unsatisfactory with respect to the quality control of financial reports.

Monitoring of regularity is satisfactory, but quality control is insufficient. The objective of internal control is to ensure: (i) compliance of expenditure with the laws and regulations; (ii) the reliability of financial reports; and (iii) the efficiency and effectiveness of operations.

Internal control of the compliance of expenditure with laws and regulations is relatively satisfactory. This control is performed *ex ante* by the National Financial Audit Directorate (DNCF) as well as by the government accountants reporting to the Treasury. The DNCF has an inspector at the central level in six sectoral ministries (health, defense, rural development, economy and finance, education and land development). Financial auditing of the other ministries is carried out by the central financial controller. The expenses of the deconcentrated regional agencies are monitored by a regional financial controller. Their involvement occurs upstream of the expenditure, first at the stage of expenditure commitment, then at the stage of the payment order. Their role consists in verifying that the expenditure files comply with the current regulations. In practice, while it is comprehensive, this system of control suffers from various limitations. First, the financial controllers do not have manuals of procedures or expenditure classification. Further, the DNCF has not yet fully established financial controllers at the deconcentrated level. Finally, although Malian regulations do not make specific provisions for this, their actions would be more effective if they were selective rather than uniform, regardless of the nature of the expenditure and its amount, as is the case at present. Similarly, it is difficult for the DNCF to target its actions as it does not carry out surveys. Nevertheless, the DNCF has begun to identify indicators to be used to assess the quality of its control activities.

Quality control of financial reports remains insufficient. Progress has been made with respect to the date of production of the consolidated monthly balance of the Treasury. However, progress remains to be made with respect to the clearance of suspense account balances, some of which contain sizable amounts, often dating back to old operations. This situation harms the transparency of government finance and blurs the evaluation of the quality of budget execution inasmuch as the suspense accounts are not cleared. With regard to the reporting of information on budget execution by the DNCF, information from the ministries at the central and deconcentrated levels is consolidated manually rather than by digital transfers.

Monitoring of the efficiency and effectiveness of expenditures is insufficient. The Audit Office of the Ministry of Finance (Inspection des Finances) is responsible for this *ex-post* control. Although this office department drew up an annual program of activities according

to the risk analysis for specific sectors or types of operation, a substantial amount of its work is in response to instructions from the Minister of Finance.. The impact of its work suffers as a consequence. Moreover, its coverage of the entities to be audited is limited, because it devotes a considerable part of its time to supervising service delivery, which is of only limited interest from the audit point of view. The number of annual audits is quite low. The effectiveness of the audits is also limited by the absence of manuals of procedures. Each auditor uses the procedures of the financial administration entity from which he comes.

The purpose of the General Public Services Audit Office (GPSAO) is to monitor all aspects of the government's operations. Attached to the Prime Minister's Office, the GPSAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI). It performs its work (inspections, audits, investigations, etc.) in accordance with international standards. Its reports are submitted in duplicate to the Prime Minister, who forwards one copy to the President of the Republic. The staff of the Office of the President prepare and publish a summary of the main findings and recommendations. According to the authorities, these summaries are discussed in considerable detail in the press. The GPSAO's conclusions are used by the courts and the police. According to the GPSAO, which tracks its own recommendations, about 80 percent of the recommendations are implemented. The remaining 20 percent are either not implemented, or are partially implemented.

Consequently, the current internal control system is only partially satisfactory. The previous assessment showed that the corresponding benchmark was met. The difference between the previous assessment and the current finding essentially reflects the fact that the evaluation of the benchmark has changed, both in its definition, and in its level of detail, in particular underscoring the importance of monitoring expenditure efficiency.

Indicator 10: Tracking surveys are in use.

Benchmark: Tracking surveys are used, where necessary, to supplement internal control, but may not be a regular feature of the public expenditure management (PEM) system.

Assessment: This benchmark is met. Tracking surveys are carried out to supplement internal controls.

The purpose of periodic tracking surveys of public expenditures is to analyze the traceability of funds in the budget system. They facilitate efforts to track the effectiveness and impact of public expenditures by assessing the amount of public funds actually disbursed through the budget system to the beneficiary service delivery units. These surveys provide a double check of the quality of the internal control systems and are more sharply focused than regular external audits.

The GPSAO performs audits, some of which are similar to expenditure tracking surveys intended, to verify that public funds actually reach their intended destination.

The Accounts Section of the Supreme Court (ASSC) is also involved in the surveys. It has carried out audits of projects financed by donors, including investigations to verify the traceability of funds and, using sampling to verify expenditure effectiveness. The documents themselves are confidential, but the mission received an explanation of the contents of the work, which it deemed to be satisfactory.

While actions in this area are still in their infancy, this benchmark must be considered to be met.

Indicator 11: Quality of fiscal information.

Benchmark: Regular reconciliation of all government bank accounts (those held at the central bank and the commercial banks) with the government's accounting records.

Assessment: This benchmark is met. All of the government's bank accounts are reconciled regularly and in a timely manner with the government's accounting records.

The government accountants regularly reconcile with bank statements the position of the financial accounts that they manage. To carry out their cash management operations, the government accountants hold an account at the Central Bank of West African States (BCEAO), except when there is no branch of the central bank in their area. This is the case for various communes in the Mali hinterland. The local accountants there hold an account at

the Development Bank of Mali (DBM). It is worth noting that some accountants have both types of accounts, as the DBM account was retained when the BCEAO branch was set up in their commune. This two-pronged approach is portrayed by the authorities as an advantage, as funds transfers to the DBM account can be made more swiftly. Transactions carried out on all accounts are monitored in the accounting records and appear in each accountant's balance sheet.

Each accountant is tasked with regular reconciliation of his bank account(s) with his accounting transactions. For the deconcentrated agencies, this control is performed at regular monthly intervals. At the central level, reconciliations are carried out daily for BCEAO account operations and monthly for DBM account operations. The mission had a reconciliation report presented to it for a regional treasury and it was able to consult the register at the Central Treasury Accounting Office (CTAO) that provides tracking of the expected debits from the BCEAO account.

In summary, all the government's bank accounts are reconciled regularly and in a timely manner with the government's accounting records and this benchmark must be considered to have been met.

D. Budget Reporting

Indicator 12: Regularity of internal fiscal reporting.

Benchmark 12: Fiscal reports of spending units are received by the central agency within four weeks of the end of the relevant period.

Assessment: This benchmark is met. The time lag for receiving the fiscal information at the central agency is less than one month.

The legal time lag for submitting expenditure reports by the central and regional spending agencies for consolidation is 45 days from the end of the relevant period.

In practice, according to the authorities, now that several agencies have been computerized, this time lag has been reduced to less than 30 days. According to statistics provided by the authorities for the period December 2003 – March 2004, none of the expenditure reports during this period took more than 30 days. Based on a sample of reports sent by the Ministries of Education, Health, and Agriculture during February and March 2004, the mission found a transfer period of between three and ten days. Revenue reports are submitted daily by telephone and fax.⁶

⁶ For the subnational governments, the regional paymaster submits four tables to the ACCT each week summarizing the encashment, cumulative expenditures, revenues collected, and community levies, respectively.

The authorization of payment orders and settlement of central government debts are deconcentrated. Payment orders are issued by the central agencies of the spending ministries and governors of the region.⁷ The actual payment of these orders is made by the government accountants of the central agencies or the regional directorates (for the administrative regions and the three levels of subnational governments). The regional governor's power to authorize payments and the regional treasurer/paymaster's power to effect payments reflect the decentralization of these functions. However, the regular submission of data on payment orders and settlements by the spending units for consolidation by the government accountants also reflects a degree of centralization.

The coverage of government financial operations is more comprehensive in the TOFE than in the budget. The scope of the TOFE includes the central government, the government administrative agencies (GAAs), and the subnational governments, both with respect to revenues and expenditure and financing. Conversely, the central government budget only covers its own operations, including transfers and subsidies to the GAAs and the subnational governments. Furthermore, the budget and the TOFE contain forecasts of externally funded expenditures. Outturns of this expenditure are derived from estimates by the project managers, in the absence of information on disbursements made under the exclusive supervision of donors. The lack of reliable information on the payment of foreign-financed expenditure is one of the main weaknesses in expenditure management in Mali.

Economic and fiscal data are stored in different databases at the Budget Directorate, the Financial Audit Directorate, and at the Treasury. These data are often processed using different software programs. Movements of data between databases are carried out by exchange of diskettes or by written documents. The large number of databases and software programs is a source of error and causes delays. In addition to the networking of databases (currently under way), standardization of software would facilitate reliable use of common databases.

The Ministry of Finance produces intra-annual reports on the execution of government financial operations. A monthly budget execution report is drawn up in accordance with the budget classification. It contains data in particular on projected and actual expenditure. In addition, the Treasury prepares a quarterly report for donors and for internal tracking purposes comparing fiscal outturn data with the forecasts according to the TOFE format. The two types of tables are prepared using computer databases. However, the lack of networking of the databases network means that a direct automatic link between the monthly reports and the quarterly TOFE cannot be established.

⁷ In the subnational governments represented by the regional assemblies, the county councils (*conseils de cercle*), and the communes, payment orders for expenditures are authorized by the presidents of the assemblies, the chairpersons of the councils, and the mayors, respectively.

Indicator 13: Fiscal reports track poverty-reducing spending.

Benchmark 13: There is a good quality classification of poverty-reducing spending or a virtual poverty fund.

Assessment: This benchmark is met, as the database enables these expenditures to be compiled.

There is a system for tracking poverty-reducing spending. With the help of the IMF, the government has adopted a central government expenditure classification according to various criteria, in particular administrative, economic, and functional criteria. Poverty-reducing spending forecasts, including expenditure financed by HIPC resources, can be compiled rapidly using a functional classification. Cumulative monthly actual expenditures can also be drawn up in the same format except for externally financed expenditures, on account of the different disbursement procedures used by donors. However, the preparation of outturn data on poverty-reducing expenditure is a little slow, as the data available on payment orders in the DNCF database have to be uploaded from diskettes into the Budget Directorate's database before they can be used.

The HIPC resources are deposited in the Mali central account at the BCEAO.

This could be interpreted as a sign of donors' confidence in Mali's public expenditure management. In fact, the government agrees on the expected amount of HIPC resources with the donors each year. These resources are then included in the budget law with the corresponding expenditures and executed like the other government expenditures. These resources, generated by budget appropriations, which ought to have been used to service debt payment, are disbursed according to the Malian budget procedures.

The full reports on poverty-reducing spending appear annually. The latest report dates from September 2003. The next report is due in September 2004. The 2003 report, based on data from the 2002 fiscal year, analyzes the development of the poverty indicators.

Indicator 14: Operations are recorded in the accounts within the required periods.

Benchmark 14: Routine operations are entered into the system within two months of the end of the fiscal year.

Assessment: This benchmark is met, as the complementary period is less than two months and the time taken to enter routine transactions is generally short.

At fiscal year-end, the government has a period of one month to close the accounts.

Consequently, the complementary period ends on January 31 of each year. Budget commitments (excluding statutory expenditures) end on November 30, while commitments relating to capital spending and to statutory expenditures (such as wages and salaries) accrue until December 31. The complementary period is devoted to payment orders for expenditures that have not been cleared by December 31. No new expenditure commitments are undertaken in respect of the past fiscal year during the complementary period.

The period for entering central government fiscal transactions into the system is brief.

The payment authorizing officers (budget directors, and Administrative and Financial Directors (AFDs), and the financial controllers are legally responsible for recording the administrative stage of the expenditures (that is commitment, verification, and payment order).⁸

Indicator 15: Timeliness of audited financial information.

Benchmark 15: An audited record of the financial outturn (*loi de règlement*) should be presented to the national legislature within twelve months of the end of the fiscal year

Assessment: This benchmark is not met. The draft budget execution law for 2002 has not yet been submitted to parliament.

The government is required to submit two types of accounts to the Accounts Section of the Supreme Court (ASSC). The first, the Treasury accounts (*comptes de gestion*), is subdivided into two: accounts based on management by documents (*gestion sur pièces*) and

⁸ The Treasury is responsible for recording payments. In the normal course of events, the financial controller stops stamping payment orders on the 25th of each month to enable the payment authorizing officer, to whom he returns the stamped order slip, to submit it to the Treasury in time for payment.

accounts based on management by numerical data (*gestion sur chiffres*). The Treasury accounts must be submitted within six months of the end of the complementary period (in other words by July 31). To avoid submitting an excessively large number of documents to the ASSC, the government has agreed to send the document management accounts (composed of supporting documents) to the Court quarterly. The opinion of the ASSC is given in the form of positive sanction (clearance (*quitus*)) or negative sanction (non-clearance (*débet*)). In the past, the ASSC has issued non-clearance sanctions ordering dishonest accountants to restore public monies misappropriated from government funds. It is worth noting that the ASSC is faced with serious problems arising from a shortage of human and material resources.⁹

The second type of accounts, known as administrative accounts, prepared by the payment authorizing officers, is submitted annually to the ASSC to: (1) judge the regularity, the timeliness, and the relevance of the payment authorizing officers' actions; and (2) verify that the Treasury accounts are consistent with the administrative accounts. At the end of this investigation, the court provides a declaration of conformity or nonconformity, which it sends to the parliament together with all the accounts and the draft budget execution law prepared by the government. The ASSC has issued declarations of conformity contingent upon measures, which the government must take to remedy the constraints identified.

The draft budget execution laws for the budget execution for 1993 through 1995 have recently been voted on by the national assembly. The draft budget execution laws for 1996 through 2001 have been approved by the government and submitted to the national assembly. After the government approves the 2002 accounts, thereby making them final, the accounts will be submitted to the ASSC. The accounts for fiscal 2003 are currently being prepared. The law does not set any time limit for the ASSC to deliver its opinion on the Treasury and administrative accounts.

The delay in submitting the 2002 accounts is partially due to the mobilization of the Ministry of Finance staff to support the ASSC in its review of the accounts for 1996 through 2001. Thanks to this support and the reinforcement of the ASSC through the hiring of six additional judges, the government was able to submit the six draft budget execution laws mentioned above to parliament. At the same time, it was delayed in its preparation of the draft budget execution law for 2002. Once it has dealt with the backlog, the government intends to adhere to the timetable for submitting the budget accounts to the ASSC and the national assembly.

⁹ The Constitution restricts the number of judges of the ASSC to 15, while a study by Coopération française recommends a minimum of 60 judges. There is a chronic shortage of material resources at the General Public Services Audit Office. This agency has to undertake many on-site inspections, but only has two all-terrain vehicles to cover the entire country. One vehicle for each of the nine regions appears to be the minimum required to provide an efficient service.

E. Public Procurement

Indicator 16 – Efficiency and effectiveness of the public procurement system

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

Assessment: This benchmark is not met. The legal and regulatory framework for public procurement is quite comprehensive. However, according to the World Bank, some regulations are missing and implementation of the existing framework is not yet fully satisfactory.

Based on the information available, the legal procedures for public procurement are consistent with international norms, but some regulations are not yet in place. The government has taken several initiatives that have a favorable effect on public procurement. They include the revision of the public procurement code, the adoption of a law governing the operations of the General Directorate of Public Procurement (GDPP) in 2001, and the preparation of a manual of procedures dealing with documentation and selection of candidates. Public procurement is governed by Decree 95-401 of the Public Procurement Code and various closely related regulations. The GDPP is responsible for tracking and implementation of the rules governing public procurement, and is part of to the Ministry of Finance. The current laws and regulations apply to all public procurement awards by all the institutions, including the army, the security services, and the Office of the President. They also apply to public corporations and special funds. However, according to the World Bank, the current system harbors a few deficiencies, including the lack of regulation of *contrats de concession and delegation des services publics*, inadequate empowerment of courts to judge misconduct and pronounce sanctions, and weak enforcement of some of the existing regulations. The government and the Bank are discussing the Bank's procurement report. The current assessment of benchmark 16 does not reflect the outcome of these discussions.

An EU audit revealed some weaknesses in procurements carried out by the Ministry of Education. However, the authorities have contested many of these claims.

As a general rule, any service costing more than CFAF 10 million must be subject to public procurement. Special procedures include restricted invitation to bid or direct awards for contracts worth less than CFAF 50 million or items purchased in single unit or supplied by only one or two companies. The use of these special procedures must be approved by the GDPP. Generally speaking, domestically financed procurement operations are announced in the national press, in at least two newspapers. All other things being equal, the public procurement code grants preference to Malian enterprises if their bid is 10 percent higher than the best bid made by a foreign enterprise. The ratio is 15 percent in the case of suppliers.

Externally financed procurement operations are generally made in conformity with the public procurement rules of the institution concerned and are subject to international advertisement. Some donors, in particular the Netherlands, agree to procurement contracts being awarded according to Malian law.

The GDPP participates in all the procurement committees. It records the detailed information on the procurement once the award process has been completed. This information is published but, as a general rule, it is not published or disseminated in a systematic fashion. At end-October 2003, the GDPP surveyed 434 completed procurement operations, which started in 2003, while 400 others were still in progress. Of the 434 procurement operations amounting to a total estimated value of CFAF 66 billion, 334 procurement operations (CFAF 56 billion) had been executed on the basis of open invitation to bid, 59 (CFAF 4 billion) had used the restricted invitation to bid method, and 41 (CFAF 6.4 billion) had used the directly negotiated contract method. The figure relating to direct purchases also includes some exceptional/emergency procurement operations, in particular for replacement parts for military equipment.

The GDPP indicated that the average time required for the normal procurement process was about two months, from the call for bids to the award of the contract. Nevertheless, the projects that need external financing or that are particularly complex, specifically in the area of rural development, take longer. Procurement awards tend to be concentrated in the second half of the year. This is because the institutions often need considerable time to prepare bidding documents. Decisions relating to procurement may be disputed by filing a complaint at the GDPP or the Court of Justice. Such cases are relatively rare. For procurement started in 2003, only one complaint was referred to the court. The case involved a small amount relating to transport of schoolchildren and students.

The GDPP does not track the performance of procurement operations in detail, but it is called upon whenever necessary to cancel, amend, or renegotiate a contract. This is fairly common in the case of highway projects. Procurement activities are audited by the Financial Comptroller and the Audit Office of the Ministry of Finance. Specific arrangements are in effect to verify that orders of the goods and services are effectively met, but procurement irregularities are not recorded in a central register. The GDPP intends to create a procurement database, which will provide more systematic tracking and management of the purchase process, as well as more systematic dissemination of the information both among potential bidders and among the general public.

III. ACTION PLAN TO STRENGTHEN PUBLIC EXPENDITURE MANAGEMENT

The Appendix Table 4 provides an overview of current and planned technical assistance and assistance by donors with regard to Mali's budget management, while the Appendix Table 5 lists the recommendations made by the HIPC Initiative assessment mission of 2001 and presents the status of implementation of those recommendations. The tables show that most of the recommendations by the previous mission have been implemented and that additional efforts are under way to further strengthen capacity in this area.

The Appendix Table 6 presents a draft action plan to strengthen Mali's budget management capacity. The overall objective of this plan is to enable Mali to meet all 16 indicators contained in the HIPC Initiative assessment form in the medium term. According to the mission, although this objective is ambitious, it is achievable. This will obviously require sustained efforts at all levels of government. The draft action plan incorporates many projects that are already in progress or planned. Table 6 also puts forward a number of suggestions, which might require the participation of the development partners in activities relating to the various topics.

A. Budget Formulation

Indicators 1 and 2: Coverage of the state budget and extrabudgetary funds

A consolidated report of revenues and expenditures provided for in the GAAs' budgets that are also tracked in the accounting ledgers kept by the Treasury and the commitment accounts kept by the financial controller should be included in an annex to the budget law.

The timetable for preparing the EPAs' and subnational governments' budgets should also be coordinated with the central administration budget in this regard.

The expanded TOFE should contain at least one line for extrabudgetary operations of the GAAs, which are currently mingled in with those of the special accounts and specific budgets.

Indicators 3 and 4: Reliability of the budget as a guide to execution and integration of external financing

A strategy should be developed, in consultation with the donors, to integrate external financing, in particular financing allocated to poverty reduction, and to improve the investment utilization rate. Possible solutions include: (i) in the short term, a commitment by donors to provide comprehensive information on planned and executed financing; (ii) in the medium term, a commitment by donors to grant their financial aid in the form of budget support to be subject to Malian budget procedures; and (iii) a discussion of these financing measures in the preparatory phase of the government budget.

Indicator 5: Budget classification

The explanatory note on the methodology for expenditure coding, in the annex to the budget law, and Decree 03-163/P-RM dated April 16, 2003 setting the state budget classification should be reconciled to form a proper detailed guide for the presentation and use of this new classification.

Indicators 6 and 7: Poverty-reducing spending survey and integration of medium-term forecasts

The PRSP could be updated specifically to prioritize the actions specified, to refocus all the sectoral policies and to reduce the number of indicators to make them more relevant.

The MTEF for the priority ministries (health, education, and infrastructure) must be continue to be developed.

To enable program budgets to become a true strategic decision-making tool, the recommendations of the September 2002 diagnostic study should be implemented, in particular those relating to: (i) the need for more clearly defined actions and indicators; (ii) more detailed identification of poverty reduction related programs; (iii) ensuring that poverty reduction efforts are consistent with resource budgets (*budgets moyens*); and (iv) the implementation of performance tracking and assessment.

B. Budget Execution

Indicator 8: Evidence of budget execution problems: arrears

The NDT's computer system does not enable the determination of overdue payments classed by category of expenditure and length of time overdue (1 month, 2 months, 3 months, etc.). Such a document would be very useful, particularly for cash management purposes.

It is therefore advisable that the NDT produce regularly, at least once a month, such a statement for the central and the deconcentrated levels. The amounts presented in this way should match those in the consolidated balance sheet of the Treasury exactly.

Indicator 9: Effectiveness of internal control systems

To the extent that the NFAD performs its controls uniformly, it is suggested that after having quantified the number of its audits and having arranged the files by order of importance, that the NFAD should establish a selective audit strategy, taking into account both the nature and the amount of the expenditure. It is also advisable for the NFAD to draw up an annual report of activities, which would present, in particular, the information on the number of audits carried out by the ministry, the time taken to process the expenditures, and the number and

reasons for refusals. These data would also enable the NFAD to assess the quality of the NFAD's services and thus to have better information on which areas to target. Moreover, the NFAD should set up a control procedures manual, as well as a classification of supporting documents, which would be used by all those involved in expenditures. In addition, the NFAD should finalize the deployment of its staff in the ministries and subnational governments. Finally, the NFAD should design a number of indicators to enable it to evaluate the quality of its controls for itself.

With regard to the improvement of the fiscal and financial reporting quality control, the CTAO should analyze the content of the suspense account balances and clear them. The AFDs and the financial controllers should integrate the information management systems to facilitate the supervision of operations.

With respect to the Government Audit Office, the improvement of its audits is primarily conditional on the development of standard audit methods in accordance with international standards and more effective management of its work program.

Indicator 10: Tracking surveys are in use

It is advisable to carry out tracking surveys more frequently, and to ensure that these become an integral part of the overall control and monitoring framework.

C. Drawing up Fiscal Reports

Indicators 12 and 13: Reports during the fiscal year

The mission encourages the Malian authorities to accelerate the networking of databases in the area of fiscal reporting and to harmonize software so that the risk of error and processing periods may be reduced. In due course, the standardization of various software applications used will facilitate the use of the databases, and reduce the cost of computer products. The mission also encourages the authorities to develop, as planned, a quarterly administrative report on program budget execution.

For fiscal reporting, as both human and logistical resources are limited, it is advisable to standardize their content. In addition, the analytical and forward-looking nature of the reports should be strengthened.

Indicators 14 and 15: Audited final accounts

Although the GAAs' and subnational governments' operations are relatively small compared with those of the national budget, they should also be audited. A regular verification procedure should be planned to ensure management complies with the principles of good governance.

D. Public Procurement

Indicator 16: Public procurement

In public procurement, priority should be given to correcting the deficiencies noted by the World Bank. The completion of the creation of the procurement database in the GDPP also should receive attention. This would contain information on the current, planned, and completed procurement activities. It should contain information on the period needed to prepare and execute each year each procurement activity, and record any dispute and conflict. The database should also enable procurement contracts to be tracked to determine whether they are performed on time and within the limits set by the budget, or whether adjustments are necessary. This information will enable the authorities to determine the causes of any delay and other problems during the procurement process, and to remedy it thanks to the clarification, rationalization, and simplification of rules and procedures. It will also make a valuable contribution to the assessment of inherent risk in the procurement process, which should constitute the basis of all future intervention by Financial Comptroller and the Audit Office of the Ministry of Finance. The database should be linked to the procurement website, which is intended to provide current and future bidders as well as the general public with complete access to information on past and future procurement activities.