

**Tracking of Poverty-Reducing Expenditures
(in the framework of the HIPC Initiative)**

Islamic Republic of Mauritania

Assessment and Action Plan (AAP) to Track Expenditures

revised in November 2001

I. INTRODUCTION

An IMF mission visited Mauritania to evaluate, with the Mauritanian authorities, the capacity to track execution of poverty-reducing expenditures and to prepare an action plan to improve that capacity.¹ The mission also began work on a Report on the Observance of Standards and Codes (ROSC) regarding fiscal transparency.

In March 2001, the Executive Boards of the IMF and the World Bank examined a study on the capacity to track poverty-reducing public expenditures in HIPC Initiative beneficiary countries, a key element for the success of the Initiative. In this context, the two institutions had prepared preliminary evaluations of the public expenditure management (PEM) systems for the 25 countries that benefit from the HIPC Initiative, including Mauritania. The evaluations focused on tracking poverty-reducing expenditures, whether they are financed by HIPC resources or by national or external resources. The Boards requested that IMF and WB staff provide assistance to these countries so they can take responsibility for these evaluations (or modified ones, if necessary). The staff were also requested to prepare draft action plans aimed at bringing poverty-reducing public expenditure tracking systems up to standard, if necessary.

The mission's four objectives were to:

1. Advance from the preliminary evaluation of the capacity to track poverty-reducing expenditures to an assessment conducted in concert with the Mauritanian authorities; and, in this context, discuss with the authorities a questionnaire designed to that end.
2. Take stock of all reform programs (domestic or supported through external financing and technical assistance) to improve the PEM system, emphasizing tracking of poverty-reducing expenditures.

¹ The meetings with the authorities were held in Nouakchott from October 10 to 17, 2001 by an IMF mission composed of Mr. Ian Lienert (Head of Mission), Mr. Lucien Gaillard (Consultant with the IMF Fiscal Affairs Department), and Mr. Zeine Ould Mohamed (World Bank resident mission in Mauritania). The IMF Resident Representative, Mr. Prosper Youm, actively participated in the mission's activities.

3. Establish a plan to improve tracking capacity, bearing in mind reform programs under way and based on a realistic evaluation of the country's absorption capacity.
4. Prepare a draft action plan specifying additional needs, reform priorities and external technical assistance, year by year; and submit that draft to the authorities for comment and modification before it becomes final following another review by the Fund and the World Bank.

II. ASSESSMENT OF TRACKING CAPACITY

The mission examined with the authorities their preliminary response to the questionnaire, which is the basis for the evaluation of capacity to track specific poverty-reducing expenditures. The results of the mission's meetings with the working group from the Ministry of Finance (MF), the Ministry of Economic Affairs and Development (MAED), the Office of the Commissioner for Human Rights, Poverty Alleviation, and Integration (hereinafter "the Commissioner's Office"), and the technical committee responsible for tracking HIPC expenditures are presented below.

Summary

The PEM system in Mauritania has positive features in several areas. In 1998, a new budget nomenclature was adopted, with administrative, economic, and functional classifications. Presentation of the budget and budget execution data are improving from year to year. However, some significant weaknesses persist, particularly in public accounting and the Treasury.

The assessment findings (Table 1) reveal the following:

- To make budget presentation satisfactory, improvements are required in the following areas: the comprehensiveness of the budget law (*loi de finances*), use of the functional classification, and extension of projections to the medium term for all sectors. Expenditures financed with HIPC resources can be identified in the budget law, however poverty-reducing expenditures are not yet itemized in the budget.
- Budget execution is acceptable. According to information from the Treasury, the stock of arrears is low. However, the systems of internal control and external audit should be improved.
- There are significant gaps in budget execution information systems at the Treasury. Following the adoption of accounts clearance law (*loi d'apurement*), in the future, it will be essential for all public accounts to be properly kept, available with appropriate time lags, and transmitted to the external Audit Agency (*Cour des Comptes*)

Table 1. Mauritania: Capacity to Track Specific Poverty-Reducing Expenditures

Budget management	Level to be achieved	End 2000 Evaluation	October 2001 Evaluation	Level attained?
Comprehensiveness				
1. The consolidated statements adhere to GFS standards for general government.	A	C	B	
2. Government activities are not conducted through extrabudgetary operations to a significant degree.	A	A	A	Yes
3. Budget execution is very close to forecasts (in terms of level by functional allocation).	B	B	B	Yes
4. The budget includes donor-financed current and capital expenditures.	A	A	A	Yes
Classification				
5. The budget classifications are: administrative, economic, and functional.	B	B	B	Yes
6. Poverty-reducing expenditures are clearly identified in the budget.	A	C	B	
Projections				
7. Medium-term projections are included in the budget cycle.	A	B	C	
Internal controls				
8. Low stock of arrears; low accumulation of new arrears in the previous year.	A	A	A	Yes
9. Internal control is effective and efficient.	A	B	C	
10. Tracking surveys are conducted to supplement internal controls.	B	C	C	
Reconciliation				
11. Bank and accounting data are systematically reconciled.	A	C	A	Yes
Tracking expenditures during the year				
12. The ministries' internal accounting statements are received within four weeks of the end of the reference period.	B	B	B	Yes
13. The periodic accounts are categorized by functional classification.	A	C	C	
Final audited accounts				
14. Accounts are closed within two months of fiscal year-end.	A	B	C	
15. The accounts are audited and presented to Parliament within 12 months of fiscal year-end.	B	C	C	

A = Satisfactory B = Acceptable C = To be improved

Detailed Findings

A. Degree of Deconcentration and Decentralization in Expenditure Procedures

Mauritania remains a centralized country for government finances, in part because the Minister of Finance is the sole payment authorization officer (*ordonnateur*). The country is divided into 13 regions (*wilayas*), 53 departments, and 208 communes. The communes were declared autonomous entities by edict.

The percentage of government expenditure devoted to poverty reduction at the deconcentrated or decentralized levels is low, but is expected to rise in the near future with the implementation of decentralized entities. In contrast, additional expenditures financed with HIPC resources (for which more solid figures are available) are executed mostly at the deconcentrated or decentralized levels. However, administrative capacity for implementing projects at the local level is quite weak.

B. The Budget

Comprehensiveness of the budget

Coverage of the budget

The budget law, which is prepared by the MF and presented to Parliament jointly by the Minister of Finance and the Minister of Economic Affairs and Development, is the budget for the central government. It only partially covers operations of the general government sector, as defined in the IMF *Government Finance Statistics Manual (GFS)*. It does not include local government expenditures and revenue. The only operations of administrative public entities (EPAs) are the transfers received by EPAs from the central government budget. Nonetheless, an annex to the consolidated investment budget (BCI) includes the revenue projections for 42 EPAs; that revenue is of minimal importance compared to their total revenue. In general, the ministries deposit all of their own resources with the Treasury; however, that is not the case for the Ministry of Fishing and Maritime Economy, which uses off-budget part of the revenue associated with the fishing agreement between Mauritania and the EU. The Ministry of Mining uses a portion of mining royalties that are deposited in a special earmarked account. Certain other expenditures are financed with off-budget counterpart funds. All National Social Security Fund (CNSS) and Retirement Fund operations are excluded from the budget, except for government and government agency contributions. The CNSS's financial situation is precarious, but the government is taking measures to turn it around.

The budget law includes only domestically financed investments. However, the BCI, prepared by the MAED, covers all investments in the public investment program (PIP), including those financed through the budget (i.e., through government appropriations in the budget law), as well as investments financed by external resources. Thus, all central

government and EPA investments are identified. The BCI also includes the investments of some public enterprises (notably the SNIM²); therefore, its coverage surpasses the definition of “general government” in the *GFS Manual*.

The Mauritanian authorities have accepted the principle of having a true single budget; however, the schedule for unifying the two budgets has not yet been determined.

Recognition of donor resources in the budget

Donor-financed expenditures are not included in the budget law, except for non-targeted budgetary assistance. This is not recorded under “grants” but less transparently, under “Special Treasury Accounts.” The BCI, in contrast, includes all loan-financed, and nearly all grant-financed, investments (in 2001, roughly two-thirds of total investments in the BCI were financed with external resources). The MAED believes the number of grant-financed projects not included in the BCI to be of minor importance.

Information on tracking donor-financed operations

Information on execution of operations financed by the largest donors is available within reasonable time delays. In contrast, information on the execution of certain less-important investment projects is more difficult to obtain, and delays of over six months after the end of the reference period have occurred.

Composition of budget execution, level and presentation

Budget law actual expenditures are probably consistent with the approved appropriations, for both levels and composition. Uncertainty persists though, because no budget execution law (*loi de règlement*), including a revenue and expenditure account certified by the external Audit Agency, has been produced since 1967. Owing mainly to delays in disbursing grants or loans, the execution rate of the BCI is only approximately 70 percent of the annual amounts estimated at the beginning of the year. Another problem in this context is administrative capacity in project execution. In this regard, the progress report on implementation of the Poverty Reduction Strategy Paper (PRSP), the final version of which the authorities plan to prepare in February 2002, will examine related problems.

Classification

Classification categories

The nomenclature for the general government budget is composed of administrative, functional and economic classifications. However, the functional classification is not used.

² SNIM = National Industrial and Mining Company

A sectoral classification is used in the consolidated investment budget (BCI); its coverage is different from that of the other classifications. Sectors, which are the basic categorization unit in the BCI, are not connected to ministries, which are the basic categorization unit in the budget law. Nonetheless, the MAED computer system has been harmonized, allowing for direct link between this classification and the budget law, thereby allowing the “general investment budget” (BGI) (the section of the budget law that contains domestically financed investments) to use the same classifications (administrative and economic) as the general operating budget. This will facilitate the preparation of a single, consolidated budget.

The PRSP envisages program budgets for priority sectors. However, the budget nomenclature does not include a classification by program to track program budgets.

Specific charts of accounts define the classification for EPAs and local governments.

Specific classifications used for poverty-reducing expenditures

The PRSP defines five priority sectors: education, health, rural development, urban development, and water management. Nonetheless, specific poverty-reducing expenditures in these five sectors are not yet identified by budget item.

In contrast, expenditures financed by HIPC resources are allocated to six key ministries, one secretariat of state, and two Commissioners’ Offices.³ A subaccount of the Treasury main account was opened in the central bank to isolate HIPC resources and facilitate payments. A specific system was introduced to track each of the 42 projects, which is identified by a special code that is not integrated with budget accounting system. In 2001, half of these resources were allocated to and executed by the Commissioner’s Office, as project number 42: “National priority actions for fighting poverty”. In the budget law, the appropriations made for this transfer appears as a single budget item. For convenience, all projects use the economic classification “Constructions and buildings,” even though only some projects are investments in fixed assets. Also, NGOs or deconcentrated government entities, not the Commissioner’s Office, are the ultimate beneficiaries of these transfers. Although the technical committee’s quarterly report on spending of HIPC resources provides a clear picture of execution of the 42 projects, there is a need to provide details on the execution of the 14 sub-projects within the total transfer to the Commissioner’s Office. The other projects financed with HIPC resources (i.e., those outside of the Commissioner’s Office) are identifiable by specific budget item in the budget law. However, a link between the special code and the budgetary charge needs to be established. In summary, the individual disbursements of each project and sub-project need to be recorded in Treasury accounts.

³ Ministries of National Education; Health and Social Affairs; Rural Development and the Environment; Equipment and Transportation; Water Management and Energy; and the Civil Service; the Secretariat of State for Literacy; and the Offices of the Commissioners for Food Security and for Human Rights, Poverty Alleviation, and Integration.

Medium-term projections

A three-year rolling investment program (PIP) is prepared. However, the budget law only includes annual estimates. Current expenditure projections are only made on an annual basis, but starting in 2002 they will take into account the multiyear strategies prepared in mid-2001 for two key sectors: health and education. The government is committed to developing a medium-term expenditure framework for other priority sectors (rural development, urban development, and road infrastructure) by end-March 2002 and an overall medium-term expenditure framework by year-2002.

C. Budget Execution

Internal control

Internal control of government is conducted by the Financial Controller's Office, public accountants, the *Inspection Générale des Finances* (IGF), and internal inspection departments in the Ministry of Finance. The Financial Controller's Office, which is under the supervision of the Office of the Prime Minister (*Primature*), performs a priori expenditure controls: an initial control of planned expenditure commitments and a second control when payments are authorized. The Budget Directorate is responsible for administrative accounting; it provides the Financial Controller's Office with hard copies of computerized budget execution statements.

Regarding internal controls in the Treasury and Public Accounting Directorate (DTCP), the General Treasury centralizes all accounting operations performed by subordinated posts in Mauritania. Field audits of these posts are currently not systematically organized under the responsibility of the Paymaster General (*Trésorier Payeur Général*).

The Inspection Générale des Finances, established in 1983, is an important internal audit organ. It has general competence to audit the accounts of all public entities, including the network of public accountants. It is supposed to establish an annual program of audits and surveys to track public expenditures and report to the Minister of Finance on failures to observe financial regulations. The IGF is understaffed and has inadequate materials. With sufficient resources, the IGF could play a very important role in internal audit, particularly by ending any irregular or illegal practices.

Budget expenditure arrears

Based on information obtained from the Paymaster General, it appears that no payments arrears were accumulated in 2000. However, the preamble to the accounts clearance law states that the Treasury should "be prepared to cover expenditures [prior to 2000] resulting from justified claims from government creditors." It is important for the Treasury to identify the amounts in question and the years when the expenditures were incurred.

Supplementary budgets

Supplementary budgets are provided for by law to account for changes in macroeconomic conditions. All major overruns of appropriations must be authorized through a supplementary budget. The amount budgeted for contingencies is relatively high;⁴ this partly explains why there has only been one supplementary budget since 1994—in 2000. Its objective was to increase budget appropriations to incorporate additional resources from HIPC.

Reconciliation of accounts

According to the information received from the Paymaster General, the government account in Nouakchott recorded on the Treasury books is reconciled daily with the government's main account at the central bank. Outside Nouakchott, the Treasury departments use either commercial banks or CCPs. In these cases, the accounts are reconciled less frequently.

Differences between the above-the-line revenues and expenditures of the budget (as recorded in the *Tableau des Opérations Financières de l'Etat*—TOFE) and below-the-line financing are insignificant.

D. Budget Execution Data

Tracking expenditures during the year

Budget execution is performed by a single payment authorization officer (the Minister of Finance) and by the Paymaster General (for payment). Data on budget execution are generated by a series of computer or manual systems in the different agencies: the Budget Directorate, the DTCP, and the spending ministries. The computer systems are not integrated, which makes it difficult to obtain exhaustive data quickly. Although data are prepared properly in the Budget Directorate, data do not circulate satisfactorily between the Budget Directorate and the Treasury or within the DTCP.

The monthly budget execution statements (TOFE), which present expenditures only by type, are prepared from several sources, in the following time frames:

Data	Time frame
Administrative accounts	Less than one month
Treasury accounts	Not specified
Nonaccounting data: grants	Several months

⁴ The “unforeseen outlays” item budgeted in “common expenditures” (*dépenses communes*) totalled 3 percent of total expenditures in 2001. That amount covers only part of the amount budgeted for contingencies

With these time frames, a provisional monthly TOFE is only available roughly six weeks after the end of the period. Although it would be possible to devise a monthly expenditure statement by functional classification, such statements are not currently prepared.

The 1991 Constitution stipulates that, “a statement of expenditures will be provided to Parliament at the end of every six-month period for the previous six-month period” (Article 68). The Treasury is not currently in a position to provide 6-monthly payment statements by ministry or expenditure type.

Final accounts and budget execution

The Paymaster General has not produced a revenue and expenditure account (*compte de gestion*), and no budget review law (*loi de règlement*) has been adopted, since 1967. The goal of the accounts clearance law adopted in 2001 was to clean up past operations. From a legal standpoint, the law has not excused the Treasury from its obligation to prepare coherent accounts since 1967; in practice and in the future, efforts must focus on the necessity of producing all the accounts provided for by current laws and regulations in the time frame established by law. In this regard, Article 68 of the Constitution specifies that “the final accounts for a fiscal year are to be submitted during the budget session for the following year and approved by enacting a law.” Organic Law 78-011 stipulates that “the draft budget review law is to be submitted to the National Assembly before the end of the year following the budget execution year; it is to be accompanied by a general statement indicating that the accountants’ accounts are consistent with those of the payment authorization officer . . . and accompanied, potentially, by a critical report on management.”⁵ The schedule for the Treasury to submit the government’s annual general account to the external Audit Agency—an essential step allowing for the preparation of the external Audit Agency’s annual report—is not specified in the regulations; however, it is clear that the Agency needs several months to execute its tasks correctly, which means that the Treasury should provide a draft budget review law and related accounts a few months after the close of the fiscal year (e.g., May-June).

As regards the operating accounts of the decentralized entities, very few were submitted to the external Audit Agency. The delay appears to be due to the DTCP, which does not carry out the examination provided for in the regulations.

Since its creation in 1993, the external Audit Agency has received significant technical assistance from donors, notably in training auditors. However, in the longstanding absence of a process to close the annual accounts and present them to the auditor (*juge des Comptes*), the external Audit Agency cannot play its essential role of verifying the regularity of the accounts and issuing a written opinion on financial management in general.

⁵ Article 26 of Organic Law 78-011 of January 19, 1978.

III. Actions to be Taken to Improve Tracking of Poverty-Reducing Expenditures

Table 2 proposes a series of actions, the most urgent of which deal with weaknesses detected in public accounting. Improvement in that area is essential to enhance quality and speed up the production of data on poverty-reducing expenditures.

Table 2. Actions to be taken to improve tracking of poverty-reducing expenditures				
Action to be taken	2001	2002	2003	2004
1. Application of budget classifications	Integrate the specific code for HIPC expenditures into the budget nomenclature.	Identify all poverty-reducing expenditures, using the functional classification. Use the functional classification to track expenditures financed with HIPC resources.	Use the new functional classification to track all poverty-reducing expenditures.	
2. Improving budget classifications		Update the functional classification to make it consistent with the UN classification adopted in 1999.	Preparation of possible new classification modules: program classification and "source of financing" classification.	Introduction of new classification modules into the budget nomenclature.
3. Presentation of a single budget		Prepare a consolidated budget for 2003 that includes all investments, including those financed with external resources.	Prepare a budget annex presenting consolidated data from the decentralized entities.	
4. Inclusion of grants and tracking them		Quantify any grants not included in the budget. Prepare a strategy to improve information and implement a system to track grant-financed expenditures.	Continue this work.	
5. Inclusion of off-budget revenue in budget		Integrate all off-budget revenue from the ministries into the 2003 budget.		
6. Medium-term projections		Prepare an overall medium-term expenditure framework.	Use the second year of the 2003-2005 framework to begin preparing the 2004 budget.	

Table 2 (continued). Actions to be taken to improve tracking of poverty-reducing expenditures				
Action to be taken	2001	2002	2003	2004
7. Chart of accounts of the government and decentralized entities	Finalize the new draft chart of accounts for central government.	Implement a detailed central government chart of accounts. Implement a chart of accounts for the decentralized entities with the same expenditure classification as the government's.		
8. Tracking expenditures at the payment stage		Prepare Treasury accounting balances. Identify accounts payable on a monthly basis.	Prepare the TOFE based on the monthly Treasury account balances.	
9. Internal control	Strengthen DTCP internal controls through annual verification programs.	Reactivate the <i>Inspection Générale des Finances</i> by giving it the necessary resources. Strengthen the team of DTCP internal auditors.	Implement decentralized financial control.	
10. Integrating the Commissioner's Office into the accounting system		Establish an interim system for recording accounting transactions of the Commissioner's Office in Treasury accounts.	Reorient the Commissioner's Office, to confine its activities to advisory, coordination, and research services.	Deconcentrated and decentralized HIPC expenditures will be executed primarily by the technical ministries or by local governments.
11. Ex post audits		Ensure the adoption of the budget review law for 2001 and the audit of the related accounts by the external Audit Agency.	Continue to adopt the budget review law (for 2002) and audit the 2002 accounts in the statutory time frames.	
12. Computerizing the expenditure stream	Continue to computerize DTCP operations.	Computerize each stage of expenditure through to payment, in the context of the potential implementation of an integrated financial management system (IFMS). Continue to computerize public accounting system so that it automatically produces a trial balance.	Design and begin to implement an IFMS.	Continue to implement the IFMS.

The objectives of these actions are described in greater detail below.

1. Application of budget classifications

Initially, the authorities devoted efforts towards track the poverty-reducing expenditures linked to the HIPC Initiative. To that end, specific codes were established to itemize them, thereby enabling the tracking committee to track each of these expenditures, outside the treasury accounting system.

It is now imperative to develop a system to track *all* poverty-reducing expenditures. To do this through the classification system, such expenditures must be identified. Based on the PRSP, a possible configuration among the five priority sectors identified in the PRSP and the functional classification is proposed (Table 3). This could be fine-tuned over time, based on the progress made in refining the identification of priority poverty-reducing expenditures, beyond those already identified for tracking expenditures financed with HIPC resources.

Recommendations

- Prepare a bridge table between the projects financed with HIPC resources and the budget nomenclature to allow for transparent tracking of each project.
- Use the functional classification in the analysis of poverty-reducing expenditures. To this end, determine the specific expenditures in the five priority sectors that are (or will be) budgeted.

2. Improvement of budget classifications

The new budget nomenclature adopted in late 1998 permits the Budget and Accounts Directorate (DBC) to track the execution of budget law expenditures on a monthly basis, by administrative unit and type. However, the DBC does not use the functional classification, which determines the function of expenditures and is independent of the administrative classification, which can vary over time and therefore does not allow for adequate long-term analyses. This is an important factor for any analysis of poverty-reducing expenditures, particularly for future studies by the Commissioner's Office.

The functional classification adopted in 1998 is consistent with the IMF Government Finance Statistics Manual (GFS) published in 1986. Since that date, the classification of the functions of government has been revised jointly by the United Nations, the IMF, the OECD, and EUROSTAT (see Annex 1). The number of classes was reduced, but the number of groups and subgroups rose, to help better identify expenditures by function. Since the DBC does not use the old functional classification, it should skip immediately to the new one.

Table 3. Priority Sectors and Functional Classification

Priority sectors (defined in the PRSP, para. 95)	Class	Functional classification (examples) 1/ Group	Subgroup
1. Rural development (para. 154) -- revitalizing production -- rural infrastructure -- institutional measures -- protecting natural resources	10. Agriculture 12. Transport 13. Other	1. Agriculture and agricultural engineering 1. Roads 2. Livestock 4. Multiple projects 3. Construction 1. Roads 1. Housing 2. Community development 3. Environment and sanitation	1. Land development .. 3. Agrarian reform 3. Livestock water management 1. Food security
2. Urban development (para. 183-187) -- institutional framework -- urban infrastructure and services -- development of towns -- housing -- urban environment	11. ... Construction 12. Transport 7. Housing and community development	4. National education 5. Health 7. Housing and community development	1. Preprimary+Primary 2 .. 6. Other 1. First level of care facilities 2. Second level of care facilities 3. Third level of care facilities 4. Drugs 2. Water supply
3. Education			Primary Literacy
4. Health			
5. Water management			

1/ Classification system adopted by Mauritania in 1998. In 1999, the United Nations adopted a new functional classification.

The introduction of program budgets will make it necessary to develop a specific classification to track expenditures by program. Depending on the flexibility of the (future) computer system, other classification modules could also be introduced. For example, to track expenditures financed with HIPC resources, a specific module for “financing source” (domestic, external non-HIPC, external HIPC, special accounts, etc.) could be created and integrated into the budget nomenclature.

Recommendations

- Replace the current functional classification with the one outlined in Annex 1.
- Eventually create a program classification module that would make it possible to easily determine financial execution of the program budgets.
- Eventually restructure all budget classifications, based systematically on coherent modules that allow flexibility in the description of budget items, but uses the current classifications as a reference. The expenditure nomenclature would include an administrative classification, a functional classification, a classification by economic type, a classification by program, and possibly a classification by source of financing.

3. Presentation of a single budget

Organic Law 78-011 on the budget law specifies that government resources include grants and loans. At present, in establishing the balance between government resources and outlays, donor grants and loans are excluded. When adopting the government budget, it is important for Parliament to have a sector-by-sector picture of priority expenditures, regardless of the source of financing. In this context, the government has already prepared a medium-term budget framework for two key sectors. In 2000-2001, external financing in the health sector will account for over 50 percent of financing.⁶ The next step would be to integrate these medium-term projections into the budget, with the tranche for the first year being the estimates for the annual budget.

Recommendation

- Include all investment expenditures in the budget law, by unifying the budget for current expenditures and the consolidated investment budget (except for investments by public enterprises).

4. Inclusion of grants

⁶ See Chart 7 in the 2002-2004 Medium-Term Budget Framework prepared by the Planning Directorate of the Ministry of Health and Social Affairs, July 1, 2001.

The budget execution tracking statements are not comprehensive, given the absence of data on some grants that do not pass through the Treasury. Because of specific procedures used by some donors, it takes too long before the central government receives data, if ever. The size of these operations needs to be evaluated in order to achieve a realistic consolidation of general government activities.

Recommendation

- These off-budget operations should be evaluated to quantify their amount, using fiscal year 2000 as a baseline. This would make it possible to determine whether or not these operations, which are not shown in the budget, amount to truly significant sums and would require a specific tracking procedure.

5. Budgeting off-budget revenue

It is important for all resources to be budgeted, so that no nonpriority ministries is able to make off-budget expenditures that would distort the allocation of total resources.

Recommendation

- Include all revenue retained by ministries and associated expenditures in the annual budget law.

6. Medium-term projections

A medium-term framework for all central government operations is planned for end-2002. This will require the assurance that there is adequate technical expertise in both the MF/MAED and sectoral ministries. In the long term, local governments need to develop a medium-term framework.

Recommendation

- Ensure that the medium-term framework for central government operations is completed by end-2002. Use the projections for the second year in the 2003-2005 framework as a starting point for preparing the 2004 budget.

7. Chart of accounts of the government and the decentralized entities

The chart of accounts used by the DTCP is such that the Treasury is not able to account for (act of *prise en charge*) and make payments following correct accounting nomenclature.⁷

⁷ In 2001, expenditures in the Treasury were accounted for as follows: assumption of authorized expenditures (*prise en charge*), by debiting a single account in class 9 “general budget expenditures” and crediting a class 4 account. There is no auxiliary accounting for expenditure. Upon payment, the class 4 account is debited with a

(continued)

However, in 2001, the Treasury prepared a draft new chart of accounts, and it was planning to introduce it in conjunction with a new treasury computer system being developed in-house. Nonetheless, the external audit agency had not been provided with the opportunity to comment on the draft chart of accounts.

It is essential for the decentralized entities to use a chart of accounts that could produce detailed disbursement data. Currently, the chart of accounts of decentralized entities differs from the draft new chart of accounts prepared by the DTCP. For an overall picture of general government expenditure, the classifications used by all levels of government must be standardized, at least for expenditure by economic type.

Recommendations

- Implement a detailed government chart of accounts by January 1, 2002, provided that the new chart of accounts is fully satisfactory to the external audit agency.
- Ensure that a chart of accounts is prepared for the decentralized entities and that it includes the same expenditure classification as the general government chart of accounts.

8. Tracking expenditures at the payment level

In the absence of a detailed chart of accounts, it is impossible to track expenditures by type at the Treasury level: currently, the capacity to track individual expenditures (such as specific poverty-reducing expenditures) ends at the payment authorization stage. Furthermore, the Treasury does not report detailed payment operations back to the DBC. To be able to prepare the budget review law and the monthly Treasury account balances, DTCP accounting procedures may need to be reorganized. Once that is done, the TOFE should be obtained through automatic data processing of balance data to obtain maximum information, to help enhance the accuracy of this regular statement.

Recommendations

- Ensure that data on Treasury payments by type is reported back to the DBC.
- Prepare a monthly balance of Treasury accounts so as to identify accounts payable.
- Prepare the TOFE based on the monthly treasury account balances.
- Review DTCP accounting procedures in order to attain these objectives.

credit of a financial account. The balance in the class 9 account provides information on total payment orders, but does not provide any indication of expenditure type.

9. Internal control

A local Financial Controller's Office has not been established to monitor decentralization and deconcentration efforts. Also, at central level, the Financial Controller's Office does not have direct access to the DBC's computerized system of recording expenditures at the pre-payment stages.

The DTCP's internal control division is not very active; its effectiveness must be improved significantly and an annual verification program is needed.

In recent years, the IGF has not been able run down completely, lacking both human and material resources.

Recommendations

- Establish non-central Financial Controller's Office.
- Review computerization, so that it assists the Financial Controller's Office in controlling commitments and payment order issuances.
- Revitalize the Inspection Générale des Finances by giving it the necessary resources to operate. Assign it, as a priority, to control the network of public accountants.
- Strengthen the DTCP team of internal controllers and establish verification programs.

10. Integrate the Commissioner's Office's transactions into the accounting system

In 2001, the Commissioner's Office was managing approximately 50 percent of HIPC resources; the corresponding budget appropriation appears in a single line in the budget law. That appropriation is paid out in installments. The payment orders to effect transfers from the Treasury's main account to the special subaccount are issued by the Budget Directorate. The office does not have accounting autonomy and is not officially an EPIC;⁸ it therefore does not currently justify its expenditures to the Treasury. While execution of projects by the Commissioner's Office should be reduced, and eventually eliminated, it is essential that it be possible to monitor its disbursements and that all relevant accounting documents be incorporated into the Treasurer's operating account, to ensure transparency in the execution of these expenditures. One option would be to establish an account comparable to an imprest account so that advances granted by the government budget are comprehensively justified with the Paymaster General.

⁸ EPIC = Industrial and commercial public enterprise

Recommendations

- Establish an interim system that will establish accounting relations between the Commissioner's Office and the Treasury.
- Develop the role of the Commissioner's Office so that eventually it only plays an advisory, coordination, and research role. Deconcentrated (or decentralized) HIPC expenditures would be executed by the technical ministries (or local governments).

11. Ex post audits

The external Audit Agency is willing to enforce current laws and to guarantee the reliability of the data on execution of central and local government budgets. However, at present, the central Treasury does not provide accounts to the *Cour des comptes* and very few local government accountants do so. It is essential for the competent authorities organize themselves and provide provisional accounting data, as required for preparing the *loi de règlement* and the annual auditing of government accounts.

Recommendations

- Require all accountants' annual accounts to be transmitted to the General Treasury unit responsible for examining them within six months of fiscal year-end.
- Ensure that consolidated government accounts, accompanied by all relevant documents (*pièces justificatives*), are deposited with the external Audit Agency in the time frame required by law.
- Set a threshold for the accounts to be verified by the external Audit Agency. Small local authorities can have their accounts checked by regional treasuries.

12. Computerizing the expenditure stream

Expenditure execution has not been computerized using an integrated financial management system (IFMS). Each department manages its own application, which is not necessarily compatible with those of the other departments concerned. Transfers from one system to another are done by hard copy or diskette. It is important for data transfers between departments to be transmitted digitally, without reentering data; this would speed up the budget execution process and improve the quality of data transfers.

The Information Technology Directorate of the Ministry of Finance, created in 1974, has research, advisory, and operating missions. It provides services mainly to the DBC, but is not involved in the IT reorganization of the DTCP. In playing its coordination role, the Information Technology Directorate also hopes to lend advisory services and assistance to the DTCP.

In the medium term, implementation of an IFMS for the entire budget preparation and execution process (revenue and expenditure) and for the administrative and accounting phases would speed up the preparation and execution process, improve formal control, and provide data rapidly. Compatible software must be used for budget execution applications throughout the Ministry of Finance and the Ministry of Economic Affairs and Development. Any rewriting or development of new programs must bear this need in mind.

Recommendations

- Computerize the expenditure stages through to payment.
- Computerize consolidated government accounts, with automatic publication of trial balances.
- To that end, develop collaboration between the IT Directorate and the DTCP.
- More generally, develop the coordination and advisory role of the IT Directorate.
- In the medium term, implement an IFMS for the entire budget preparation and execution process (revenue, expenditure, financing, and debt).

IV. Technical Assistance

In the past, the main development partners provided substantial aid (see Table 4). In certain areas, such as the establishment of an external Audit Agency and training of auditors, good use has been made of this assistance. In contrast, in the Treasury, the substantial assistance provided did not result in significant changes.

To implement the recommendations in the proposed plan of action in several areas, the government is planning to make the necessary changes with its own resources. In other areas, additional technical assistance could be useful, however this depends on the willingness of the departments in question to appeal to donors.

Technical assistance planned by donors

France, Germany, the European Union and the World Bank plan to provide significant assistance. The Commissioner's Office, the external Audit Agency, and some directorates in the Ministry of Finance and the Ministry of Economic Affairs and Development will be the main beneficiaries.

Technical assistance needs not currently provided for

Targeted, well-defined assistance could be useful in three areas to address:

- Computerization of the expenditure stream and development of an integrated computer system (IFMS).
- Specific problems in the DTCP. For example, the key phases for (1) preparing the 2001 draft budget review law; (2) TOFEs based on the monthly Treasury account balances; or (3) introducing new or modified procedures.
- Reactivating the Inspection Générale des Finances.

Table 4. Mauritania: Technical Assistance Received and Planned

Provider	Description of the technical assistance received and planned, by project
World Bank	<ul style="list-style-type: none"> • Past years • 2001
	<ul style="list-style-type: none"> • Review of public expenditures (1991, 1995) • Review of public expenditures—health. • Support for preparing a medium-term expenditure framework for education and health. • Support for preparing a medium-term expenditure framework for infrastructure and rural development.
	Planned for 2002-2004
	<ul style="list-style-type: none"> • Commissioner's Office: Support for database • Technical assistance mission to amend budget nomenclature classifications. • Ministry of Planning: resident expert • Customs: equipment • External Audit Agency • National Statistics Office
IFAD	Planned for 2002-2008
IMF	Past years and 2001
European Union	Past years
	<ul style="list-style-type: none"> • 2000-2001
UNDP	<ul style="list-style-type: none"> • Budget Directorate, Ministry of Finance. Resident expert to design key indicators for budget tracking.
	Planned for 2002-2004
	<ul style="list-style-type: none"> • Nontargeted budget support, with conditions on: <ul style="list-style-type: none"> • Key indicators • Budget execution data from the Ministries of Health and Education • Progress in preparing the 2001 budget review law.
	<ul style="list-style-type: none"> • 1993-99 • 2000-01
Germany	<ul style="list-style-type: none"> • External Audit Agency: Support for establishing the Agency and training its personnel. • Customs: computerization – SYDONIA • Ministry of Economic Affairs: Support for the analytical and statistical capacity • Commissioner's Office: Support for the indicators
	Planned for 2002-2004
	<ul style="list-style-type: none"> • Governance – Administrative reform (organizational audits and evaluations) • Commissioner's Office: Support for the tracking and evaluation system • Commissioner's Office: Support for the tracking and evaluation system • External Audit Agency: Support for training auditors, etc.
	<ul style="list-style-type: none"> • 2000-2001 and planned for 2002-2003

Canada	Past years	<ul style="list-style-type: none"> • Commissioner's Office: Support
Coopération française	Past years	<ul style="list-style-type: none"> • Technical assistance in the Ministry of Finance: 8 technical advisors (Office of the Minister of Finance, Budget Directorate, Treasury and Public Accounting Directorate (DTCP); Information Technology Directorate, General Directorate of Taxation and Customs. • Computerization of the DTCP (not operational).
	2001-2004	<p>Technical assistance in the Ministry of Finance:</p> <ul style="list-style-type: none"> • Approximately 4 technical advisors (head of project; Information Technology Directorate, General Directorate of Customs; ...) • Specific short-term or peripatetic missions

CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (COFOG, 1999)

(adopted jointly by the United Nations, the IMF, the OECD, and Eurostat)

01 General public services

011 Executive and legislative organs, financial and fiscal affairs, external affairs

0111 Executive and legislative organs

0112 Financial and fiscal affairs

0113 External affairs

012 Foreign economic aid

0121 Economic aid to developing countries and countries in transition

0122 Economic aid routed through international organizations

013 General services

0131 General personnel services

0132 Overall planning and statistical services

0133 Other general services

014 Basic research

0140 Basic research

015 R&D general public services

0150 R&D general public services

016 General public services n.e.c.

0160 General public services n.e.c.

017 Public debt transactions

0170 Public debt transactions

018 Transfers of a general character between different levels of government

0180 Transfers of a general character between different levels of government

02 Defense

021 Military defense

0210 Military defense

022 Civil defense

0220 Civil defense

023 Foreign military aid

0230 Foreign military aid

024 R&D defense

0240 R&D defense

025 Defense n.e.c.

0250 Defense n.e.c.

03 Public order and safety

031 Police services

0310 Police services

032 Fire protection services

0320 Fire protection services

033 Law courts

0330 Law courts

034 Prisons

0340 Prisons

035 R&D public order and safety

0350 R&D public order and safety

036 Public order and safety n.e.c.

0360 Public order and safety n.e.c.

04 Economic affairs

041 General, economic, commercial, and labor affairs

0411 General economic and commercial affairs

0412 General labor affairs

042 Agriculture, forestry, fishing, and hunting

0421 Agriculture

0422 Forestry

0423 Fishing and hunting

043 Fuel and energy

0431 Coal and other solid mineral fuels

0432 Petroleum and natural gas

0433 Nuclear fuel

0434 Other fuels

0435 Electricity

0436 Non-electric energy

044 Mining, manufacturing, and construction

0441 Mining of mineral resources other than mineral fuels

0442 Manufacturing

0443 Construction

045 Transport

0451 Road transport

0452 Water transport

0453 Railway transport

0454 Air transport

0455 Pipeline and other transport

046 Communication

0460 Communication

047 Other industries

0471 Distributive trades, storage, and warehousing

0472 Hotels and restaurants

0473 Tourism

0474 Multipurpose development projects

048 R&D economic affairs

0481 R&D general economic, commercial, and labor affairs

0482 R&D agriculture, forestry, fishing and hunting

0483 R&D fuel and energy

0484 R&D mining, manufacturing, and construction

0485 R&D transport

0486 R&D communication

0487 R&D other industries

049 Economic affairs n.e.c.

0490 Economic affairs n.e.c.

05 Environmental protection

051 Waste management

0510 Waste management

052 Waste water management

0520 Waste water management

053 Pollution abatement

0530 Pollution abatement

054 Protection of biodiversity and landscape

0540 Protection of biodiversity and landscape

055 R&D environmental protection

0550 R&D environmental protection

056 Environmental protection n.e.c.

0560 Environmental protection n.e.c.

06 Housing and community amenities

061 Housing development

0610 Housing development

062 Community development

0620 Community development

063 Water supply

0630 Water supply

064 Street lighting

0640 Street lighting

065 R&D housing and community amenities

0650 R&D Housing and community amenities

066 Housing and community amenities n.e.c.

0660 housing and community amenities n.e.c.

07 Health

071 Medical products, appliances, and equipment

0711 Pharmaceutical products

0712 Other medical products

0713 Therapeutic appliances and equipment

072 Outpatient services

0721 General medical services

0722 Specialized medical services

0723 Dental services

0724 Paramedical services

073 Hospital services

0731 General hospital services

0732 Specialized hospital services

0733 Medical and maternity center services

0734 Nursing and convalescent home services

074 Public health services

0740 Public health services

075 R&D health

0750 R&D health

076 Health n.e.c.

0760 Health n.e.c.

08 Recreation, culture, and religion

081 Recreational and sporting services

0810 Recreational and sporting services

082 Cultural services

0820 Cultural services

083 Broadcasting and publishing services

0830 Broadcasting and publishing services

084 Religious and other community services

0840 Religious and other community services

085 R&D recreation, culture, and religion

0850 R&D recreation, culture, and religion

086 Recreation, culture, and religion n.e.c.

0860 Recreation, culture, and religion n.e.c.

09 Education

091 Pre-primary and primary education

0911 Pre-primary education

0912 Primary education

092 Secondary education

0921 Lower-secondary education

0922 Upper-secondary education

0933 Technical secondary education

093 Post-secondary non-tertiary education

0930 Post-secondary non-tertiary education

094 Tertiary education

0941 First stage of tertiary education

0942 Second stage of tertiary education

095 Education not definable by level

0950 Education not definable by level

096 Subsidiary services to education

0960 Subsidiary services to education

097 R&D education

0970 R&D education

098 Education n.e.c.

0980 Education n.e.c.

10 Social protection

101 Sickness and disability

1010 Sickness and disability

102 Old age

1020 Old age

103 Survivors

1030 Survivors

104 Family and children

1040 Family and children

105 Unemployment

1050 Unemployment

106 Housing

1060 Housing

107 Social exclusion

1070 Social exclusion

108 R&D social protection

1080 R&D social protection

109 Social protection n.e.c.

1090 Social protection n.e.c.