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# Côte d'Ivoire Public Expenditure Management and Financial Accountability Review

(In Three Volumes) Volume II: Public Financial Management Performance Report

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PREM 4  
Africa Region



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## Currency Equivalents

Currency Unit = CFA Franc  
1 US dollar = 436.17 (April 2008)

## Fiscal Year

01 January - 31 December

## ACRONYMS AND ABBREVIATIONS

<b>ACCD</b>	Central Accounting Agency of Deposits ( <i>Agence Comptable Centrale des Dépôts</i> )
<b>ACCT</b>	Central Accounting Agent of the Treasury ( <i>Agent Comptable Central du Trésor</i> )
<b>ASTER</b>	Treasury Service Database ( <i>Application des Services du Trésor en Réseau</i> )
<b>BCEAO</b>	Central Bank of West African States ( <i>Banque Centrale des Etats d'Afrique de l'Ouest</i> )
<b>CAA</b>	Amortization Autonomous Fund ( <i>Caisse Autonome d'Amortissement</i> )
<b>CD</b>	Customs Code ( <i>Code des Douanes</i> )
<b>CFAP</b>	Classification of Functions of Government (COFOG)
<b>CGAF</b>	General Accounts of the Financial Administration ( <i>Compte Général de l'Administration Financière</i> )
<b>CGI</b>	General Tax Code
<b>CGRAE</b>	Civil Servants National Retirement Fund ( <i>Caisse Générale de Retraités des Agents de l'Etat</i> )
<b>CNPS</b>	National Social Protection Fund ( <i>Caisse Nationale de Prévoyance Sociale</i> )
<b>CPAR</b>	Country Procurement Analytical Review
<b>CRDP</b>	Public Expenditure Review Unit
<b>DAAF</b>	Director of Administrative and Financial Affairs
<b>DAC</b>	Development Aid Committee
<b>DCPE</b>	Directorate of Conjuncture and Economic Forecasting
<b>DDP</b>	Directorate of Public Debt
<b>DGBF</b>	General Directorate of the Budget and Finance ( <i>Direction Générale du Budget et des Finances</i> )
<b>DGD</b>	General Directorate of Customs ( <i>Direction Générale des Douanes</i> )
<b>DGER</b>	Economic Governance and Recovery Grant
<b>DGI</b>	Internal Revenue Service ( <i>Direction Générale des Impôts</i> )
<b>DGTCP</b>	General Directorate of the Treasury and Public Accounting ( <i>Direction Générale du Trésor et de la Comptabilité Publique</i> )
<b>DMP</b>	Directorate of Public Procurement
<b>DSOP</b>	Expenditures without Payment Order ( <i>Dépenses sans Ordonnancement Préalable</i> )
<b>E.U.</b>	European Union
<b>ECOWAS</b>	Economic Community of West African States
<b>EPCA</b>	IMF Emergency Post-Conflict Assistance
<b>EPN</b>	National Public Agencies ( <i>Etablissements Publics Nationaux</i> )

<b>CFAF</b>	CFA Franc
<b>FUR</b>	Central Personnel Database ( <i>Fichier Unique de Référence</i> )
<b>GDP</b>	Gross Domestic Product
<b>HDI</b>	Human Development Index
<b>HDS</b>	Health and Demographic Survey
<b>HIPC</b>	Highly-Indebted Poor Countries
<b>IDA</b>	International Development Association
<b>IGE</b>	General Public Inspectorate
<b>IGF</b>	General Inspectorate of Finance
<b>IGT</b>	General Inspectorate of the Treasury
<b>IMF</b>	International Monetary Fund
<b>MDG</b>	Millennium Development Goals
<b>MEF</b>	Ministry of Economic and Finance
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>OECD</b>	Organization of Economic Cooperation and Development
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PEMFAR</b>	Public Expenditure Management and Financial Accountability Review
<b>PGT</b>	Paymaster-General of the Treasury ( <i>Payeur Général du Trésor</i> )
<b>PIP</b>	Public Investment Program
<b>PPA</b>	Purchasing-Power Parity
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SACO</b>	Central Payment Order Service ( <i>Service Autonome de Centralisation de l'Ordonnancement</i> )
<b>SIGFAE</b>	Integrated System for the Management of the Civil Servants' Records ( <i>Système Intégré de Gestion des Fonctionnaires et Agents de l'État</i> )
<b>SIGFIP</b>	Integrated Public Finance Management System
<b>SIGMAP</b>	Integrated Public Procurement Management System
<b>SIR</b>	Ivorian Refining Company ( <i>Société Ivoirienne de Raffinage</i> )
<b>SNDI</b>	National Company of Software Development ( <i>Société Nationale de Software Informatique</i> )
<b>SOE</b>	State-Owned Enterprise
<b>SYGADE</b>	Integrated Debt Management System
<b>SYS COA</b>	West African Accounts System
<b>TOFE</b>	Government Fiscal Operations Table
<b>UNO</b>	United Nations Organization
<b>VAT</b>	Value Added Tax
<b>WAEMU</b>	West African Economic and Monetary Union

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## SUMMARY OF THE ASSESSMENT

### Integrated Assessment of Public Financial Management Performance

1. The legal and regulatory framework of Côte d'Ivoire's public financial management system comprises: the Constitution; the organic law on the Budget Act of December 31, 1959; Law No. 62-53 of February 12, 1962, defining the public finance management system organization; and the decree on public sector accounting principles of January 3, 1980. This legal framework fixes the rules on preparation of the budget laws, their implementation as well as their control.
2. Côte d'Ivoire had initiated the reform of the public finance management system, in order to bring it closer to international standards and in line with the regional framework of the West African Economic and Monetary Union (WAEMU), which has not been incorporated into the national law. Progress has been slow because of the crisis the country has been facing since the beginning of 2000, which had a direct impact on the performance of the system. Hence, the procedure of paying expenditures on the basis of treasury advances was widely used until 2007. For some fiscal years (2006, 2007 and 2008), the budget was approved by presidential ordinance. Despite this particular situation, the periods and dates specified in the guidelines on the use of the Public Expenditure and Financial Accountability (PEFA) methodology were carefully respected, in order to analyze the situation as it is and not as it should be.
3. Annex 1 of the report presents the summary of scores assigned to the 31 indicators of the PEFA review system. This review of the public finance system is incomplete since it was not possible to assign scores to four indicators (PI-1, PI-2, PI-7 and D-1) for which the data was not available. For five other indicators, the data provided was only partial and some components were assigned a D score (PI-13 – 3<sup>rd</sup> dimension, PI-15 – 1<sup>st</sup> dimension, PI-16 – 3<sup>rd</sup> dimension, and D2 – 1<sup>st</sup> dimension).
4. **The review notes that, globally, the public financial system is below average.**<sup>1</sup> Indeed, the review observed that if, on the whole, Côte d'Ivoire has made significant progress in recent years, there are still a large number of weaknesses in its public finance system. However, for some aspects, the scores assigned to the indicators are good, while those assigned to other indicators could evolve positively through actions such as the return to the orthodoxy in budget formulation and approval, execution and reporting as well as external control, all of which are appropriately defined in the country's legal and regulatory framework.
5. **Credibility of the budget.** The credibility of the budget is low. The performance of domestic revenues is adequate, taking into account the crisis situation. It should be noted that the outturn for 2006 was well above the initial estimates. Concerning expenditures at the aggregated level, there were differences over the past three fiscal years (2004, 2005 and 2006) which are probably significant, taking into account the level of advances not regularized. These differences weakened the transparency and accountability in the use of public funds, including the non

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<sup>1</sup> Considering C as the average performance, 10 out of the 31 indicators of the PEFA system are at this level and above.

respect of the procurement procedures. Globally, the breakdown of expenditures shows that, for the main ministries, the differences from plans are considerable. It should be specified that the data used for the analysis should be corrected by taking into account the expenditures to be regularized and which feature in the general balance of the Treasury accounts.

6. **Comprehensiveness and transparency.** Despite the improvements observed during these past years, there are still efforts to be made in order to improve the presentation of the budget document. The budget classification was reviewed at the beginning of the years 2000, but still shows some limitations: lack of clarity between the various components and inadequate alignment with the functional classification of the GFS 2001, which to be prepared requires a bridge table. Although abundant, the budget documentation is not in conformity with the requirements neither of the organic law, nor of the PEFA standards (for example, it does not identify financing of the deficit or analysis the impact of the tax measures). The budget is not comprehensive in terms of resources and expenditures. Indeed, despite the efforts made by the Government during the implementation of budget reforms, a number of operations do not feature in the budget. They include first of all revenues collected directly by some ministries, generally against services rendered, and which are either not paid to the Treasury or are partially paid. The same applies to dividends paid by some state-owned companies or parastatals that are not systematically added to the budget (case of PETROCI, which manages government shares in the energy sector). Moreover, to ensure comprehensiveness of the budget, it is necessary to budget the quasi-fiscal levies on some key sectors like oil and particularly the cocoa/coffee sector. Besides, transfers from the State to the local communities are not based on clear and well-defined rules and the information on the amount is provided late, which delays the adoption of their budgets. Concerning the oversight of the aggregate fiscal risk from other public sector entities, the lack of consolidation of the data limits monitoring of these fiscal risks. Finally, public access to key budgetary information is gradually improving with the establishment of Internet sites for key agencies (DGD, DGTCP, and DGI). An Internet site of the DGBF is being developed. However, the dissemination of information to the public concerning budget vote and budget execution is still limited.

7. **Policy-based budgeting.** The presentation of the budget is still marked by the logic of resources and the predominant role of the MEF in the process. Also, its perspective is annual. Since the last three years were characterized by the non-compliance of the deadlines for the preparation and adoption of the budget, the Government pledged to ensure better supervision of the 2008 budget preparation in order to adopt it before the end of the year. The very short deadlines given to the ministries for preparation of their budgets limit the quality of their proposals. However, a timetable for preparing the 2008 budget was adopted. The budget is prepared purely on an annual basis and the ministries do not have quantified sector strategies. The resumption of the process to finalize the poverty reduction strategy will offer the opportunity to engage in the development of medium-term scenarios for the priority sectors of the strategy and thereby help to move beyond the annual budget perspective.

8. **Predictability and control in budget execution.** The obligations of taxpayers are fixed by a regulation, which is widely disseminated. There are opportunities for appeal but they require greater transparency and efficiency. The system for registration of taxpayers is relatively efficient and the tax audits are planned, but the verification programs are not based on clear risk assessment criteria. The rate of recovery of tax and customs arrears could not be assessed due to



the lack of data. Management of the public treasury is conducted on the basis of an annual plan, which is updated monthly both in forecasting and execution. This possibility of availability of funds over several months is, however, not exploited since the ceilings are provided to the ministers on a monthly basis. The controls carried out on the personnel database of the payroll are inadequate and updated late. The level of control of non-salary expenditures is affected by lack of assessment of risks. Finally, the internal audit system is inefficient.

9. **Accounting, recording and reporting.** Public accountants carry out bank reconciliations on regular basis but the suspense accounts are not adequately monitored. This situation largely reflects the use of the procedure of payments on the basis of advances. The SIGFIP system is under-utilized since the publication of budget execution reports is not systematic. The reliability of the data cannot be totally ensured during the fiscal year, as the reconciliation between the SIGFIP and ASTER records is only done at the end of the fiscal year.

10. **External scrutiny and audit.** The Chamber of Accounts is not yet really operational. Although the DGTCP transmitted the Treasurer-General's management accounts until the 2002 fiscal year, none has, so far, been verified or judged. The last report prepared by the Chamber of Accounts on the budget execution review law concerns the 2002 fiscal year. The examination of the draft budget execution review laws (*Lois de Règlement*) is done with much delay. The last voted budget execution review law is that of the 2001 fiscal year. The National Assembly does not receive any external audit report and since the budgets for the 2006, 2007 and 2008 fiscal years were adopted by presidential ordinance, it did not consider the draft budget law (*Loi de Finances*). The score adopted for the corresponding indicators is, therefore, the lowest.

#### **Assessment of the impact of weaknesses in public financial management**

11. The weaknesses in public management have an impact on the objective of a sound management of public finances (fiscal discipline, strategic allocation, and efficiency). The following table reviews some of the impacts of the weaknesses on the three objectives of a sound public financial management.

	<b>Fiscal discipline</b>	<b>Strategic allocation of resources</b>	<b>Efficient service delivery</b>
<b>Credibility of the budget</b>	<p>It is not possible to assess the level of credibility of budget estimates in relation to budget outturns. Indeed, a considerable amount of expenditures to be regularized cannot be charged to the budget. Domestic revenues are quite close to the estimates. However, the credibility can be affected by the modalities of budget execution (system of advances), by the delay in adoption of the budget and, therefore, late disbursement of budget resources.</p>	<p>The importance of the amount of arrears payment leads to added costs, as government suppliers integrate a risk premium in their prices. The presence of important arrears may also result in modifications in the real structure of expenditures.</p>	<p>Requests for reallocation of funds from the funds' administrators are frequent and may prevent the efficient use of resources. However, these changes may also be due to the excessive detail of allocated funds.</p>
<b>Comprehensiveness and transparency</b>	<p>Despite some weaknesses, the budget structure, if used in all its components, would allow for a clear presentation of the budget.</p> <p>The budget documentation, which includes detailed annexes, notably on transfers, does not conform with the requirements of the organic law or of the PEFA standards.</p> <p>A number of operations are not covered by the budget. They are revenues collected directly by some ministries and funds allocated, the amount of which is not known.</p> <p>The rules to allocate transfers from the central to the local governments are either not updated or clear. The amounts of the transfers are communicated late, at the stage of budget preparation by the local governments, and are also paid late.</p> <p>The public has access to limited information on the budget.</p>	<p>The incomplete budget documentation may have an adverse effect on Parliamentary control and prevent efficient allocation of resources.</p> <p>The lack of consolidation of the data on the EPNs and local governments may prevent the State from anticipating a situation of deficit of these entities, which would affect its own financial situation.</p> <p>The lack of budgeting of part of the government resources has a direct impact on the total amount of resources to be allocated to the different sectors.</p> <p>The absence of pre-established rules governing the method of distribution of transfers from the State to the local governments leaves the door open for arbitrary distribution of these resources.</p> <p>The lack of information prevents the public from verifying how the resources are utilized.</p>	<p>The lack of transfer to the treasury by some ministries of revenues collected for services rendered and the fact that they probably use these amounts to meet their operating expenditures does not allow the central government to make an equitable distribution of such resources.</p> <p>The late provision of information on transfers from the State to the local governments has a direct impact on the quality of their budget estimates.</p>

	<b>Fiscal discipline</b>	<b>Strategic allocation of resources</b>	<b>Efficient service delivery</b>
<b>Policy-based budgeting</b>	<p>The impact of the medium-term operations is not taken into account, since the budget preparation process is not based on an overall medium-term framework.</p> <p>Moreover, no ministry has sector strategies based on quantified estimates.</p>	<p>The lack of MTEF may affect the strategic allocation of resources and lead to major changes in the composition of expenditures.</p> <p>The lack of dialogue between the MEF and the sector ministries as well as the short deadline given to them for the preparation of their budget may have an adverse effect on the quality of their budget proposals and, therefore, globally, on the allocation of the resource envelope.</p>	<p>The lack of importance attached to the medium-term prevents ministries from optimizing their interventions.</p>
<b>Predictability and control in budget execution</b>	<p>There is a formal framework for cash management. A treasury plan is established at the beginning of the fiscal year, for the duration of the year and updated monthly.</p> <p>The efficiency of the <i>a priori</i> internal control of expenditures is weak. Expenditures are largely executed according to the simplified procedure and a considerable amount is executed in the form of treasury advances.</p>	<p>The coordination between budget execution and the treasury estimates is not obvious because of delays in the adoption of the budget and recourse to advances.</p> <p>The treasury cash flow forecast is not exploited, since the funds for current expenditures are made available to the ministries on a monthly basis. This practice prevents them from efficiently managing their budget, as a great number of expenditures extend over a period longer than one month.</p> <p>The practice of making payments on the basis of advances and the presence of considerable amounts of expenditures to be regularized prevents the evaluation of the budget execution.</p>	<p>The lack of timely information on availability of budget funds may favor the emergence of irregular practices among the managers for fear of risks of blocking funds.</p> <p>The weakness of the internal control system and the practice of payments on the basis of advances may result in the emergence of unorthodox practices.</p>
<b>Accounting, recording and reporting</b>	<p>The general balance of the treasury accounts is produced monthly. The reconciliations between the accounts and statements of account are done every ten days. But, the quality of the information on the budget execution is limited by the lack of automatic transfer of data between the SIGFIP and ASTER computer systems</p>	<p>The fact that the execution reports are not used as tools to assist decision-making and piloting of budget implementation, may prevent an efficient allocation of resources</p> <p>The lack of information on the monitoring of budget execution may also result in</p>	<p>The lack of information on the execution of budgets, both the general budget and budgets of other public administrations, limits the capacity to monitor the achievement of objectives and, therefore, take the necessary corrective measures as</p>

	<b>Fiscal discipline</b>	<b>Strategic allocation of resources</b>	<b>Efficient service delivery</b>
	<p>and the fact that the reconciliation between these two systems is only done at the end of the fiscal year.</p> <p>Apart from a monthly TOFE, the in-year budget execution reports, which could be obtained from the SIGFIP system, are not established.</p> <p>Even with the delay, the administrative entities are well informed about the amount of resources allocated to them. But the low level of financial resources of the ministries and the very high number of administrative units only allow them to carry out a few field surveys on the effectiveness of the expenditure.</p>	<p>unjustified changes in the composition of expenditures.</p>	<p>early as possible.</p> <p>The lack of control of the disbursement of funds to the recipient administrative entities may prevent the effectiveness of this disbursement.</p>
<b>Surveillance and external verification</b>	<p>The <i>a posteriori</i> examination of the execution of the budget law by the Chamber of Accounts is not operational.</p> <p>The examination of the draft budget execution review law by Parliament is done with much delay. The last draft budget execution review law voted was that of fiscal year 2001.</p>	<p>The lack of <i>a posteriori</i> examination of the public accounts may reduce the Government incentives to allocate resources in an efficient manner and executing the budget in accordance with the policies and budget circular that served as basis for budget preparation and execution.</p>	<p>The lack of <i>a posteriori</i> examination of public accounts may, in the absence of sanctions, result in lack of accountability on the part of the administrations. The quality of the administrative and financial services may be reduced as a result.</p>

### **Prospects for Reform Planning and Implementation**

12. The Ministry of Finance developed in 2006 and 2007 a strategic action plan whose objectives were aimed at enhancing the public financial management system. It should also be noted that, in 2006, the status of implementation of the priority action matrix showed a good execution rate. This practice should be consolidated and further improved and, in this context, the Government could, in the short term, build on the findings of the PEFA review to develop a strategy for strengthening public finances in the areas of budget preparation, execution and control.

# 1. INTRODUCTION

1.1 The Government of Côte d'Ivoire initiated, during these recent years, major reforms of its public financial management system (PFM), but the crisis facing the country since 2002 has had a negative impact on its performance. However, given the recent progress accomplished under the auspices of the Ouagadougou Political Accord for reunification, significant improvement of the PFM system can be achieved in the short term. It is in this context that the Government has decided to conduct an assessment of its PFM system performance on the basis of the indicators of the PEFA Secretariat. This performance assessment will assist to review and deepen its reform program.

1.2 **Objective of the report:** The objective of the public financial management performance report (PFM-PR) is to establish, on the basis of the 31 high-level PEFA indicators, a baseline from which the future progress in the PFM area will be assessed. The Government and its technical and financial partners (TFPs) will thus have a baseline as well as indicators to monitor and assess over time the impact of implemented reforms.

1.3 The review focused on the systems and practices in place during the reference periods fixed by the PEFA methodology.<sup>2</sup> The rules for assigning scores were applied in accordance with the instructions contained in the June 2005 publication of the *PEFA Secretariat*.<sup>3</sup> It is useful to stress that the purpose of the exercise was not to assess or assign scores to the different public institutions or their officials but rather to situate the public finance management system in relation to good international practices.

1.4 The assessment was conducted with the support of several TFPs, including the World Bank, the lead agency, the African Development Bank, the International Monetary Fund and the European Union.

1.5 An ad hoc Committee has been put in place, chaired by the Director-General of Budget and Finance. This Committee ensured the preparation and implementation of the review. The Director of Forecasting and Budget Syntheses ensured the coordination (focal point) of the PEMFAR review for the national part. Throughout the process, the representatives of the national part (senior managers and high officials of the structures) devoted a lot of time and efforts to ensure ownership of the review's findings and facilitate the search for documents and justifications of the scores of the indicators. The World Bank, the lead agency of this assessment, ensured the coordination and acted as a focal point for the TFPs.

1.6 This report is Volume II of the "Public Expenditure Management and Financial Accountability Review" (PEMFAR), and informed the preparation of the PEMFAR main report, particularly Chapter II, which presents a review of the public financial system.

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<sup>2</sup> Document entitled "Guidance on evidence and sources of information to support the scoring of the indicators."

<sup>3</sup> Document entitled "Public Financial Management - Performance Measurement Framework." PEFA Secretariat, World Bank, Washington D.C., June 2005.

1.7 ***Process of preparing the report:*** The review was conducted in two stages:

- An inter-agency mission to the field,<sup>4</sup> during which working sessions were organized with representatives of the Government and the private sector and documentary evidence was collected. At the end of the field mission, an aide-memoire containing the main conclusions was presented to the Government.
- The second phase concerned the preparation of this report. A provisional report was initially transmitted to the Government and all the donor agencies in January 2008. This provisional report was then finalized to take into account the comments of the Ivorian Government, the PEFA Secretariat and donor agencies. This report was presented for validation by all stakeholders during a workshop held in Abidjan on June 16-17, 2008.

1.8 ***The methodology for the preparation of the report:*** The review required many technical interviews with the senior managers of the structures involved and persons with responsibilities in the public financial management system. The field mission, therefore, met with senior officials of the MEF, the National Coordination and Monitoring Committee of the public procurement reform (CNCS), the Economic and Financial Affairs Commission of the National Assembly, the General Public Inspectorate (IGE), the Chamber of Accounts, the Administrative and Financial Directors (DAAFs) of the Ministries in charge of Education, Health, Economic Infrastructure, the Department of Decentralization and Local Communities of the Ministry of Interior, as well as officials of the General Confederation of Enterprises of Côte d'Ivoire (CGECI).

1.9 The review relied on the analysis of the documents that were provided as well as on the additional documentary evidence requested. Information on different sources was cross-checked whenever possible.

1.10 Some of the working sessions of the field mission were devoted specifically to the scoring of the indicators. The mission objectives were not only to explain the scores assigned to the indicators with a view to their approval but also to attain the objective of ownership of the exercise by the national part.

1.11 Annex 6 of this report informs whether the observations transmitted by the Government were totally or partially taken into account or not taken into account.

1.12 ***The scope of the assessment as provided by the PFM-PR:*** The public financial management performance report in Côte d'Ivoire concerned all the revenues and expenditures of

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<sup>4</sup> From 14 to 28 November 2007. Participants in this inter-agency mission included Mr. Robert Cauneau and Mrs. Gisèle Suire, international consultants financed by the African Development Bank and the World Bank, respectively, who drafted this report. The mission team, which was led by Messrs. Marcelo Andrade (TTL, Principal Economist) and Richard Doffonsou (Co-TTL, Economist), both World Bank experts, and included Messrs. Eric Yoboue, (Principal Procurement Specialist), Bella Lelouma Diallo (Principal Financial Management Specialist) and Mrs. Assiata Houédanou (Disbursement Assistant), all from the World Bank, Mr. Bacari Koné, Adviser to the Technical Assistance of the IMF Fiscal Affairs Department, Messrs. Racine Kane, Lead Economist, Samba Ba (Principal Macro-Economist), and Serge Nguessan (Principal Procurement Officer) from the AfDB as well as Mr. Zoltán Agai from the European Commission Delegation. Mr. François Serre, Consultant financed by the AfDB and Procurement Specialist, also took part in the mission. Mmes Zainab Mambo-Cissé, Tina Aboah Ndow, and Judite Fernandes (Operations Assistants) and Mrs. Marie-France Anet-Oyhourou (Procurement Assistant), all from the World Bank, facilitated the preparation and work of the mission team.

the central government. The study, therefore, covered: the central administrations of ministries and their deconcentrated services. However, the National Public Agencies (*EPNs*) and public enterprises, as well as the territorial communities were only integrated from the point of view of financial transfers from the State, of which they are beneficiaries.

1.13 **Content of the report:** The rest of the report comprises a brief presentation of the economic situation of Côte d'Ivoire and the legal and institutional framework of public financial management (Chapter 2); a description of the context and explanation of the scores assigned to each PEFA performance indicator (Chapter 3); a brief description of the Government's reform program and the institutional factors supporting reform planning and implementation (Chapter 4). Several annexes comprise: a summary of scores of the performance indicators (Annex 1), justifications of the specific scores for each indicator (Annex 2), a list of the persons met (Annex 3) and a list of the documents consulted (Annex 4). Annex 5 presents the details of the calculations that were used for scoring the PI-1 and PI-2 indicators. Finally, Annex 6 provides information on the follow-up of the observations transmitted by the Government on the provisional PEFA report.

## **2. COUNTRY BACKGROUND INFORMATION**

### **A. DESCRIPTION OF THE COUNTRY ECONOMIC SITUATION**

#### **Country Context**

2.1 Considered as one of the countries with the most advanced economy in West Africa, Côte d'Ivoire experienced a crisis, which resulted in a civil war in September 2002. Over the period 2000 to 2006, the average economic growth rate became negative and remained below rates observed in the rest of the WAEMU and sub-Saharan Africa. Despite a per capita GDP of \$ 920 for a population of a little over 18 million inhabitants, the living conditions of the population and public services have deteriorated and it is estimated that per capita income declined by 15% during the crisis.

2.2 Since the Ouagadougou Accord was signed, on March 7, 2007, which has received the support of the international community, the new Government has embarked on an economic recovery process and the prospect of holding presidential elections in 2008. The economic situation improved recently and the economic activity slightly improved to attain the rate of 1.5% in 2004, 1.8% in 2005 and 1% in 2006.

2.3 Despite a difficult context, in mid 2007, the Government implemented most of the measures envisaged in the context of the program supported by the Emergency Post-Conflict Assistance (EPCA) of the IMF. This program focuses on general measures in the areas of budget policy, debt management, monetary and financial issues and structural reforms aimed at restoring the viability of public finances and reconstructing the economy by launching key actions to strengthen the economy and improve transparency.

### ***The Government Reform Program***

2.4 The Government has made considerable progress in restoring normal budget execution procedures and, at the beginning of 2008, a credible budget was adopted by ordinance, thus limiting the recourse to cash advances which was widespread during the previous fiscal years, partially due to the late adoption of the budget. In 2008, the Government plans to implement measures to lay the basis, in the longer term, for deeper and wide-ranging structural reforms. The Government will particularly focus on: (i) strengthening of the capacities and increasing the accountability of managers of the financial and fiscal administrations and of the parastatal sector; (ii) intensification of controls; and (iii) improvement of communication on budget execution and, more broadly, on the results of government policies. The Government has pledged, through the PEMFAR review and implementation of the Governance and Institutional Development Grant, funded by the World Bank, to adopt measures in the areas of public finance, the energy sector and the cocoa/coffee sector.

### ***Rationale for PFM Reforms***

2.5 As mentioned in its letter of development policy of April 2008, the Government is determined to place good governance of public resources management at the centre of its economic program. In order to improve budget transparency and enhance the efficiency of public expenditures, the authorities intend to develop a comprehensive plan for improving public financial management, with the support of the World Bank and other donor agencies. The PEMFAR review, conducted by the World Bank, jointly with the IMF, ADB and the European Commission should help identify the major orientations of a priority reform program in the area of public finance.

## **B. DESCRIPTION OF BUDGETARY OUTCOMES**

### **Fiscal Performance**

2.6 In 2006, the budget situation was not as good as envisaged and the basic primary surplus represented 0.3% of GDP (as against 0.4% of GDP achieved in 2005 and 1.4% of GDP planned for 2006). This was due to weaker than planned revenues due to the lower levels of oil and gas production than initially programmed. During the same year, expenditures were higher than estimated, which is explained by overspending observed in non-salary current expenditures (excluding crisis-related expenditures), in particular the unforeseen sovereignty expenditures (toxic wastes and subsidies in the energy sector). The latter took place despite the fact that the level of crisis-related expenditures was lower than estimated.

2.7 The table below was prepared on the basis of the data contained in tables 4a and 4b of the report issued by the IMF for the 2007 Article IV consultations and the request presented for the emergency post-conflict assistance.



**Table 2.1: Revenue and Expenditure Outturns, 2004-2006**  
(Amounts in CFAF billion)

<b>CFAF billions and % of GDP</b>	<b>2004</b>	<b>% GDP</b>	<b>2005</b>	<b>% GDP</b>	<b>2006 est.</b>	<b>% GDP</b>
Total revenue and grants	1,507.50	18.4	1,566.00	18.2	1,727.60	18.8
Total revenue	1,431.60	15.5	1,471.40	17.1	1,672.10	18.2
Grants	75.90	0.9	94.60	1.1	55.50	0.6
Projects	75.90	0.9	94.60	1.1	55.50	0.6
Total expenditures	1,643.60	20.1	1,714.00	19.9	1,889.70	20.6
Primary domestic expenditures and net lending	1,355.80	16.6	1,434.90	16.6	1,659.60	18.1
Interest due	181.40	2.2	177.50	2.1	162.10	1.8
Net lending	10.60	0.1	20.30	0.2	22.10	0.2
Overall balance, including grants	-136.10	-1.7	-148.00	-1.7	-162.10	-1.8
Overall balance, excluding grants	-212.00	-2.6	-242.60	-2.8	-217.60	-2.4
Basic primary balance <sup>1/</sup>	75.80	0.9	36.50	0.4	28.30	0.3
Overall balance, cash basis	63.40	0.8	-22.40	-0.3	-30.00	-0.3
Financing	-63.40	-0.8	22.40	0.3	30.00	0.3
Domestic	-122.20	-1.5	38.60	0.4	26.90	0.3
External	58.80	0.7	-16.20	-0.2	3.10	0

<sup>1/</sup> Total revenues (excluding grants) minus expenditures, excluding interest due and capital expenditures financed by external resources, except net compensation proceeds from toxic waste damage.

### *Allocation of Resources*

2.8 In 2002, Côte d'Ivoire prepared a draft Poverty Reduction Strategy Paper entitled "Growth, Development, Wealth Creation and Poverty Reduction 2003-2007", but this paper was not adopted. There is also no national long-term policy document or medium-term budget framework. Moreover, the objectives defined by the convergence policies decided in the framework of the WAEMU seem not to have been taken into account, since the budget documents do not make reference to them. Hence, the allocation of resources at the time of budget preparation does not obey to any clear logic and the budget funds are allocated to the spending structures, taking more into account the level of the allocations at their disposal during the previous fiscal year than a real strategic vision.

2.9 Table 2.2 below presents the estimated and actual expenditures during the fiscal years 2004, 2005 and 2006, classified by major functional categories. The data that appear in this table are those that were used for the review of the PI-1 and PI-2 indicators. They should be considered as incomplete, since they do not reflect expenditures to be regularized, hence paid but not recorded in a specific budget account, showing in the cash balances of some suspense accounts of the treasury balances. The totals of actual expenditures from 2004 to 2006 in Table 2.2 below, should in principle, be close to domestic primary expenditures and net loans in the previous Table.

**Table 2.2: Estimated and Actual Expenditures by Major Functional Categories, 2004-2006**  
(Amounts in CFAF billion)

	2004			2005			2006		
	<i>Estimates</i>	<i>Actual</i>	<i>% executed</i>	<i>Estimates</i>	<i>Actual</i>	<i>% executed</i>	<i>Estimates</i>	<i>Actual</i>	<i>% executed</i>
General Public Services	189,384	178,927	94.5%	230,639	219,263	95.1%	247,712	232,488	93.9%
Defence	131,716	130,453	99.0%	128,704	122,671	95.3%	132,359	119,796	90.5%
Education	364,826	344,311	94.4%	365,959	361,807	98.9%	392,450	374,454	95.4%
Health	71,897	67,566	94.0%	71,630	67,020	93.6%	76,721	73,679	96.0%
Social Services	10,363	9,614	92.8%	9,831	9,807	99.8%	14,876	15,776	106.1%
Economic Services	221,743	256,408	115.6%	214,108	239,135	111.7%	289,709	267,271	92.3%
Others	47,941	46,844	97.7%	83,660	63,904	76.3%	78,444	71,821	91.6%
<b>Total Expenditures</b>	<b>1,037,874</b>	<b>1,034,127</b>	<b>99.6%</b>	<b>1,104,535</b>	<b>1,083,608</b>	<b>98.1%</b>	<b>1,232,270</b>	<b>1,155,284</b>	<b>93.8%</b>

### C. DESCRIPTION OF THE LEGAL AND INSTITUTIONAL FRAMEWORK FOR PFM

#### The Legal Framework

2.10 The legal framework of the public financial management system of Côte d'Ivoire comprises the Constitution, the Organic Law on the Budget Law of December 31, 1959, which sets the rules on the preparation of the Budget Laws, their execution as well as their control, and Law No. 62-53 of February 12, 1962, organizing public finance management.

#### The Institutional Framework

2.11 The Ministry of Economy and Finance ensures the coordination of the different stages of the budget preparation. It conducts budget conferences and ensures arbitrations. Where necessary, it resorts to the arbitration of the Prime Minister. It approves the budget documents and consolidates them in the draft budget, which is then submitted to the Cabinet. Following the adoption of the draft Budget Law by the Government, it edits and finalizes the different documents to be submitted to the National Assembly.

2.12 The budget management system is based on the principle of segregation of duties between credit managers (*ordonnateurs*) and accountants (*comptables*). The Minister of Finance is the sole credit manager of the budget. He delegates his power to sub-credit managers who are the Administrative and Financial Directors (DAAF) of the ministries. The ministers are the administrators of credits.

2.13 According to the regulation, the expenditures are incurred through the normal procedure (commitment-validation-order to pay-payment) or by a simplified procedure whereby the commitment and order to pay phases take place concomitantly. The public accountants are in charge of collection of revenues and payment of expenditures, as well as keeping the accounting records of the State.

2.14 The texts establish that: (i) the *ex ante* control of public expenditure is exercised by the Directorate of Financial Control (*Direction du Contrôle Financier*) for expenditures on the

budget, the Directorate of Budget Control (*Direction du Contrôle Budgétaire*) for expenditures by National Public Agencies (*EPNs*), as well as by the public accountants; and (ii) the financial and budget operations of the State are controlled *ex post* by the internal bodies, the General Inspectorate of Finance (*Inspection Générale des Finances*), the General Public Inspectorate (*Inspection Générale de l'État*), control structures of the ministries, and by an external body, the Chamber of Accounts of the Supreme Court. An *ex ante* control of compliance with public procurement rules and procedures is also exercised by the Directorate of Public Procurement.

2.15 The National Assembly exercises its control through the examination and vote of the draft Budget Law (*Loi des Finances*) and the draft Budget Execution Review Law (*Loi de Règlement*). A budget timetable has been formalized for the preparation of the 2008 budget. The 1959 Organic law on the Budget Law defines the provisions on the presentation of the Budget Law and Budget Execution Review Law, as well as modalities for voting the draft budget.

### **3. ASSESMENT OF PFM SYSTEMS, PROCESSES AND INSTITUTIONS**

#### **A. CREDIBILITY OF THE BUDGET**

3.1 Credibility, in the sense of good practices of public financial management, is reviewed on the basis of the difference between the initial estimates and actuals in terms of revenues and expenditures<sup>5</sup>. Concerning estimates, the data used for assessing these criteria were those of the initial budget of the 2004, 2005 and 2006 fiscal years. In terms of actual, the data used were extracted from the General Accounts of the Financial Administration (CGAF). Considered as such, the figures of budget execution of the CGAF would allow to conclude that the budget is credible, as it appears in Table 3.1 below. Indeed, this table shows that the actual total domestic primary expenditures (i.e. excluding debt service and externally financed project expenditures) were above 5% of the estimated amounts for only one year.

3.2 However, given the practices of the expenditure chain actors intervening upstream of the DGTCP, the data is incomplete as it does not include the considerable amount of expenditures to be regularized, therefore paid but not recorded in a specific budget account, which are reported in the treasury cash balance of each of the above mentioned fiscal years under accounts 470.1 "Expenditures paid without payment order" and under certain sub-divisions of account 472 "Provisional charge of expenditures to the DGTCP", which are not possible to analyse for lack of details. The field mission could not obtain details of the amounts concerned, classified by fiscal year and by ministry. For this reason, the review could not assign a score to this indicator.

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<sup>5</sup> The amounts of budget realizations used in this report are all based on payment authorizations.

**Table 3.1: Comparison Between Expenditures Estimated by the Budget Laws and Actual Expenditures for the Fiscal Years 2004 to 2006**  
(Amounts in CFAF billion)

	2004	2005	2006
Primary expenditures approved <sup>1</sup> (initial budget law)	1,037.8	1,104.5	1,232.2
Actual primary expenditures (CGAFs)	1,034.1	1,083.6	1,155.2
Difference between amount approved and actual	3.7	20.9	76.9
Difference between amounts approved and actual (in %)	0.4%	1.9%	6.2%

<sup>1/</sup> Domestic primary expenditures (excluding debt service and externally financed project expenditures).

Sources: Budgets voted and CGAFs.

3.3 The analysis, by ministry or institution, of the differences between estimated and actual expenditures as they appear in the CGAFs allows to conclude that budget credibility is average. Table 3.2 below shows the average of these differences calculated according to the PEFA method. It indicates that the differences never exceeded 10%. However, as in the case of the evaluation of the credibility of the budget at the aggregate level, data on budget execution should be completed by adding the important amount of expenditures paid without payment order and expenditures provisionally charged to the DGTCP and not yet regularized. Hence, here too, the review considers that it cannot assign scores to this indicator.

**Table 3.2: Differences Between Initial Budgets and Actual Expenditures for the 20 Most Important Budget Lines During the 2004, 2006 and 2006 Fiscal Years\***

	Difference in total expenditures (PI-1)	Variation of total expenditures	Variation exceeding the total difference (PI-2)
2004	0.4%	8.0%	7.6%
2005	1.9%	9.9%	8.0%
2006	6.2%	6.7%	0.4%

\* The data and calculation are detailed in annex 5.

3.4 The difference between the estimates of domestic revenues (budget revenues excluding grants and borrowing) and those effectively realized only exceeded 5% during fiscal year 2004. The performance of domestic revenues should, therefore, be considered as adequate if the crisis situation is taken into account. It should be noted that the actual for 2006 was higher than the estimate.

**Table 3.3: Comparison Between Estimates and Actual Domestic Revenues for the 2004, 2005 and 2006 Fiscal Years**  
(Amounts in CFAF billion)

	Finance Act	CGAF	Actual (Rate)
2004	1,466.05	1,347.66	91.9%
2005	1,368.96	1,299.83	95%
2006	1,364.96	1,425.22	104.4%

3.5 The regulation applied for the definition of payment in arrears is that of the WAEMU, that is to say all expenditures received by the Treasury and not paid 90 days after the date of the order to pay has been issued by the credit manager, i.e. from the date of transmission of the order to pay to the public accountant, whether it is payment for goods and services or salaries. Subject to some arrangements concerning specific creditors like the World Bank, the public debt service is considered as arrears from the moment the payment is not made by the due date.

3.6 The arrears are monitored by the Directorate of Public Debt (DDP) and the Statistics Coordination Department of the DGTCP. The DDP uses the SYGADE computer system, which helps among others to know the age of the arrears, both in terms of the original fiscal year and precise date they were incurred, particularly concerning the Treasury pending payments managed by the IT system ASTER. The data available to the DDP are transmitted every month to the financial partners as part of the monitoring of the economic and financial program and to the Directorate of Conjuncture and Economic Forecasting (DCPE) for the monthly preparation of the TOFE. The DDP prepares a quarterly report on the debt. This document contains the arrears on both the external and domestic debts. It should be noted that since an inventory of salary arrears is being undertaken by the IGF, the total amount of arrears could still be higher.

3.7 As a consequence of the crisis situation that has been prevailing for several years, the stock of arrears as of December 31, 2006, is very important, totalling CFAF 1,162 billion, representing 100.6% of the total primary expenditures for the fiscal year. This stock increased in 2006 in relative value, since the stock as of December 31, 2005, represented 93.65% of the total primary expenditures for fiscal year 2005.

3.8 The accounting of the Treasury allows monitoring the pending payments both in the general and subsidiary accounting (monitoring of the budget execution and individualized management of the payment orders). The ASTER computer system allows making partial payments on the payment orders to facilitate dealing with temporary cash difficulties. It also allows publishing reports containing either all the pending payment orders or those that were issued after more than 90 days which are, therefore, considered as domestic arrears.

3.9 The project under implementation, to establish the interface between the SIGFIP and ASTER applications, will facilitate a more efficient monitoring of payment orders and remaining amounts yet to be paid. Besides, the Government has pledged to pay off the arrears owed to the World Bank and the African Development Bank in agreement with these two institutions. It has put in place a mechanism intended to secure the necessary funds for covering the servicing of debts owed to these institutions.<sup>6</sup> It has also pledged to adopt a domestic arrears clearance plan over the period 2007/2009.

3.10 A summary of the indicators covering the credibility of the budget is presented in the following matrix:

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<sup>6</sup> At the beginning of 2008, the Government paid half of its arrears owed to the World Bank and on April 1, 2008, it benefited from an Economic Governance and Recovery Grant (EGRG) of US\$308 million (including a budget support of about US\$35 million), which made it possible to pay off the other half.

Indicator	Score	Summary Explanation
<b>A. CREDIBILITY OF THE BUDGET</b>		
<b>PI-1. Aggregate expenditure out-turn compared to original approved budget</b>	NS <sup>7</sup>	Differences between the budget initially approved and actual expenditures were: 2004: 0.4% 2005: 1.9% 2006: 6.2% Considered as such, these figures would allow concluding that budget is credible and propose the A score. However, the evaluation of this indicator should be qualified, since a considerable amount of expenditures to be regularized, i.e. paid and not charged to a specific budget account, feature in the balance of each of the fiscal years on accounts 470.1 and some sub-divisions of account 472. Since the details of operations charged to these suspense accounts is not known, this indicator was not scored.
<b>PI-2. Composition of expenditure out-turn compared to original approved budget</b>	NS	The variations of the actual composition of the budget (according to the administrative classification) compared to what was initially approved are as follows: 2004: 7.6% 2005: 8% 2006: 0.4% Considered as such, these figures would allow a C score to this indicator. However, as in the case of indicator PI-1, given the considerable amounts of expenditures charged to accounts 470.1 and some sub-divisions of account 472, these values are likely to change. Therefore, this indicator cannot be scored.
<b>PI-3. Aggregate revenue out-turn compared to original approved budget</b>	B	Total actual revenues compared to revenues of the budget initially approved were: 2004: 91.9% 2005: 95% 2006: 104.4% Since the revenues of the past 3 years were only in one year below 94%, the score is B.
<b>PI-4. Stock and monitoring of expenditure payment arrears</b>	D+	
(i) Stock of expenditure payment arrears and any recent change in the stock	D	The regulation applied for the definition of arrears is that of the WAEMU, that is to say any expenditure not paid within a period of 90 days from their issue by the credit manager, i.e. from the date of transmission of the payment order to the public accountant, whether it is payment for goods and services or salaries. The stock of arrears as at 31 December 2006 amounts to CFAF 1,162 billion and represents 100.6% of the total primary expenditures for the fiscal year. It increased in 2006 in relative value, since the stock as at December 31, 2005, represented 93.65% of total primary expenditures of fiscal year 2005. Since the stock of arrears exceeds 10% of the total primary expenditures, the score is D.

<sup>7</sup> NS: No Score.

Indicator	Score	Summary Explanation
(ii) Availability of data for monitoring the stock of expenditure payment arrears	B	<p>The arrears are monitored by the DGTCP (<i>Directorate of Public Debt and Statistics Coordination Department</i>). The data concerning the stock of arrears are transmitted monthly to the financial partners. The Directorate of Public Debt prepares a quarterly report. These documents comprise the total of external and domestic arrears, having been specified that the IGF is currently carrying out an audit of the salary arrears.</p> <p>The score is B since the data on the stock of arrears are regularly made available but may be incomplete for a small number of categories of expenditures identified, notably salaries.</p>

## B. COMPREHENSIVENESS AND TRANSPARENCY

### Classification of the Budget

3.11 The budget nomenclature was adopted by Decree No. 98-259 of June 3, 1998 which establishes the detailed codification of the Government's budget classification. It was implemented on January 1, 1999 by Order No. 1572/MEF/CAB of December 31, 1998. Compared to the WAEMU project, which is mainly based on double classification by services and by nature, the Ivorian budget nomenclature also comprises a classification of expenditures by destination. The classification of expenditures is based on four elements: title, ministry or section, destination, and nature.

3.12 Given the potential offered by the nomenclature, the presentation of the budget document could be improved. The expenditures are not presented in a summary form using the functional classification and a synthesis by ministry. The reading of the document is made difficult because of the regrouping within the classification by destination (chapter and sub-chapter): (i) of a classification by sectors of activities, similar to the functional classification at the level of the chapter; and (ii) of an administrative classification at the level of the sub-chapter. The budget is presented by title, representing a diverse type of expenditures, and within each title by ministry. Some expenditure classified under title 3 "Investment Spending" is in fact operating expenditures of the services. In the same way, some expenditures featuring under title 2 "Operating Expenditures", are in reality investment expenditures. Moreover, the budget execution review laws do not present expenditures classified by ministry. The last budget execution review laws adopted in 2000 and 2001 present the execution of expenditures only by nature.

3.13 A presentation of expenditures by functions according to the classification of the functions of public administrations (COFOG) of the Government Finance Statistics (GFS) Manual of 2001 is made possible thanks to a bridge table. It should be noted that the Government undertook to integrate in the budget nomenclature the 2001 GFS functional classification.

Indicator	Score	Summary Explanation
<b>B. COMPREHENSIVENESS AND TRANSPARENCY</b>		
<b>PI-5. Classification of the budget</b>	<b>B</b>	<p>The nomenclature classifies the expenditures by nature and according to their administrative destination. The classification by destination comprises a classification by sectors of activity similar to the functional classification at the level of the chapter, which is identical to that of WAEMU Guideline No. 4/98 on budget nomenclature. The budget execution review law adopted in 2001 presents the execution by nature. The functional classification used is a specific classification, but it may be made similar to the COFOG by using a bridge table.</p> <p>Score is B, because the establishment and execution of the budget are based on an administrative, economic and infra-functional classification inspired by at least the ten main functions of COFOG.</p>

### Comprehensiveness of the Budget

3.14 The annual budget documentation presented to the National Assembly comprises a set of annexes and reports, containing pertinent macro-economic and budget information on the fiscal policy and the main macro-economic problems. In this regard, the production of the documentation required by Article 35 of the Order of 1959 is observed. This Order establishes that the draft law presented to Parliament should be accompanied by:

- A report on the economic and financial situation, recent main outcomes and future prospects.
- Support documents indicating the cost of services previously voted as well as the cost of the new measures associated with proposed modifications, notably the credits for the creation, abolition, and transformation of employment.
- Annexes providing the list of special Treasury accounts, their revenues, expenditures and overdrafts as well as the full list of quasi-fiscal taxes;
- Concerning the budget annex on investment and equipment, a report on the execution of the operations during the past year and a statement indicating the scheduling over the future years of the voted programs authorized.
- Concerning other budget annexes, a report on the activity of the interested service during the past year and on the operational and investment program planned for the following fiscal year.

3.15 The budget annexes contain detailed information on the financial operations of national public agencies (*EPNs*) as well as amounts of votes allocated in the budget for the local communities. It should be noted that WAEMU Guideline No. 5/97/CM/WAEMU on the budget law contains additional requirements in this field with regard to the current practice in Côte d'Ivoire. Indeed, the documentation to be presented to the National Assembly should include a statement on pending payments by the State established on the most recent date at the time of



tabling the draft budget law, a statement on the balances and deadlines for public debt servicing and a statement on credits pending to be collected.

3.16 In the sense of the PEFA review, the criteria on the presentation of the budget document are presented as follows:

- The macro-economic assumptions for 2007 feature in the financial and economic report (page 54). These are also featured in the analysis of compliance with the WAEMU criteria which include indications such as the inflation rate, the growth rate and the exchange rate. This benchmark is, therefore, met.
- The economic and financial report makes reference to the ratio of the basic budget balance as a ratio to GDP (page 51). But there is no presentation of budget balances as defined in the Government Finance Statistics (GFS). This benchmark is, therefore, not met.
- Funding of the deficit, including the breakdown, does not feature explicitly in the budget document. The balance of the budget is presented but details of financing needs are not specifically stated. This benchmark is therefore not met.
- The debt stock features in an aggregated manner in the 2007 budget document. This benchmark, therefore, is met.
- There is no detailed information on the financial assets, i.e. the cash amounts or credits held by the State. This benchmark is, therefore, not met.
- There is no detailed statement of execution for the previous year presented in the same format as the draft budget. For example, in the 2007 budget, there is no detailed information, using the same format as the proposed budget, on the execution of the 2005 budget and revised estimates for 2006. The indications on the execution are global. This benchmark is, therefore, not met.
- The 2007 budget was prepared using the details and format of the initial estimates of the 2006 budget. This benchmark is, therefore, met.
- The report on presentation of the 2005 budget law, which is the last budget adopted by the National Assembly, contains summary tables on revenues and expenditures. The data on expenditures are presented by title and by ministry. The draft 2007 Budget presented to Cabinet contains the same tables. This benchmark is, therefore, met.
- Annex 2, entitled “Catalogue of new measures”, presents the financial impact of these measures. The fiscal annex contains a note which presents, in a general manner, the main fiscal measures adopted over the past few years concerning the rationalization and modernization of the fiscal system. But the impact of these measures is not analyzed in the document. This benchmark is, therefore, not met.

3.17 Since 1999, with the establishment of the Integrated Public Finance Management System (SIGFIP), efforts have been made to improve the readability of the budget document and the financial information. The SIGFIP IT application helped to improve the monitoring of the execution of the budget, at both the central and deconcentrated levels. It is now possible to obtain, in real time, information on the execution of expenditures that are registered in the system and the authorities are committed to exploiting its possibilities, notably by producing, at least quarterly, a report on the budget execution.

Indicator	Score	Summary Explanation
<b>PI-6. Comprehensiveness of information included in the budget documentation</b>	<b>C</b>	<p>The assessment is based on a specific list of 9 benchmarks, which should be communicated in the budget document for the fiscal year 2007 addressed to the Parliament or the National Assembly.</p> <p>The benchmarks that are met are as follows:  i) Macro-economic assumptions;  iv) Debt stock;  vii) Presentation in the same format as the initial estimates of the previous budget;  viii) Summary tables on revenues and expenditures.</p> <p>The unmet benchmarks are as follows:  ii) Presentation of budget balances;  iii) Financing of the deficit;  v) Detailed information on financial assets;  vi) Detailed statement of execution for the previous year presented in the same format as the draft budget;  ix) Analysis of the impact of the fiscal measures.</p> <p>Overall, 4 out of the 9 information benchmarks are met and the score is C.</p>

### **Extent of unreported Operations of the Central Administration**

3.18 According to the provisions of Article 3 of the Organic Law, the budget comprises the totality of the expenses and resources of the State in a single account entitled general budget. However, a number of operations do not feature in it:

- First of all, revenues collected directly by some ministries, in general for services rendered and, which are either not paid to the Treasury or are partially paid (examination fees, fines, mining revenues, etc.). Some of these revenues, called service revenues (counterpart of a service rendered), are regulated by specific texts. The administration plans to clean up these texts. By definition, the level of these operations is not known, having been specified that there is a regulation for some of them. The DGTCP and the IGF have started identifying these revenues in order to make them follow the revenue regimes in accordance with the regulation.
- Moreover, concerning the comprehensiveness of the budget, it is necessary to budget the quasi-fiscal levies of certain key sectors, such as the petroleum and coffee/cocoa sectors.
- Also, some allocated funds should be managed according to the regulation on earmarked accounts, a regulation that exists but is not yet utilized. The Government intends to review this practice and, therefore, use this specific regulation for earmarked accounts. The list of these funds is known but not the amounts managed.

3.19 Concerning externally-financed expenditures, most of them are included in the budget, having been specified that they have declined considerably during the past three years. Title III of the budget contains the details of expenditures funded by the Treasury with its own resources

and those funded with grants and loans. But the expenditures financed by grants are not presented in an exhaustive manner. Externally-financed expenditures are monitored by a Committee on Mobilization of External Financing and Monitoring of Public Investments (COMFESIP), which is responsible for producing a quarterly and annual report on the mobilization of budget support and execution of public investments. As of the date of the review, the report for fiscal year 2004, the report as of September 30, 2005 and the report as of October 31, 2006 had been produced. But the final report as of December 31, 2006, was not available.

Indicator	Score	Summary Explanation
<b>PI-7. Extent of unreported government operations</b>	NS	
(i) Level of extra-budgetary expenditures	NS	A number of operations, whose amount has not yet been assessed by the administration, are not covered in the budget. They are revenues collected directly by some ministries, in general for services rendered and which are either not paid back to the Treasury or are partially paid. Moreover, concerning the comprehensiveness of the budget, it is necessary to budget the quasi-fiscal levies of certain key sectors, such as the petroleum and coffee/cocoa sectors. Similarly, some of the earmarked funds, the list of which is known, but not the corresponding amounts, are not managed according to the regulation, which stipulate however that they should obey the rules on earmarked accounts. Since the information on amounts collected directly by some ministries as well as those concerning funds that should be managed according to the regulation established for earmarked accounts are not known, this component is not scored.
(ii) Income/expenditure information on donor-funded projects	NS	From the point of view of forecasting, the majority of externally-financed expenditures are included in the budget. These expenditures are monitored by COMFESIP which, for the fiscal year 2006, only provided information on the level of these expenditures until October 31. A score cannot be assigned to this component without the production of the final report of COMFESIP for fiscal year 2006.

### Transparency of Intergovernmental Fiscal Relations

3.20 The territorial administrative organization distinguishes 5 levels of decentralization: 718 communes, 183 sub-prefectures, 68 departments, 19 regions and 2 districts. It is useful at this stage to clarify the decentralization and deconcentration concepts. Decentralization involves assigning to the elected local authorities the management responsibility, while deconcentration refers to the action of giving more powers to the local representatives of the Central Government.

3.21 Law 2003-489 of December 26, 2003 on the financial, fiscal and territorial regime of the local communities devotes its title II to resources of the territorial communities. Chapter 3 (Articles 86 – 96) deals with the State's assistance, which results in the establishment of an allocation for operational expenditures, another allocation for general decentralization and grants for equipment. The rules on distribution of these allocations are incomplete. For example, the law does not indicate the per capita amount of the fixed part of the overall operational allocation and refers to a decree on modalities for calculating the additional part of the allocation.

3.22 The rules on distribution of the allocations should, therefore, be the subject of implementation texts. Following the holding of the Decentralization General Assemblies of January 2007, instructions were given to accelerate the adoption of the implementing orders of the 2003 laws. Hence, concerning the decentralization allocation, a draft text was proposed in January 2007. It is on this basis that the actual distributions of this allocation would be made.

3.23 The resources of the State do not facilitate the transfer to the territorial communities of the amounts to which they are entitled, given the competences transferred. In order to distribute the amounts available, the DGBF communicates them the resource envelopes. Then, on the basis of the proposals of the communities, it issues a proposed distribution. The representatives of the DGBF feel that this approach may create disparities among the communities, since the amount that served as basis for the initial distributions could have been poorly determined. In this case, the initial error of evaluation is carried forward from one year to the other.

3.24 The territorial communities also have tax resources for which the distribution rules are known. Proceeds from state taxes are paid back to the territorial communities according to the quotas provided for by the provisions of Article 36 of the fiscal annex to the 2004 Budget Law. Concerning the effective pay out of these sums, the books of the Central Accounting Agency of Deposits (*Agence Comptable Centrale des Dépôts-ACCD*) contain a special bank account under the name of the General Treasury identified as "Tax revenues to be paid out to the territorial communities"<sup>8</sup>. This account is intended to receive transfers of tax quotas made by the Central Accounting Agency of the Treasury (*Agent Comptable Central du Trésor-ACCT*) for the benefit of the territorial communities attached to the General Treasury. The funds that are paid into this special account are automatically transferred to the respective accounts of the beneficiary communities.

3.25 For the preparation of the 2006 budget, the circular was dated October 17, 2005. The deadline given to the Presidents of the General Councils and Mayors to submit their draft budget was October 29. Generally, the information on transfers from the State do not arrive at the financial departments of the territorial communities before the end of November, too late to enable the local councils to effectively adopt their budget before the beginning of the fiscal year concerned. The local communities very rarely succeed in adopting their budget before January 1. If the budget is voted earlier, the Mayors are obliged to amend it to take into account the information on the amount of transfers. As regards the effective payment of transfers, it is generally made with much delay.

3.26 The Directorate of Parastatal Accounting of the DGTCP receives every month the financial situation and the aggregated budget situation of all the territorial communities. The budget and accounts nomenclature of these communities facilitate a presentation of their expenditures on the basis of an economic and functional classification identical to that of the national budget. However, this last presentation has never been used.

3.27 In order to rapidly make available to the territorial communities their share of local taxes, provisions were recently adopted. They concern, notably Order No. 2006-234 of August 2<sup>nd</sup>,

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<sup>8</sup> Procedure envisaged by instruction No. 0103 DGTCP/DCE of January 5, 2007, on the modalities of transferring the quota of proceeds of certain taxes to the territorial communities.

2006 in the 2006 budget, which establishes new rules on transfer of proceeds of taxes to the communities. This text, indeed, provides for “the opening of an account in the name of each territorial community in the books of the Treasury Department. This account is immediately credited with the quota for each community as soon as the tax is collected.”

Indicator	Score	Summary Explanation
<b>PI-8. Transparency of inter-governmental fiscal relations</b>	<b>D+</b>	
(i) Transparency and objectivity in the horizontal allocation among the decentralized administrations	<i>D</i>	There are four types of transfers from the State to the territorial communities: decentralization allocation, general operations allocation, equipment grant and share of local taxes to which they are entitled. The rules on distribution of these transfers are either not updated or unclear. Score is D.
(ii) Timeliness of reliable information to the decentralized administrations on their allocations	<i>C</i>	For the preparation of the 2006 Budget, the circular dated October 17, 2005 and the deadline given to the Presidents of General Councils and Mayors to submit their draft budget was October 29. The information, therefore, arrives too late to allow for major amendment of the budgets.
(iii) Extent of consolidation of fiscal data for the general government according to sectoral categories	<i>D</i>	Although their budget and accounting nomenclature allows it, the budget information of the territorial communities, which is centralized and aggregated monthly at the Directorate of Parastatal Accounting of the DGTCP, is not presented according to the functional or sectoral categories. Score is D.

### **Oversight of the aggregate fiscal risk from other public sector entities**

3.28 In Côte d’Ivoire, public sector entities other than the central administration are constituted by National Public Agencies (*EPNs*) and State-owned companies.

3.29 The budget of the 70 *EPNs* is prepared in an autonomous manner within each establishment, eventually with the support of the Directorate of Parastatal Accounting of the DGTCP. It is then adopted by its Management Board and annexed to the budget. All the management accounts of the *EPNs* for fiscal 2004 were produced by accounting officers and only one of them did not produce its management accounts for fiscal 2005 and fiscal 2006. These documents contain reliable information on their accounting and budget execution.

3.30 The Directorate of Parastatal Accounting receives every month a financial and budget situation for most of the establishments. These situations are prepared by accounting officers of the establishments who are staff of the DGTCP. The MEF is, therefore, in a position to anticipate the eventual risk of slippages due to the build up of arrears or creation of operational deficits, which could adversely affect the financial situation of the State. However, since it has no financial and budget information from all the *EPNs*, it cannot establish a consolidated situation.

3.31 It is necessary to specify that the *EPNs* do not resort to borrowing, but they are sometimes compelled to solicit grants directly from the donors. In order to anticipate on eventual cash problems and, thereby, avoid the constitution of arrears, the State generally recommends to them to spend on the basis of their cash situation. If it happens that, despite the recommendation, pending payments accumulate, the latter are at the charge of the *EPN* concerned, unless it is dissolved.

3.32 The data on the financial operations of public enterprises and companies with public financial participation are available for those concerning State owned companies and companies with majority public participation, except for the Civil Servants National Retirement Fund (*Caisse Générale de Retraites des Agents de l'Etat-CGRAE*), for which an audit is envisaged. It is, therefore, not possible to consolidate the financial and budget information of all these entities.

3.33 The management accounts of the territorial communities (districts, departments and communes) are established by the accountant of the community, then approved by its deliberating body and forwarded to the MEF latest on June 30 of the year following the closure of the fiscal year. After the analysis of these documents, the Directorate of Parastatal Accounting of DGTCP deposits them with the Chamber of Accounts, latest on 31 August of the year following the closure of the fiscal year. At the time of the assessment, the management accounts of the territorial communities for the past 3 fiscal years (2004, 2005 and 2006) had been produced at 80% (439 out of 549). The documents contain detailed information, which helps the DGTCP to carry out an initial control of their accounts and their budget execution and then make these elements available to the Chamber of Accounts. Hence, the net budget situation of the territorial communities is controlled at least every year, but does not make it possible to present a consolidated situation.

Indicator	Score	Summary Explanation
<b>PI-9. Oversight of the overall fiscal risk from other public sector entities</b>	<b>C</b>	
(i) Extent of central government monitoring of autonomous public agencies and public enterprises	C	Most of the main autonomous public agencies (EPN) and public enterprises submit, at least every year, budget reports to the central administrations. However, since some of them do not comply with this directive, it is not possible to present a consolidated situation. The score is C.
(ii) Extent of central government monitoring of the decentralized administrations fiscal position	C	The net budget situation of the territorial communities is controlled at least every year, but does not make it possible to present a consolidated situation. The score is C.

### Public access to key fiscal information

3.34 The access of the public to the main budget information is improving gradually with the establishment of Internet sites for the main financial administrations. One can, for example, consult the 2004 and 2005 fiscal annexes of the 2004 and 2005 Budgets on the Internet site of the DGTCP, which, like that of the DGI, is one of the best documented sites. These documents may be communicated, at their request, to interested persons or organizations. However, the dissemination of the information to the public concerning budget allocations and budget execution is still limited and, generally, the public has access to this information only after the adoption of the budget.

3.35 On the Internet site of the DGTCP, it is also possible to consult the monthly information review of the Ministry of Economy and Finance *Eco Actualités*, which provides economic and administrative information. However, there are no publications presenting the results of the budget execution in an analytical form accessible to the public. This information is, nevertheless, available and should be published in the framework of the communication policy of the Ministry.

3.36 In the sense of the PEFA indicators, elements of the main budget information accessible to the public are presented as follows:

- The enterprises are consulted by the MEF at the stage of establishment of the macro-economic framework. The budget documents are accessible to the public after the voting of the budget law. The main elements are published in the Gazette and in the written press, which carries out analyses. However, the budget documents are not accessible at the time of the presentation of the budget in Parliament. This criterion is, therefore, not met.
- The in-year annual budget execution reports are not available to the public. This criterion is, therefore, not met.
- The end-of-year financial statements, notably the draft budget execution review laws, are not approved since fiscal year 2002. The last budget execution review law approved is that of 2001. The draft budget execution review law of 2003 was forwarded to the Chamber of Accounts in July 2006. In the context of the budget support granted by the World Bank, the authorities are committed to examining the draft budget execution review law of 2003 and 2004 before the end of 2007. This criterion is, therefore, not met.
- The external audit reports, notably the report of the Chamber of Accounts on execution of the budget law, are not accessible to the public within the 6 months following the audit of the accounts. This criterion is, therefore, not met.
- The award of contracts estimated to cost more than \$100,000, or about CFAF 50 million, is advertised in the public procurement journal, which is published every 10 days. This criterion is, therefore, met.
- The information on resources made available to primary service units at the local level is detailed in the budget document for the administrative entities with a credit administrator. For the others, the information is available to the beneficiaries upon request to the administrative department of their constituency. This criterion is, therefore, met.

Indicator	Score	Summary Explanation
<b>PI-10. Public access to key fiscal information</b>	<b>C ▲</b>	<p>This indicator is based on a list of six elements of information about budget operations, to which the public should have access.</p> <p>The criteria that are met are as follows:  v) The award of contracts estimated at over \$100,000;  vi) The information on resources made available to the administrative units.</p> <p>The criteria that are not met are as follows:  i) The budget document at the time of their presentation in Parliament;  ii) The in-year reports on the execution of the budget;  iii) The year-end financial statements;  iv) The external audit reports.</p> <p>The score is C, since the administration makes available to the public two of the elements mentioned in the PEFA performance framework. An arrow has been added to the score to indicate that the process is improving, notably with the establishment of Internet sites for the main financial administrations.</p>

## C. POLICY-BASED BUDGETING

### Orderliness and participation in the annual budget process

3.37 The instruction of the MEF dated July 16, 2007, sets the timetable for preparation of the 2008 Budget, which defines the main stages as well as their deadlines up to the promulgation of the budget law, which should take place before December 31, 2007. The budget conferences should take place between September 3 and October 14. But delays are observed in the respect of this timetable. Concerning fiscal year 2007, which serves as reference for assigning scores to this component, it could not be demonstrated that a budget timetable had been established or instructions formally given for preparation of the budget.

3.38 The deadline for presentation of the budget to the National Assembly is fixed by Article 80 of the Constitution, which stipulates that “the budget law is tabled before the National Assembly at the opening of the October session.” Given the crisis situation prevailing in Côte d’Ivoire these past years, the budget was approved and adopted by Ordinance. The 2005 Budget was adopted by the National Assembly on April 27, 2005; the 2006 Budget was approved on June 14, 2006 and adopted by Ordinance on August 2, 2006; and the 2007 budget was approved May 31, 2007 and adopted by Ordinance on May 31, 2007.

Indicator	Score	Summary Explanation
<b>PI-11. Orderliness and participation in the annual budget process</b>	<b>D ▲</b>	
(i) Existence of and adherence to a fixed budget calendar	<i>D</i> ▲	The reference period for this component concerns the last budget adopted (2007). Since the information on the timetable for the preparation of the 2007 Budget is inadequate to determine the number of weeks between reception of the budget circular and budget submissions by the ministries, the score is <i>D</i> . The time-table for the preparation of the 2008 Budget has been defined. It establishes the main stages and their deadlines up to the promulgation of the draft budget law. This progress justifies an arrow.
(ii) Guidance on the preparation of budget submissions	<i>D</i>	Concerning fiscal 2007, it could not be demonstrated that a circular had formally been issued for the preparation of the budget. The MEF’s circular of July 16 <sup>th</sup> , 2007 sets the timetable for the preparation of the 2008 Budget. The score is, therefore, <i>D</i> .
(iii) Timely budget approval by the legislature	<i>D</i>	The reference period for this component concerns the last three budget years. During the past 2 years (2006 and 2007), the budget was adopted by Ordinance with more than 5 months delay. The score is, therefore, <i>D</i> .

### Multi-year perspective in fiscal planning, expenditure policy and budgeting

3.39 The MTEF is an integrating factor of the PRSP in the public expenditure programs, but the crisis situation did not make it possible to finalize this strategy and, consequently, Côte d’Ivoire is preparing neither the general MTEF nor sectoral MTEFs. However, in the framework of the strategy of the post-crisis re-engagement, the process has been re-launched. In this regard, a workshop should be organized from 28 to 30 November 2007. Moreover, although the PRSP



was not adopted, a national development strategy focused on the MDGs is being finalized and could help to place the budget in a multiyear perspective.

3.40 The Debt Department has installed the *DebtPro* software for conducting debt sustainability analyses. It seems that this department is trying to carry out such analyses but its work is not validated by the authorities. The department intends to master this tool, initially with the support of the development partners. The estimated expenses of the debt, calculated on the basis of the debt outstanding as of the end of the year, are communicated to the DGBF for preparation of the annual budget.

3.41 Issues relating to the crisis recovery, as those relating to the staffing and office rehabilitation, are dealt with as a priority, with the development of strategies relegated to a second plan. There are no quantified sectoral strategies, notably in the health, education or infrastructure sectors. However, the development of a new National Health Sector Program (PNDS) for 2008-2012 is one of the priority activities of the action plan of this sector.

3.42 A Public Investment Program (PIP) is established on the basis of the major budget orientations. This document, which constitutes an attempt to monitor and assess investments, is a triennial programming of investments updated every year on the basis of the actual realizations and orientations and priorities of the Government. A few projects are based on strategies in the Ministries of Health and Education. There is also a medium-term national strategy, which integrates some sectoral strategies. But these strategies are neither detailed into action plans nor assessed.

3.43 The Directorate of Planning has expressed the wish that the project sheets should be established by the ministries on the basis of their objectives and that the costs should be quantified. It should be noted that there is no national inventory of projects. This type of database would, however, be very useful in order to provide information on the life of projects, notably taking into account the various stages of preparation and execution (projects studied but not yet accepted, projects about to be financed, etc.).

3.44 Expenditures under Title III of the budget are those that were previously retained in the PIP. It is not shown whether the recurrent costs induced by investments are taken into account, as the ministries have no sector strategies.

3.45 The resumption of the preparation of a poverty reduction strategy, which started with the seminar held at the end of November 2007, should be completed during the third quarter of 2008. This document will be prepared under the control of the PRSP Steering Committee and the preparatory process will comprise, notably, the development of a medium-term expenditure framework and a system for monitoring results.

Indicator	Score	Summary Explanation
<b>PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	<b>D</b>	
(i) Multi-year fiscal forecasts and functional allocations	<i>D</i>	Côte d'Ivoire does not prepare a global MTEF or sector MTEFs. However, in the framework of the post-crisis re-engagement strategy, the process has been re-launched. Moreover, a national development

Indicator	Score	Summary Explanation
		strategy focused on the MDGs is being finalized. Since no medium-term budget framework has been established, the score is D.
(ii) Scope and frequency of debt sustainability analysis	<i>D</i>	The Debt Department is trying to carry out studies on debt sustainability, but they have not been validated. The score is, therefore, D.
(iii) Existence of costed sector strategies	<i>D</i>	There is a national medium-term strategy, which integrates certain sectoral strategies. But these strategies have not been detailed into an action plan nor assessed. Since no sectoral strategy has been sufficiently quantified for the cost associated with investments and operational expenditures, the score is D.
(iv) Linkages between investment budgets and forward expenditure estimates	<i>C</i>	It has not been demonstrated that the recurrent costs induced by investments are taken into account since the ministries have no sectoral strategies. The score is, therefore, C.

#### **D. PREDICTABILITY AND CONTROL IN BUDGET EXECUTION**

##### **Transparency of taxpayer obligations and liabilities**

3.46 The texts and procedures on all the main categories of taxes feature in the General Tax Code (CGI) and in the Customs Code (CD). These exhaustive texts are clear and limit in theory the discretionary powers of the entities of the administration that exercise a function in that area. The private sector pointed out that some enterprises are subjected to in-depth tax controls every two months, whereas the procedures manual provides that the same taxpayer should not be subjected to a new control within two months.

3.47 Concerning the Internal Revenue Service (DGI), which collects 90% of tax revenues, a number of documents were prepared during the past four years to facilitate access of taxpayers to information: the tax procedures book and the taxpayer's guide. The media are also used to disseminate tax regulations. For example, the television presents a program every Monday and the radio presents a program twice a week which cover the entire country. Toll free numbers are also available to the public. The DGI has a department that monitors the quality of its services and, which recently conducted out a satisfaction survey. The General Directorate of Customs (DGD) uses its own Internet site and that of the WAEMU to present its texts to the public. It also organizes information meetings for economic operators. In this regard, a seminar was organized in Grand Bassam in October 2007. This seminar helped rationalize some tax procedures.

3.48 Within the DGI, the regulation on disputes is clearly defined in the tax code. The procedure is contradictory and seems to satisfy taxpayers. The statistics provided show that a major part of submitted applications had been treated and that 12% are referred to the courts. The DGD has established an observatory in charge of receiving complaints from taxpayers. This observatory intervenes as an arbitration court. However, if this administration has duly provided the list of cases formulated by economic operators in 2006, no information on the statistics concerning the follow-up actions to these requests was provided to the mission. The lowest score is, therefore, retained for this component.

Indicator	Score	Summary Explanation
<b>PI-13. Transparency of the taxpayer obligations and liabilities</b>	<b>C+</b>	
(i) Clarity and comprehensiveness of tax liabilities	<i>C</i>	The texts and procedures on all major categories of taxes are exhaustive and clear, which limit in theory, the discretionary powers of the entities of the administration that exercise a function in that area. But, contrary to what the regulation stipulates, some enterprises are subjected to in-depth fiscal controls every 2 months. The score is, therefore, <i>C</i> .
(ii) Taxpayers' access to information on tax and liabilities and administrative procedures	<i>A</i>	In recent years, the DGI and the DGD have developed a number of tools to facilitate access of taxpayers to information. Since taxpayers now have easy access to exhaustive, friendly and up-to-date information on tax obligations and administrative procedures, the score is <i>A</i> .
(iii) Existence and functioning of a tax appeals mechanism	<i>D</i>	A taxpayer's appeal mechanism provides for transparent administrative procedures, but the information on statistics concerning the appeals to the financial administrations were only provided by the DGI, since no information on the follow-up of the appeals was obtained from the DGD. The score of this component is, therefore, <i>D</i> .

### **Effectiveness of measures for taxpayer registration and tax assessment**

3.49 A system of registration of taxpayers was established in 2005. It is based on a single identification number that captures the information on each taxpayer: surname, first name, address and activity. The census conducted during the establishment of the system helped to identify a number of taxpayers in the informal sector. This identification number is managed by the DGI which, however, acknowledges that not all taxpayers have been identified and that some of them are registered under several numbers. The identification number is also used by the DGD. However, the conclusions of the seminar held in June 2007 on the fight against fraud helped to confirm that the "DGD has no adequate information on the account number of taxpayers." This number is also used by the SIGFIP system, which helps to make a reconciliation of the credits and debts owed to the State by the same individual or moral entity.

3.50 Concerning the DGI, the lack of tax declaration leads to the payment of a fine equal to the amount of the tax itself. Discussions may be initiated. A schedule for payment is proposed. Concerning the DGD, the goods imported serve as guarantee for payment of duties and can therefore, as a last resort, be auctioned. If it is not declared or not adequately declared, the due duties shall be paid together with the fines according to the Customs Code. Concerning fines, discussions may be initiated. The duties are guaranteed by a bank guarantee mandatory for the exercise of the function of customs' clearing agent.

3.51 The DGD establishes an annual program of activities. This very brief document does not present objectives based on a ranking and assessment of risks. The DGI presented some elements of programming and execution of the tax control that it actually carries out, but this activity is not based on a ranking of risks. A continuous program on tax audits and surveys on fraud, therefore, exists but the audit programs are not based on clear risk assessment criteria.

Indicator	Score	Summary Explanation
<b>PI-14. Effectiveness of measures for taxpayer registration and tax assessment</b>	<b>C+</b>	
(i) Control in the taxpayer registration system	<i>C</i>	A system of registration of taxpayers was put in place in 2005. The identification number is used by the fiscal administrations as well as in the SIGFIP information system. The score is C, because the database is not exhaustive and contains taxpayers with several numbers.
(ii) Effectiveness of penalties for non-compliance with registration and tax declaration	<i>B</i>	Concerning the DGI, the lack of tax declaration results in the payment of a fine equal to the amount of the tax itself. Discussions may be initiated. A repayment schedule is proposed. Concerning the DGI, the goods imported serve as guarantee for the payment of duties and can therefore, as a last resort, be auctioned. If it is not declared or not appropriately declared, the duties due shall be paid together with the fines according to the Customs Code. Concerning the penalties, discussions may be initiated. The duties are guaranteed by a bank guarantee mandatory for the exercise of the function of customs' agent. Hence, the fines for all cases of contravention are sufficiently high to have a dissuasive effect, but it was not possible to verify whether they are administered in a coherent manner. The score is B.
(iii) Planning and monitoring of tax audit programs	<i>C</i>	The DGI and DGD have a continuous program of tax audits and surveys on fraud, but the audit programs are not based on clear criteria for risk assessment. The score is C.

### **Effectiveness in collection of tax payments**

3.52 The necessary elements for assigning a score to the first component, which would help to assess the collection ratio of tax arrears, are inadequate both for the DGD and the DGI. The lowest score is, therefore, retained for this component.

3.53 The transfer of the DGI and the DGD to the Treasury is done every evening. All the accounts are then set at zero. The transfer of collected taxes to the account of the Treasury by the tax authorities should, therefore, be considered as very efficient.

3.54 A weekly meeting between the BCEAO, the DGI, the DGD and the Treasury helps to verify the compliance of payments by the revenue administrations to the Treasury account. This work is done in preparation of the treasury committee and conducted by the Statistics Coordination Department of the DGTCP during the technical reconciliation meetings chaired by the BCEAO. All the bank accounts of the EPNs are centralized and monitored by the Central Accounting Agency of Deposits (ACCD), which is gradually being deployed in the interior of the country in order to make up for the withdrawal of certain commercial banks. Concerning the amounts to be recovered, the Treasury carries out regular reconciliations between its general accounting held on the ASTER software and the REC application, which is used for monitoring the collections in subsidiary accounting.

Indicator	Score	Summary Explanation
<b>PI-15. Effectiveness in collection of tax payments</b>	<b>D+</b>	
(i) Collection ratio for gross tax arrears calculated in percentage of tax arrears during the fiscal year concerned	<i>D</i>	The elements provided by the DGD and the DGI are not sufficient to assess this component. Score is, therefore, D.
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	<i>A</i>	The transfer from the DGI and the DGD to the Treasury Department is done every evening. All the accounts are then set at zero. The score is A.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	<i>A</i>	The compliance of the payments from the revenue administrations into the Treasury account is verified each week. Concerning the remaining amounts to be recovered, the Treasury carries out regular reconciliations between its general accounting held on the ASTER software and the REC application (subsidiary accounting of collections). The score is A.

### **Predictability in the availability of funds for commitment of expenditures**

3.55 The Statistics Coordination Department of the DGTCF establishes, on the basis of cash flows of the previous fiscal years, an annual cash plan for the coming budget year. This cash plan is updated monthly on the basis of actual inflows and outflows of funds. The directorate of forecasting calculates, on a monthly basis, the revenues and the DGBF assesses future expenditures, both help to inform the preparation of the annual cash plan. The arrears to be cleared are also integrated into the plan. The monthly update is the opportunity to verify the achievement of the revenue objectives assigned to the revenue administrations in the framework of monitoring the quantitative benchmarks of the economic and financial program.

3.56 The MEF, the sole credit manager of expenditures, oversees the rate of consumption of credits by the DAAF, delegated credit managers. The latter are appointed on the basis of a proposal of the responsible minister after the MEF has given its view. They, therefore, intervene in a dual capacity. The allocations for current expenditures are made available to the ministries every month. When a particular expenditure, by its nature, has to be made over a period of time exceeding one month, the DAAF of the ministries may request for an exception from the DGBF. The investment credits are made available on a case by case basis.

3.57 No corrective budget law was voted during the past three years. The last was before the outbreak of the crisis. However, many modifications of budget credit lines were made through decrees, thus indicating either poor estimation of expenditures or an excessive detail of budget credits. The review team wanted to have a list of these budget modification acts. The list extracted from the SIGFIP system, which was provided, shows that these modifications are quite numerous. However, the list does not contain all the necessary information to carry out a review. In fact, a good number of operations are not balanced. It is, therefore, not possible to determine whether these modifications are credit virements (modification of budget allocation within the same ministry), or credit transfers (modification between two or several ministries). Moreover,

the total amount of operations is not indicated. It is, therefore, not possible to verify whether the budget balance is changed or not through these modifications. Finally, the purpose of these modifications is not indicated. For lack of adequate information, the lowest score is retained for this component.

Indicator	Score	Summary Explanation
<b>PI-16. Predictability in the availability of funds for commitment of expenditures</b>	<b>D+</b>	
(i) Extent to which cash flows are forecast and monitored	A	Estimations of cash flows are prepared by the Statistics Coordination Department of the DGTCP for the subsequent budget year and updated every month. Since the cash flow estimates are prepared for the budget year and are updated every month on the basis of the actual inflows and outflows of funds, the score is A.
(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure	C	Concerning operational expenditures, the credits are made available to the ministries every month. When expenditure, by its nature should be made over a period of time exceeding one month, the DAAFs of the ministries may solicit for an exception from the DGBF. The credits for investment expenditures are made available in a piecemeal fashion.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of spending agencies	D	A list of budget acts modifying the initial estimates was produced. But the information provided in this document for assessing this component is inadequate: unbalanced operations, lack of a total amount, lack of purpose. For this reason, score is D.

### Recording and management of cash balances, debt and guarantees

3.58 The Directorate of Public Debt (DDP) is operational since 1997, when debt management was removed from the Amortization Autonomous Fund (*Caisse Autonome d'Amortissement*). In 2002, the Sygade application was installed, as the RCI was designated as a pilot country for the use of this application. The database concerning the debt was transferred from the database of the CAA into that of Sygade. This database contains the records of all debt movements since 1998. The loans are codified and the grants are also registered. The operations are entered on a daily basis. The database is updated in real time of the variations of the exchange rate, thanks to an Internet connection.

3.59 As for the other financial flows, the management of the debt is subjected to the principle of segregation of duties between credit manager (the Director of Debt) and the accountant (the Debt Accounting Officer). The two actors should, therefore, be in a position to exercise mutual control as a result of this type of organization. But this control is not possible. Indeed, the debt accounting officer is certainly informed of the movements on the debt, in terms of mobilization and reimbursement, but it has no database that would allow him to assess the debt stock. He verifies and accounts for the files on the debt flows, but has not access to agreements or amortization schedules.

3.60 The DDP prepares a quarterly report on the debt situation. All debt flows are subjected to accounting transactions and the balance presents the stock situation (ASTER application). The stock and flows of the debt are monitored in the SYGADE application (DDP). The SIGFIP application only allows the monitoring of the flows. The reconciliations between these different sources of information only show differences due to exchange rate variations. The database of the DDP is exhaustive, both for the domestic and external debt. All flow operations are presently registered in the SYGADE application. The data on domestic and external debt are subjected to monthly reconciliations between the different operational sub-divisions of the DDP.

3.61 A central account opened at the BCEAO is managed by the Central Accounting Officer of the Treasury. The flows from all other accounts are aggregated on this central account through regular action taken by the BCEAO. Generally, no account is opened in the name of the Government in commercial banks.

3.62 Parliament does not fix the annual ceiling of indebtedness in order to allow the Government to deal with emergency situations. The procedure for public indebtedness starts by establishing a draft agreement at the level of the MEF. The DDP carries out a financial and legal analysis of the dossier. It then makes suggestions on the conditions of the loan. The sector Minister responsible for the expenditures for which funding is solicited is then authorized to initiate the technical discussions with the financial partner. At the end of the procedure, it is the Minister of Economy and Finance who signs the loan agreements and, thereby, commits the State for all agreements.

3.63 The granting of loan guarantees and approvals is codified by the Decree No. 83-501 of June 2, 1983, which stipulates, notably in its Article 25, that the decision solely belongs to the Minister of Finance.

Indicator	Score	Summary Explanation
<b>PI-17 Recording and management of cash balances, debt and guarantees</b>	<b>B</b>	
(i) Quality of debt data recording and reporting	<i>B</i>	The debt stock features in an exhaustive manner in the SYGADE (Directorate of Public Debt) and SIGFIP databases and in the public accounting system (ASTER). The reconciliations only show differences due to exchange rate variations. The Directorate of Public Debt establishes a quarterly report on the debt situation.  Since the debt accounts officer has no information on the debt stock, the score is B.
(ii) Extent of consolidation of the government's cash balances	<i>A</i>	A central account opened at the BCEAO is managed by the central accounting officer of the Treasury. Flows from all other accounts are aggregated on the central account through regular action taken by the BCEAO.  Generally, no account is opened in the name of the Government in commercial banks.
(iii) Systems for contracting loans and issuance of guarantees	<i>C</i>	After the study by the Directorate of Public Debt, the Minister of Economy and Finance signs all loan agreements. The granting of loan guarantees and approvals is also decided by the Minister of Finance. However, since there is no clear ceiling for indebtedness, the score is C.

## **Effectiveness of Payroll Controls**

3.64 The RCI has no integrated management tool for salaries of civil servants and government employees. There are two separate files: that of the Civil Service Directorate (DFP), which manages all civil servants as well as contractual staff and that of the Payroll Directorate, which only manages civil servants (government employees and EPN) who have to be paid. A project to develop a central personnel database (*Fichier Unique de Référence - FUR*) called Integrated System for the Management of Civil Servant's Records (SIGFAE), which will be used by the Civil Service Directorate, the Payroll Directorate, the PGT and the CGRAE is being prepared by the *Société nationale de développement informatique* (SNDI). This is one of the actions contained in the 2007 strategic action plan of the MEF.

3.65 Presently, the Payroll Directorate of the DGBF uses the Year 2000 Payroll application. The payroll database is updated on the basis of administrative documents and computer records transmitted by the Civil Service Directorate, the DAAFs of ministries, EPNs and institutions. Since May 2007, unexpected sectoral controls are carried out in the ministries to ensure that all the agents paid are effectively working in the administration. On this basis, the file is updated.

3.66 At the stage of the preparation of the draft budget, the wage bill estimation is done through a conference for the programming of staff attended by representatives of the Payroll and Civil Service Directorates. An assessment of future recruitments is conducted but it is not based on a list of pre-defined budget positions.

3.67 Salary expenditures are incurred on the basis of capped appropriations. The payment is made according to the expenditures without prior payment order (DSOP) procedure, which are regularized 2 or 3 months later. The procedure of monthly payment of salaries is initiated by the Payroll Directorate, which first of all registers the commitments in the SIGFIP system. The draft monthly payroll is sent to the Civil Service Directorate which, on the basis of global and sectoral statements, carries out some controls. At the payment stage, the PGT controls the variable elements of the payroll. To do that, he has a direct link with the database of the Payroll Directorate. A major part of the salaries is paid to bank accounts. Some are still paid by cash notes.

3.68 Newly-recruited staff members are not registered in the system before an average period of more than 3 months from the time of their assumption of duty. This delay in taking into account the new civil servants, concerning especially teachers, is due to delays in the transmission of files. The changes in the situation of civil servants are taken into account from the date of transmission of the files to the Payroll Directorate, i.e. with a minimum delay of 3 months.

3.69 Concerning new recruitments, the orders are submitted to the prior approval of the Financial Controller before signature by the Minister of Civil Service and Employment. The same applies to changes in the administrative situation of civil servants. The modalities for approval of acts in connection with recruitments and change of situation are clearly spelt out. These elements are also verified by the Payroll Directorate. All pay movements associated with changes in the administrative and financial situation of civil servants and government employees are subjected to systematic control by the PGT, before being accounted for. Particularly, the PGT



systematically verifies the pay orders exceeding CFAF 600,000. Summary statements are prepared to review movements made in the month (registration of new agents, changes in appointment, service or change in marital status, reclassification after promotion, etc.). When the civil servant goes on retirement, the Payroll Directorate prepares a certificate on suspension of payment, which enables the service in charge of retirements to pay the pension benefits.

3.70 A staff census was conducted in 2002 with financing from the World Bank. On this occasion, only civil servants who physically presented themselves were paid. This operation helped to remove a number of ghost workers from the database. Since then, there has not been any exhaustive control of the payroll statements or staffing position. However, since May 2007, sector control operations on staff are carried out in the ministries. The Regional Payroll directorates and the Salary Control Branch of the Payroll Directorate carry out monthly checks on all elements of remunerations. To complete these regular checks, targeted controls are conducted on some elements of salaries or fringe benefits, for example transport allowances, special work allowance. To date, these controls have been carried out in all sectors, except education and health.

3.71 The project on development of a new IT application to be shared by the administrative and financial management of the pay system should lead to the automatic feeding of pay information into the SIGFIP application. A group of projects chaired by the Director-General of the Civil Service has been put in place for conducting the SIGFAE project. The new application will be based on a decentralized management of salaries by the DAAF's of ministries. It should be implemented latest in 2008.

<b>Indicator</b>	<b>Score</b>	<b>Summary Explanation</b>
<b>PI-18. Effectiveness of payroll controls</b>	<b>D+</b>	
(i) Degree of integration and reconciliation between personnel records and payroll data.	<i>C</i>	The updates of the payroll database are done on the basis of computer systems under the control of all the administrations concerned. However, the reconciliation of payroll and personnel records is carried with a periodicity of more than six months. Unexpected controls are carried out in the ministries to ensure the physical presence of the agents.  However, it is not certain that the coherence is regularly ensured between the file of the Payroll Directorate and that of the Civil Service Department. That's why the score is C.
(ii) Timeliness of changes to personnel records and the payroll	<i>D</i>	Newly-recruited staff members are not registered in the system before an average period of more than 3 months from the date of their assumption of duty. Changes in the situation of civil servants are taken into account with a minimum delay of 3 months.
(iii) Internal controls of changes to personnel records and the payroll.	<i>B</i>	The visa modalities of recruitments and changes in situation are clearly established. These changes are made under the prior control of the Financial Controller and the PGT. A list is prepared to recap movements made in the month, registration of agents, changes in appointments or services.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	<i>C</i>	Since the 2002 census, there has not been any exhaustive control of the payroll statements or staffing position. However, since May 2007, monthly operations to control staff are launched in the ministries by the Pay Control Division of the Payroll Directorate. Moreover, selected controls are carried out on certain remuneration elements, for example transport allowances.

## **Competition, value for money and controls in procurement**

3.72 A data collection system has been put in place (Sigmap), managed by the Directorate of Public procurement (DMP), and is producing quite reliable annual statistical data for much of the budget is approved within acceptable deadlines to facilitate taking into account contracts since the beginning of the fiscal year. The data provided show the total amount of budget lines submitted for procurement, beyond the threshold, by type of contract and function of the contracting authorities and in relation to the total volume of contracts for the given year (from June 2006 to the date of the review, since the budget was approved late). In fact, the choice of procurement methods depends on the ceilings, which are different according to the nature of the contracting authorities (notably, state-owned companies, and especially, the cocoa/coffee fund). Presently, the data collected for the second half of 2006 shows that the amount of sole sourcing contracts (CFAF 49.7 billion) - without specifying whether they are sole sourcing contracts in a value exceeding the ceiling - and limited competitive bidding (CFAF 14.8 billion) is higher than the amount of the open competitive bidding (CFAF 57.6 billion). This shows that about 47.5% of contracts were awarded on an open competitive basis. This percentage is below 50%, mainly due to the following combined factors: (i) procurement thresholds for competitive bidding that are high and not justified for part of the public entities (SODE/CFAF 120 million, Communes CFAF 60 million, ARCC CFAF 500 million, etc.) whereas that of the ministries is CFAF 30 million; (ii) criteria for utilisation of sole sourcing still too broad and favouring its use; and (iii) procurement of direct contracts between public law entities, which restricts the scope of use of competitive bidding methods.

3.73 The procurement code provides for the principle that open competition is the preferred method of procurement. Several criteria justifying the use of sole sourcing do not appear really justified: (a) no bids or unacceptable bids; (b) supplies unable to come from more than one production or storage venue because of their particular nature (terms subject to very wide interpretation); (c) transportation of public funds; (d) additional procurement beyond ceilings in the contracts (the cases mentioned show the risks of slippage, notably in case of poor needs assessment), where the circumstances justifying unforeseen technical or economic constraints are not justifiable; and (e) cases of major technical or investment needs. These cases are not in conformity with the WAEMU Guidelines. It has moreover been noted that, since the adoption of the new code, there has been a worrying increase in the number of sole sourcing (over 30%), cases of regularization of sole sourcing signed without resorting to normal procurement procedures; the importance of specifying the accounting of sole source contracts in the Sigmap system according to the presented justification was underlined. Furthermore, the lack of independent audit does not facilitate the verification of compliance with procedures for procurement awarded using less competitive modalities and guaranteeing the control of detected slippages.

3.74 There is a regulatory and institutional mechanism (commission for settlement of disputes-CRD) to appeal against decisions taken in the area of complaints and resolutions to facilitate the implementation of the code (a pamphlet on appeals) were adopted to describing the functioning of the CRD and appeal procedures. However, as the mechanism is not yet functional, it cannot ensure effective registration of complaints and treatment of claims in accordance with the provisions of the code implemented in 2005 and, as a result, it is not possible to assess its efficiency. Moreover, the information provided by SIGMAP on complaints (number, author,

etc.) and the treatment (justification, processing timelines, ...etc.) data, have yet to be developed. Furthermore, the existing mechanism for appeals and for the amicable settlement of disputes is not independent, since the Settlement Commissions that will be instituted and to which cases can be referred only provide recommendations subject to approval by the Minister in charge of Public Procurement (at the same time, the control authority and authority for approval of appeals).

Indicator	Score	Summary Explanation
<b>PI-19. Competition, value for money and controls in procurement</b>	<b>C</b>	
i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases	C	The percentage of contracts awarded on the basis of open competition procedures is 47.5%. This is mainly the consequence of several combined factors: (i) procurement thresholds for competitive bidding that are high and not justified for part of the public entities (SODE/CFAF 120 million, Communes/CFAF 60 million, ARCC/ CFAF 500 million, etc.) whereas that of the ministries is CFAF 30 million; (ii) criteria for utilisation of sole sourcing still too broad and favouring its use; and (iii) procurement of direct contracts between public law entities, which restricts the scope of use of competitive bidding methods.
(ii) Justification for use of less competitive procurement methods	C	The procurement code provides for the principle that open competition is the preferred method of procurement. Several criteria justifying the use of sole sourcing do not appear really justified and are not in conformity with WAEMU Guidelines. It has also been noted that since the adoption of the new code, there has been a worrying rate of increase in sole sourcing. Besides, the lack of an independent audit does not facilitate the verification of compliance with procedures for procurement awarded using less competitive modalities and guaranteeing the control of detected slippages.
(iii) Existence and operation of a procurement complaints mechanism	C	There is a regulatory and institutional mechanism for appealing against decisions rendered in the area of complaints and resolutions to facilitate the implementation of the code were taken to that end to describe the appeals procedures. However, this mechanism is not yet functional. Besides, the information provided by SIGMAP on complaints and treatment given has yet to be developed. Finally, the existing appeals mechanism and amicable settlement of disputes is not independent.

### **Effectiveness of internal controls for non-salary expenditures**

3.75 The *a priori* control of public expenditures is exercised by the Financial Control Directorate, which is placed under the authority of MEF. The attributions and functioning of this Directorate were fixed by a decree adopted in 1995. Its main function consists in controlling commitments of expenditures under the general budget, having been specified that the expenditures of the EPN are controlled by the Budget Control Directorate. This control concerns availability of budget funds, the quality and legality of the expenditure (conformity with the texts in force). Concerning salary expenditures, the Financial Control Directorate carries out controls on the management decisions on staffing: recruitment, promotion, end of career.

3.76 The financial controller also intervenes at a stage of the validation of the expenditure before the order to pay phase to verify: (i) that the order concerns a commitment already authorized by him; (ii) that the invoice has been correctly prepared and that the support documents are attached to the file; and (iii) that the service has been rendered, i.e. the provision of service or delivery has been effectively made. This control should be made within 8 days of service or supply. The financial controllers are supported in this task by verification officers. At the central level, each financial controller is in charge of the expenditures of several ministries. At the deconcentrated level, each financial controller is in charge of the expenditures of all ministries that have a local representation.

3.77 The financial control has no market price listing reference (an ongoing project at the DMP should result in the establishment of a reference price database). It does not make a ranked control. It does not use the risk assessment method and controls all files presented to it according to the same rules, irrespective of their amount. The effectiveness of the financial control may also be assessed by comparing the budget estimates to outturns. In this regard, the CGAF under Article 62 "Purchase of goods and services" reports an execution rate of 142% in 2004 and 110.1% in 2005, thus reflecting overspending. Hence, the measures for control of expenditure commitment exist but, since they are not based on an assessment of risks, they lack effectiveness. They do not cover all the expenditures and are not always respected.

3.78 The normal expenditure procedure is used for a low percentage of expenditures. The use of the simplified expenditure procedure has virtually become the rule because, out of a total authorized mandates of CFAF 1326 billion, CFAF 1,178 billion followed this procedure. The rules (Article 68 of the 1998 Decree) establish a limited list of expenditures that can be made according to this procedure, which is characterized by the simultaneous issue of commitment and the order to pay. A major part of these expenditures concerns transfers to the EPN, public enterprises and territorial communities (29% of actual revenues of fiscal year 2006) whose expenditures were controlled not by the financial controller but the budget controller. Consequently, the control carried out by the financial controllers is exercised especially at the stage of the validation of the expenditure. Hence, during fiscal 2006, the financial controllers cleared a total amount of payment orders of CFAF 1,344 billion (central level plus local level) while they only controlled CFAF 68 billion of commitments. It would be necessary to review this type of practice by limiting the simplified procedure to expenditures of an exceptional or emergency nature, in order to give back to the financial controller, for the majority of budget expenditures, his real role as the upstream controller of public expenditure.

3.79 The public accountant (PGT at the central level) also exercises, before taking charge, the control of non-salary expenditures. This control focuses on all support documents attached to the expenditure file and may result in rejections. It is based, among others, on the evaluation at the time of the order to pay of availability of adequate budget credits. Since this type of control has already been done at the commitment stage by the financial controller, the question is whether this new control is relevant. Some rules and procedures therefore appear excessive.

3.80 The rules concerning the treatment of expenditures are clear but incomplete. In this regard, Decree 98-716 of December 16, 1998 and its draft application instruction do not define deadlines for the different actors of the chain except the 8 days deadline for the financial controller at the stage of commitment and order to pay approval. The reliance on payment of

expenditures through treasury cash advances is quite frequent and represents important amounts. Account 470.1 “Expenditures paid before prior authorization” shows a balance of CFAF 309 billion on the cash balance as of October 31, 2007. These expenditures, even if they are later regularized are not subjected to prior control. Indeed the financial controllers are not informed of their issue, which confirms the particularly non transparent nature of this type of practices. Moreover, this procedure presents the risk of not being able to regularize these expenditures, i.e. of not being able to charge them to the budget, because of an eventual lack of budget credits. The results of the budget execution may, therefore, be distorted.

Indicator	Score	Summary Explanation
<b>PI-20. Effectiveness of internal controls for non-salary expenditures</b>	<b>D+</b>	
(i) Effectiveness of expenditure commitment controls	<i>C</i>	A considerable amount of expenditures is made through the simplified procedure (89% of payment authorizations approved by the financial controllers in 2006), which limits considerably the area of intervention of the financial controller. The control of expenditures made on the basis of transfers from the State through the EPN and public enterprises escape the financial controller, since it is entrusted to the budget controller. The financial control does not carry out ranked control. Hence, there is no method for risk assessment. Some budget accounts register over expenditures.  Hence, measures for controlling commitments of expenditures exist but, since they are not based on risk assessment, they lack effectiveness. They do not cover all the expenditures and are not always respected. The score is C.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	<i>C</i>	The financial control has no market price listing reference.  The public accountant (PGT) exercises, before accounting booking, the control of non-salary expenditures. This control is done, among others, on the evaluation at the stage of the order to pay of the respect of the budget ceilings, being noted that this type of control has already been done by the financial controller at the stage of commitment. Some rules and procedures, therefore, seem excessive and the score is C.
(iii) Degree of compliance with rules for processing and recording transactions	<i>D</i>	The regulation does not set deadlines for the different actors for the various phases of the expenditure.  The rules guiding expenditure procedures are clear, both for the normal and the simplified procedure. But the use of the simplified procedure, other than for salary expenditures and debt, is very important and it has become the rule.  The reliance of payment of expenditures on the basis of treasury cash advances is still very frequent and represents important amounts. These expenditures, therefore, escape the <i>a priori</i> control and distort the results of the budget execution. For this reason, the score is D.

### Effectiveness of internal audit

3.81 The internal verification is ensured by the General Finance Inspectorate (IGF), whose vocation is to control all the administrative entities using public funds. This entity has about twenty inspectors, who consider themselves as inadequately trained, and sometimes resorts to private firms that it supervises. Its audit method is contained in a manual of procedures. It is

based on the ranking of risks and is in conformity with international standards. But the IGF basically conducts financial audits and only exceptionally intervenes in the organizational and structural aspects (monitoring of systems) of the controlled administrations.

3.82 IGF's reports are transmitted to the entity audited and to the Minister of Economy and Finance. But they are prepared in a highly irregular manner. The IGF attributes this situation to the fact that their audits are conducted at the request of the top hierarchy, which does not allow them to respect their program of activities. It also expressed that the texts do not compel them to systematically transmit their audit reports to the Supreme Audit Institution (Chamber of Accounts).

3.83 The IGF prepares an annual program of activities as well as a strategic action plan. The realization is generally below the estimations. Concerning the other control structures, the Inspectors consider that there is no redundancy between their interventions and those of the IGE, an organization with which they do not coordinate their activities. The follow up of conclusions and recommendations of the internal audit is not ensured. This lack of follow up constitutes one of the major concerns of IGF, which indicated that the follow-up of its recommendations are left to the discretion of the top hierarchy.

3.84 The IGF became interested in the monitoring/evaluation system only a few months ago. According to its representatives, its activities are now oriented in this sense. Consequently, it will be necessary to enhance the skills of this entity to enable it to accomplish its mission.

Indicator	Score	Summary Explanation
<b>PI-21. Effectiveness of internal audit</b>	<b>D+</b>	
(i) Coverage and quality of the internal audit function	<i>D</i>	The internal verification is ensured by the General Finance Inspectorate (IGF). Its method of audit is based on the ranking of risks and it is in conformity with international standards. But the IGF basically conducts financial audits and only exceptionally intervenes on the structural aspects (monitoring of the systems) of the controlled administrations.
(ii) Frequency and distribution of reports	<i>C</i>	The reports of the IGF are transmitted to the entity audited and to the MEF. It is difficult for them to establish a plan of their audits, which are decided on case by case basis by their hierarchy. Besides, the text does not oblige them to systematically transmit their audit reports to the Supreme Audit Institution (Chamber of Accounts).
(iii) Extent of management	<i>D</i>	The follow-up of the conclusions and recommendations of the internal audits is not ensured. This lack of follow-up constitutes one of the major concerns of the IGF, which indicates that the follow-up of its recommendations are left to the discretion of the hierarchy.

## E. ACCOUNTING, RECORDING AND REPORTING

### Timeliness and regularity of accounts reconciliation

3.85 The public accountants establish each day their banking situation on the basis of checks received and checks issued. The reconciliation between their accounting entries and bank statements is conducted at the time of the daily, fortnightly and monthly closing of accounts.

3.86 Some suspense and advance accounts present very important balances, whose amount increases from year to year. This is notably the case of account 472, which presented a balance of CFAF 335 billion as of October 31<sup>st</sup>, 2007. This means that the reconciliation and adjustment of these accounts are not done within the 2 months deadline after the end of the fiscal year.

Indicator	Score	Summary Explanation
<b>PI-22. Timeliness and regularity of accounts reconciliation</b>	<b>C+</b>	
(i) Regularity of bank reconciliations	<i>A</i>	The public accountants establish each day their bank situation on the basis of checks received and checks issued. The reconciliation between their account entries and bank statements is conducted at the time of the daily, fortnightly and monthly settlement of accounts.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	<i>D</i>	Some suspense and advance accounts (notably the sub-divisions of account 472) present very important balances whose amount increases from year to year. This means that the reconciliation and adjustment of these accounts are not done within the 2 months deadline after the end of the fiscal year.

#### **Availability of information on resources received by service delivery units**

3.87 The administrative entities whose manager operates as credit manager are informed, by simple consultation of the annual budget, of the amount of credits granted to them. This is the case, for example, of secondary schools or health centres. For the others, the credits are managed by the head of the deconcentrated service to which they are attached. When the credit administrators are not connected to the SIGFIP system, the credits are granted to them in the form of credit delegation. The Ministries of Infrastructure, Health and Education conduct a management control, which is materialized by field surveys. But the low level of their resources does not allow them to conduct more than three or four missions each year. The high number of administrative units (for example, about 1,400 health centres) makes it impossible to conduct a systematic countrywide control.

3.88 Although no real public expenditure tracking surveys were conducted during the past three years, the ministries that the mission met (Education, which prepares a quarterly report through the regional office, Health and Infrastructure) carry out some controls on the effectiveness of the expenditures. These actions are sometimes completed by the interventions of the Public Expenditure Review Unit (CRDP), which was established in 2002. This unit is placed under the authority of the DGBF and is in charge of conducting every evaluation on the execution of public expenditures. Its reports are sent to the Director-General of Budget and Finance. It carried out in 2006 an audit of grants and schooling fees granted to private educational institutions, notably in order to verify the effectiveness of the services.

Indicator	Score	Summary Explanation
<b>PI-23. Availability of information on resources received by service delivery units</b>	<b>D▲</b>	The administrative entities are well informed of the amount of credits granted to them. But the low level of financial resources of the ministries and the very high number of administrative units allow them to carry out only a few field surveys on the effectiveness of the expenditure.

## Quality and timeliness of in-year budget reports

3.89 Reports on budget execution may be prepared upon request by generating them from the SIGFIP system which allows the preparation of reports both aggregated and detailed. These documents present the amount of: (i) budget estimates; (ii) commitments issued; (iii) commitments approved by the financial controllers; and (iv) payment orders registered in the accounting books of the Treasury. However, the amount of payments is not indicated.

3.90 Analytical reports on budget execution are prepared during the year with the objective of monitoring the policies decided in the framework of WAEMU, in order to follow up on the convergence criteria. The DGTCP publishes a monthly balance of accounts within the 10 days following the end of the month, from the ASTER system. Concerning the administrative accounts, although the SIGFIP system allows it, the publication is not systematic, but upon request. A monthly TOFE is prepared as part of the monitoring of the crisis recovery program.

3.91 The information from the DGBF (SIGFIP system), notably payment orders, is transferred to the Treasury (ASTER system) in digital form. But the procedure is not completely electronic. The reconciliation of registrations made in the two systems is only done at the end of the fiscal year. This work generally takes only one or two days. A committee was put in place recently to ensure this reconciliation on quarterly basis. The reliability of data can, therefore, not be totally ensured during the fiscal year. Hence, the reconciliation between amounts of expenditures reported in the 2006 CGAF and amounts reported in the execution reports drawn from the SIGFIP show relatively significant differences (about 10%).

3.92 According to the representatives of the DGBF, efforts have been made since September 2007 to ensure that the in-year reports on the budget execution are published and made available on a monthly basis. A bilateral committee comprising representatives from the DGBF and the DGTCP has been established, with the objective of monitoring progress in the budget execution. To enable it to accomplish its task, a monthly execution report must be prepared showing the amount of expenditures according to the different types of classifications. This report will be presented to the Cabinet.

Indicator	Score	Summary Explanation
<b>PI-24. Quality and timeliness of in-year budget reports</b>	<b>D+</b>	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	<i>D</i>	The SIGFIP system allows the publication of both aggregated and detailed budget execution reports and reports may also be published on request. However, these reports do not contain the information on payments of expenditures.  Analytical reports on budget execution are prepared during the fiscal year with the objective of monitoring the policies decided in the framework of WAEMU, in order to follow up the convergence criteria.
(ii) Timeliness of the issue of reports	<i>D▲</i>	The monthly balance sheets are produced regularly within the 10 days following the end of the month. However, although the SIGFIP system facilitates it, the publication of budget execution reports is not systematic, but upon request. A monthly TOFE is prepared.  Since the quarterly reports are not prepared, the score is D. However,



Indicator	Score	Summary Explanation
		an arrow is attached to the score in order to formalize the intention of the DGBF to proceed, in the near future, to the monthly publication of the budget execution statement.
(iii) Quality of information	C	The information from the DGBF (SIGFIP system) is transferred to the Treasury (ASTER system) in digital form. But, the procedure is not fully electronic. The reconciliation of the registrations made in these two systems is done at the end of the fiscal year. The amount of expenditures appearing in the 2006 CGAF is different from that of the budget execution reports produced by SIGFIP.  Since there are concerns about the accuracy of the data, the score is C.

### Quality and timeliness of annual financial statements

3.93 The budget execution review law, which is produced with much delay, is a very brief document which contains no analysis on the budget execution data. However, the General Accounts of the Financial Administration (CGAF) is a highly complete document. It contains: (i) the detailed balance of accounts of the State; (ii) the breakdown of budget expenditures by title, ministry and economic nature; (iii) the breakdown of budget revenues; (iv) the development of result accounts; as well as (v) the financial documents.

3.94 The CGAF is prepared each year on a regular basis. That of 2006 exists in a draft version. However, the budget execution review law is voted with much delay. The most recent one is that of 2001. The 2002 draft budget execution review law has been examined by the Chamber of Accounts and presented to Parliament. The draft budget execution review law of 2003 is being examined by the Chamber of Accounts. The delay of submission for external scrutiny is, therefore, above 15 months following the end of the fiscal year.

3.95 The accounting system is based on the accounting standards contained in the WAEMU guideline regarding the government accounting plan, which is based on the SYSCOA system. The statements are presented in a format that is based on these norms since the establishment of this new system in 2002. However, the analysis of the balances at the end of the 2004, 2005 and 2006 fiscal years has allowed observing that some suspense accounts present unusual balances and that others are not systematically paid off. The existence of unusual balances is also pointed out in a report of the mission on control of the 2007 balances carried out by the DGTCP services from 17 to 30 September 2007. This shows that if the accounting standards really exist, they are not fully respected.

Indicator	Score	Summary Explanation
<b>PI-25. Quality and timeliness of annual financial statements</b>		
(i) Completeness of the financial statements	A	The budget execution review law is a very brief document. However, the General Accounts of the Financial Administration (CGAF) is a very complete document.
(ii) Timeliness of submission of the financial statements	D	The CGAF is prepared each year but the budget execution review law is voted with much delay. The most recent one is that of 2001. The 2002 draft budget execution review law has been examined by the Chamber of Accounts and submitted to Parliament. That of

Indicator	Score	Summary Explanation
		fiscal 2003 is being examined by the Chamber of Accounts. The delay in submission for external scrutiny, therefore, exceeds 15 months following the end of the fiscal year.
(iii) Accounting standards used	C	The accounting system is based on the accounting standards contained in the WAEMU directive on the government accounting plan, which is based on the SYSCOA system. However, the analysis of the balances of the 2004, 2005 and 2006 fiscal years made it possible to observe that some suspense accounts present unusual balances while others are not systematically paid off. This shows that if the accounting standards really exist, they are not totally respected.

## F. EXTERNAL SCRUTINY AND AUDIT

### Scope, nature and follow-up of external audit

3.96 The Chamber of Accounts, a Supreme Audit Institution was created in 1961. The 2000 Constitution upgraded it to an Auditor General's Office but because of the crisis, the operation could not be concretized and the organization remained a Chamber of Accounts subordinated to the Supreme Court. It has a triple mission:

- jurisdictional, by judging the accounts of public accountants, according to a written and contradictory procedure. However, the management accounts of the State have not been judged since 1978. Those of National Public Agencies (EPNs) have never been judged and those of territorial communities were only partially judged (about one hundred for each of the 2002 and 2003 fiscal years). According to the declarations of an official of this organization, the management accounts of the State have not been produced since 1978. However, the DGTCP affirms that this production has been formalized, but that, since the Chamber of Accounts has not enough place to stock the huge volumes of support documents, the latter have been kept in the offices of the MEF.
- management control, by conducting audits: the Chamber conducted three EPN audits during the year 2006, including a control of the operations of the *Caisse Nationale de Prévoyance Sociale* (CNPS). Hence, the audits carried out by the Chamber of Accounts in fiscal 2006 largely concern less than 50% of the total expenditures.
- analysis of the draft budget execution review law. This analysis is conducted with much delay since the project presently being examined is that of 2003, having been specified that the document was sent by the DGBF only in July 2006. A report on the execution of the budget law was presented at the same time as the examination of the draft budget execution review law. The most recent exercise was that of 2002. After reconciling the administrative accounts of the credit manager and the balance of the Treasury, the Chamber issues a certificate of conformity of the entries of the DGBF and those of the Treasury.

3.97 The Chamber of Accounts prepares an annual activity report, which is published in the Gazette. It also prepares a bi-annual report on the entities audited, which contains notably the status of follow-up of the recommendations made, a follow-up which is generally difficult to

ensure. This document is intended for the President of the Republic as well as for the National Assembly. However, the Chairman of the Economic and Financial Affairs Commission of the National Assembly declared that he never received it. The last report on the budget execution dates back to fiscal year 2002. It was developed and produced in April 2004. Hence, with a delay of well over 12 months after the end of the period under review.

Indicator	Score	Summary Explanation
<b>PI-26 Scope, nature and follow-up of external audit</b>	<b>D</b>	
(i) Scope/nature of audit performed	<i>D</i>	The Chamber of Accounts has not judged the management accounts of the State since 1978. Those of National Public Agencies (EPNs) have never been judged and those of the territorial communities were only partially judged. It carries out, on average, 3 audits per year. Hence, the audits carried out by the Chamber of Accounts during fiscal 2006 largely concern less than 50% of total expenditures. The examination of the draft budget execution review law is conducted with much delay. The project currently being examined is that of 2003.
(ii) Timeliness of submission of audit reports to legislature	<i>D</i>	The Chamber of Accounts prepares a bi-annual report on the entities audited. This document is intended for the President of the Republic as well as the National Assembly. However, the Chairman of the Economic and Financial Affairs Commission of the National Assembly declared that he never received it.  The last report on the budget execution dates back to fiscal 2002. It was developed and produced in April 2004, thus with a delay well over 12 months after the end of the period under review.
(iii) Evidence of follow-up on audit recommendations	<i>D</i>	According to the information collected, the recommendations formulated by the auditors are not followed-up, neither by the Chamber of Accounts itself nor by the National Assembly.

### Legislative scrutiny of the annual budget law

3.98 The parliamentary control could not be exercised because of the crisis. During the preparation of the 2005 Budget Law, the Economic and Financial Affairs Commission of the National Assembly carried out the examination of: (i) the budget policies; (ii) the major aggregates; as well as (iii) details of expenditures and revenues. However, since the draft budget is prepared on the basis of an annual framework, the Commission could examine neither the medium-term financial framework nor the medium-term priorities, which were not yet defined.

3.99 The procedure for examining the draft budget law by Parliament features in the National Assembly's Standing Orders. The Commission organizes sessions for questions posed to the MEF and its collaborators. Non-member MPs of the Commission may participate in these sessions, but they have no voting rights. The Commission carries out controls on the allocation of resources (bearing in mind the concerns of the populations), the sources of funding of expenditures, and the fiscal provisions (new taxes, exonerations, etc.). It also examines the budget policy elements presented by the MEF in support of the fiscal annexes. Discussions often take place on the level of the external and domestic debt. Amendments may be proposed in writing, but they cannot result in an increase in expenditures, unless they contain proposals on corresponding new revenues. The presentation made by the Chairman of the Commission and his

main collaborators helped the review to consider that the procedures were well respected during the examination of the 2005 draft Budget Law.

3.100 Since the beginning of the crisis, except for fiscal years 2006 and fiscal 2007 during which the Government intervened through ordinances, the Draft Budget Law was presented to the National Assembly with a delay of three or four months, which gave the MPs only one month to examine it. The budget has never been voted before the month of May of the fiscal year concerned.

3.101 The rules governing the amendments made to the budget during the fiscal year, without prior approval by Parliament, are clearly set by the organic law on the 1959 Budget Act. However, these amendments do not appear in the budget execution review laws of 2000 and 2001, or in the 2006 General Accounts of the Financial Administration. Besides, the existence of over-expenditures in the 2006 CGAF shows that even if they are not formalized, many budget and credit transfers are made.

Indicator	Score	Summary Explanation
<b>PI-27 Legislative scrutiny of the annual budget law</b>	<b><i>D+</i></b>	
(i) Scope of the legislature's scrutiny	<i>D</i>	Parliamentary control was not possible because of the crisis. The reference period for this component concerns the last budget executed. Since the budget for fiscal 2006 was approved by Ordinance and the National Assembly did not examine the Draft Budget Law, the score is D.
(ii) Extent to which the legislature's procedures are well-established and respected	<i>D</i>	The reference period for this component concerns the last budget year executed. Since the budget for fiscal 2006 was adopted by Ordinance and, therefore, the National Assembly did not examine the Draft Budget Law, the score is D.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	<i>D</i>	Since the beginning of the crisis, except for fiscal 2006 and fiscal 2007, during which the Government intervened with ordinances, the draft Budget Law was submitted to the National Assembly with a delay of three or four months, which gave the MPs only one month to examine it.  Since the budget for fiscal 2006 was adopted by Ordinance and, therefore, the National Assembly did not examine the Draft Budget Law, the score is D.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	<i>C</i>	These rules are clearly set by the organic law on the 1959 Finance Act. However, these amendments do not appear neither in the budget review acts of 2000 and 2001 nor in the General Accounts of the Finance Administration of 2006. Besides, the existence of over-expenditures in the 2006 CGAF shows that even if they are not formalized, many budget or credit transfers are made.  Since the rules on amendment of credits are not always respected, score is C.

### Legislative scrutiny of external audit reports

3.102 During the past three years, the National Assembly received no external audit report from other external control organizations or institutions except the bi-annual report of the Chamber of

Accounts, which is sent to the President but which is not communicated to members of the Economic and Financial Affairs Commission. The examination of the draft budget execution review laws is conducted with much delay. The most recent budget execution review law voted is that of fiscal 2001. The Chamber of Accounts transmitted in October 2006 to the National Assembly, the 2002 draft budget execution review law.

3.103 During the past three years, no hearing was organized by the Economic and Financial Affairs Commission of the National Assembly.

3.104 During the past three years, the National Assembly made no recommendation on measures associated with the findings identified in the reports from the external control institutions.

Indicator	Score	Summary Explanation
<b>PI-28 Legislative scrutiny of external audit reports</b>	<i>D</i>	
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years)	<i>D</i>	The National Assembly received, during the past three years, no external audit report from other external control organizations or institutions. The examination of the draft budget execution review law was conducted with much delay. The most recent draft budget execution review law voted is that of fiscal 2001. The Chamber of Accounts transmitted in October 2006, to the National Assembly, the 2002 draft budget execution review law.
(ii) Extent of hearings on key findings undertaken by the legislature	<i>D</i>	The Economic and Financial Affairs Commission has the right to establish commissions of enquiry. But it never used it. During the past three years, no hearing was organized by Parliament on the main conclusions of the external audit reports.
(iii) Issuance of recommended actions by the legislature and implementation by the executive	<i>D</i>	During the past three years, the National Assembly made no recommendation on measures in connection with the findings identified in the reports from the external control institutions.

## G. DONOR PRACTICES

### Predictability of Direct Budget Support

3.105 Since the Republic of Côte d'Ivoire was not eligible for direct budget support during the past three fiscal years, this type of intervention was neither envisaged nor realized. It is, therefore, suggested not to assign any score to this indicator.

Indicator	Score	Summary Explanation
<b>D-1 Predictability of Direct Budget Support</b>	<i>NS</i>	Since the Republic of Côte d'Ivoire was not eligible for direct budget support during the past three years, this type of intervention was neither envisaged nor realized. Hence, this indicator cannot be scored.
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature	<i>NS</i>	
(ii) In-year timeliness of donor disbursements	<i>NS</i>	

### Financial information provided by donors for budgeting and reporting

3.106 The documents provided contain the amount of program aid and project aid mobilized in 2006 (67.6%), but it is not specified in which period of the budget calendar they are provided. Because of this lack of information, the lowest score is retained.

3.107 The total information on aid disbursements was provided to the country within a period of one month from the end of the quarter of the last year. These data are obtained from the Public Debt Directorate and from COMFESIP.

Indicator	Score	Summary Explanation
<b>D-2 Financial information provided by donors for budgeting and reporting</b>	<b>D+</b>	
(i) Completeness and timeliness of budget estimates by donors for project support	<i>D</i>	The documents provided contain the amount of program aid and project aid mobilized in 2006 (67.6%), but it is not specified in which period of the budget calendar they were provided.  Because of lack of information, score is D.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	<i>A</i>	The total information on disbursements of aid was provided to the country within one month from the end of the quarter of the last year. These data are obtained from the Public Debt Directorate and from COMFESIP.

### Proportion of aid that is managed by use of national procedures

3.108 The period of crisis that the RCI faced recently made it impossible to develop the use of national procedures in the implementation of external aid. In 2006, 32% of the amount of loans and project grants were managed according to the national public procurement procedures. The payments made according to the national payment and accounting procedures represented 1.62% of total aid.

Indicator	Score	Summary Explanation
<b>D-3 Proportion of aid that is managed by use of national procedures</b>	<b>D</b>	In 2006, 32% of the amount of loans and project grants were managed according to the national public procurement procedures. The payments made according to the national payment and accounting procedures represented 1.62% of total aid. Score is D.

## 4. GOVERNMENT REFORM PROCESS

### A. DESCRIPTION OF RECENT AND ON-GOING REFORMS

4.1 The management of public finance has undergone major reforms initiated towards the end of the 1990s. First of all, they concern the implementation of a new budget nomenclature, which is based on reformed procedures for execution of expenditures and the SIGFIP application, introduced in 1999 for monitoring budget execution. This reform accompanied the deconcentration of the *Service Autonome Central d'Ordonnancement* (SACO) and appointment of DAAFs in the ministries. It was followed by the adoption of a new public accounting plan,

close to SYSCOA, and through the computerization of operations of the Treasury and the general public accounting through the establishment of the ASTER software package developed in partnership with France and the General Directorate of Public Accounting. The new public accounting system has been operational since 2003.

4.2 As part of the program to support the implementation of the corrective measures in Côte d'Ivoire, these reforms were completed from 2002, with the assistance of the European Union, through the establishment in October 2002 of the Public Expenditure Review Unit and through the strengthening of the control structures. The entities benefiting from this support were the Financial Control Directorate, the Public Procurement Directorate and the General Inspectorate of Finance. The reform of the public procurement system initiated since 1999 resulted in the adoption of the new Public Procurement Code, by Decree No. 2005-110 of February 24, 2005 and applicable since April 2006. These reforms were completed by a capacity building program supported by UNDP.

4.3 All these reforms helped to improve the comprehensiveness and transparency of the data on the execution of the financial operations of the Government. They were expected to facilitate the monitoring of the execution of the budget. Indeed, it is now possible to obtain in real time, information on budget execution. The modernization of the operations of the Treasury helped to establish, since 2003, the General Accounts of the Finance Administration, which presents, for a given fiscal year, all the budget expenditures and revenues of the State and which contains elements concerning the balance sheet and income statement.

4.4 Beyond these important reforms, at the end of fiscal 2006, the major improvements concerned:

- Implementation of piloting tools such as TOFE and development of treasury plan;
- Formalization of a budget execution timetable;
- Deconcentration of the SIGFIP;
- Drafting of manuals of procedures for most of the services;
- Adoption of the financial system of the territorial communities.

## **B. INSTITUTIONAL FACTORS SUPPORTING REFORM PLANNING AND IMPLEMENTATION**

4.5 Given the crisis situation facing the RCI, the Government could not benefit like some countries in the sub-region from reform programs supported by the financial partners. Moreover, the internalization of the WAEMU directives has not been formalized.

4.6 The MEF prepares every year, a plan of action for strengthening the management of public finance. This document focuses on finalizing the reforms initiated towards the end of the 1990s, which instituted a real reform of budget management, and would require the development of a strategic vision based on clearly-defined objectives and results. The 2007 action plan comprises ten objectives aimed notably at: (i) conducting a performance-based budget policy; (ii) optimizing the management of the public portfolio and treasury; and (iii) safeguarding the economic and financial information system. Besides, the DGCPT develops an annual action plan, which serves as basis for the consolidation of the major reforms that it conducted in recent years with a view to improving the functioning and productivity of its services.

## **Political will of Government and Support for the Reforms**

4.7 The RCI is committed to develop a PRSP by September 2008. As part of the revitalization of this process, it is envisaged to implement a MTEF. This programming framework, which aims at achieving greater effectiveness of public actions, should help to clarify the inter and intra-sectoral strategic choices through a multiyear budgetary framework. The finalization of the PRSP and the implementation of the MTEF could be the starting point of the redefinition of a public finance reform strategy.

## **Coordination and Implementation of Reforms**

4.8 On the basis of the PEFA assessment, a reform strategy could be developed to accompany the PRSP process. Taking inspiration from the strong points and weaknesses identified for each of the six basic dimensions of the assessment, it would involve reflecting on the reform objectives and anchor them on a medium and long-term strategic vision of development. The action plans of the ministries and other institutions could be developed in a concerted manner in order to ensure complementarity of the actions between, on the one hand, the central level and the deconcentrated level, and on the other, between the State, the EPNs and the territorial communities.

## **Involvement of Social Partners**

4.9 The Public Finance Strengthening Strategy (SRFP) envisages in its institutional mechanism, the representation of members of the civil society on the Steering Committee. It is important that this representation of the civil society becomes effective to enable it to fully play its role and meet good international practices.

## **Participation of the Technical and Financial Partners (TFPs)**

4.10 Beyond the representation of the TFPs on the Steering Committee of the SRFP, it is basically through the general framework of budget support for implementation of the poverty reduction strategic framework (CGAB-PRSF) that the partnership to support the reform should be formalized in order to contribute to the identification of the priorities, the coordination of the reforms of the TFPs practices and of their support for public finance reforms.



## Annex 1: Summary Table of PEFA Scores

Indicators on the Performance of Public Financial Management		Rating	Scores by component				Overall Score
<b>A. PFM OUT-TURNS: Credibility of the Budget</b>							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1					NS
PI-2	Composition of expenditure out-turn compared to original approved budget	M1					NS
PI-3	Aggregate revenue out-turn compared to original approved budget	M1					B
PI-4	Stock and monitoring of expenditure payment arrears	M1	D	B			D+
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>							
PI-5	Classification of the budget	M1					B
PI-6	Comprehensiveness of information included in budget documentation	M1					C
PI-7	Extent of unreported government operations	M1	NS	NS			NS
PI-8	Transparency of inter-governmental fiscal relations	M2	D	C	D		D+
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	C			C
PI-10	Public access to key fiscal information	M1					C▲
<b>C. BUDGET CYCLE</b>							
<b>C(i) Policy-based budgeting</b>							
PI-11	Orderliness and participation in the annual budget process	M2	D▲	D	D		D▲
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	D	D	D	C	D
<b>C(ii) Predictability and Control in Budget Execution</b>							
PI-13	Transparency of taxpayer obligations and liabilities	M2	C	A	D		C+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	B	C		C+
PI-15	Effectiveness in collection of tax payments	M1	D	A	A		D+
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	A	C	D		D+
PI-17	Recording and management of cash balances, debt and guarantees	M2	B	A	C		B
PI-18	Effectiveness of payroll controls	M1	C	D	B	C	D+
PI-19	Competition, value for money and controls in procurement	M2	C	C	C		C
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	C	D		D+
PI-21	Effectiveness of internal audit	M1	D	C	D		D+
<b>C(iii) Accounting, Recording and Reporting</b>							
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	D			C+
PI-23	Availability of information on resources received by service delivery units	M1					D▲
PI-24	Quality and timeliness of in-year budget reports	M1	D	D▲	C		D+
PI-25	Quality and timeliness of annual financial statements	M1	A	D	C		D+
<b>C(iv) External Scrutiny and Audit</b>							
PI-26	Scope, nature and follow-up of external audit	M1	D	D	D		D
PI-27	Legislative scrutiny of the annual budget law	M1	D	D	D	C	D+
PI-28	Legislative scrutiny of external audit reports	M1	D	D	D		D
<b>D. DONOR PRACTICES</b>							
D-1	Predictability of Direct Budget Support	M1	NS	NS			NS
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1	D	A			D+
D-3	Proportion of aid that is managed by use of national procedures	M1					D

## Annex 2: Summary Justification of Scores assigned to Indicators

Indicator	Score	Summary Explanation
<b>A. CREDIBILITY OF THE BUDGET</b>		
<b>PI-1. Aggregate expenditure out-turn compared to original approved budget</b>	NS <sup>9</sup>	Differences between the budget initially approved and actual expenditures were: 2004: 0.4% 2005: 1.9% 2006: 6.2% Considered as such, these figures help to conclude that budget is credible and propose the A score. However, the evaluation of this indicator should be qualified, since a considerable amount of expenditures to be regularized, i.e. paid and not charged to a specific budget account, feature in the balance of each of the fiscal years on accounts 470.1 and some sub-divisions of account 472. Since the details of operations charged to these suspense accounts is not known, this indicator is not scored.
<b>PI-2. Composition of expenditure out-turn compared to original approved budget</b>	NS	The variations of the actual composition of the budget (according to the administrative classification) compared to what was initially approved are as follows: 2004: 7.6% 2005: 8% 2006: 0.4% Considered as such, these figures would allow a C score to this indicator. However, as in the case of indicator PI-1, given the considerable amounts of expenditures charged to accounts 470.1 and some sub-divisions of account 472, these values are likely to change. Therefore, this indicator cannot be scored.
<b>PI-3. Aggregate revenue out-turn compared to original approved budget</b>	B	Total actual revenues compared to revenues of the budget initially approved were: 2004: 91.9% 2005: 95% 2006: 104.4% Since the revenues of the past 3 years were only in one year below 94%, the score is B.
<b>PI-4. Stock and monitoring of expenditure payment arrears</b>	D+	
(i) Stock of expenditure payment arrears and any recent change in the stock	D	The regulation applied for the definition of arrears is that of the WAEMU, that is to say any expenditure not paid within a period of 90 days from their issue by the credit manager, i.e. from the date of transmission of the payment order to the public accountant, whether it is payment for goods and services or salaries. The stock of arrears as at 31 December 2006 amounts to CFAF 1,162 billion and represents 100.6% of the total primary expenditures for the fiscal year. It increased in 2006 in relative value, since the stock as at December 31 2005 represented 93.65% of total primary expenditures of fiscal year 2005. Since the stock of arrears exceeds 10% of the total primary expenditures, the score is D.
(ii) Availability of data for monitoring the stock of	B	The arrears are monitored by the DGTCP ( <i>Directorate of Public Debt and Statistics Coordination Department</i> ). The data concerning the

<sup>9</sup> NS: No Score.

Indicator	Score	Summary Explanation
expenditure payment arrears		<p>stock of arrears are transmitted monthly to the financial partners. The Directorate of Public Debt prepares a quarterly report. These documents comprise the total of external and domestic arrears, having been specified that the IGF is currently carrying out an audit of the salary arrears.</p> <p>The score is B since the data on the stock of arrears are regularly made available but may be incomplete for a small number of categories of expenditures identified, notably salaries.</p>
<b>B. COMPREHENSIVENESS AND TRANSPARENCY</b>		
<b>PI-5. Classification of the Budget</b>	<b>B</b>	<p>The nomenclature classifies the expenditures by nature and according to their administrative destination. The classification by destination comprises a classification by sectors of activity similar to the functional classification at the level of the chapter, which is identical to that of WAEMU Guideline No. 4/98 on budget nomenclature. The budget execution review law adopted in 2001 presents the execution by nature. The functional classification used is a specific classification, but it may be made similar to the COFOG by using a bridge table.</p> <p>Score is B, because the establishment and execution of the budget are based on an administrative, economic and infra-functional classification inspired by at least the ten main functions of COFOG.</p>
<b>PI-6. Comprehensiveness of information included in budget documentation</b>	<b>C</b>	<p>The assessment is based on a specific list of 9 benchmarks, which should be communicated in the budget document for the fiscal year 2007 addressed to the Parliament or the National Assembly.</p> <p>The benchmarks that are met are as follows:</p> <ul style="list-style-type: none"> <li>i) Macro-economic assumptions;</li> <li>iv) Debt stock;</li> <li>vii) Presentation in the same format as the initial estimates of the previous budget;</li> <li>viii) Summary tables on revenues and expenditures.</li> </ul> <p>The unmet benchmarks are as follows:</p> <ul style="list-style-type: none"> <li>ii) Presentation of budget balances;</li> <li>iii) Financing of the deficit;</li> <li>v) Detailed information on financial assets;</li> <li>vi) Detailed statement of execution for the previous year presented in the same format as the draft budget;</li> <li>ix) Analysis of the impact of the fiscal measures.</li> </ul> <p>Overall, 4 out of the 9 information benchmarks are met and the score is C.</p>
<b>PI-7. Extent of unreported government operations</b>	<b>NS</b>	
(i) Level of extra-budgetary expenditures	<i>NS</i>	<p>A number of operations, whose amount has not yet been assessed by the administration, are not covered in the budget. They are revenues collected directly by some ministries, in general for services rendered and which are either not paid back to the Treasury or are partially paid. Moreover, concerning the comprehensiveness of the budget, it is necessary to budget the quasi-fiscal levies of certain key</p>

Indicator	Score	Summary Explanation
		sectors, such as the petroleum and coffee/cocoa sectors. Similarly, some of the earmarked funds, the list of which is known, but not the corresponding amounts, are not managed according to the regulation, which stipulate however that they should obey the rules on earmarked accounts. Since the information on amounts collected directly by some ministries as well as those concerning funds that should be managed according to the regulation established for earmarked accounts are not known, this component is not scored.
(ii) Income/expenditure information on donor-funded projects	NS	From the point of view of forecasting, the majority of externally-financed expenditures are included in the budget. These expenditures are monitored by COMFESIP which, for the fiscal year 2006, only provided information on the level of these expenditures until October 31. A score cannot be assigned to this component without the production of the final report of COMFESIP for fiscal year 2006.
<b>PI-8. Transparency of inter-governmental fiscal relations</b>	<b>D+</b>	
(i) Transparency and objectivity in the horizontal allocation among the decentralized administrations	D	There are four types of transfers from the State to the territorial communities: decentralization allocation, general operations allocation, equipment grant and share of local taxes to which they are entitled. The rules on distribution of these transfers are either not updated or unclear. Score is D.
(ii) Timeliness of reliable information to the decentralized administrations on their allocations	C	For the preparation of the 2006 Budget, the circular dated October 17, 2005 and the deadline given to the Presidents of General Councils and Mayors to submit their draft budget was October 29. The information, therefore, arrives too late to allow for major amendment of the budgets.
(iii) Extent of consolidation of fiscal data for the general government according to sectoral categories	D	Although their budget and accounting nomenclature allows it, the budget information of the territorial communities, which is centralized and aggregated monthly at the Directorate of Parastatal Accounting of the DGTCP, is not presented according to the functional or sectoral categories. Score is D.
<b>PI-9. Oversight of aggregate fiscal risk from other public sector entities</b>	<b>C</b>	
(i) Extent of central government monitoring of autonomous public agencies and public enterprises	C	Most of the main autonomous public agencies (EPN) and public enterprises submit at least every year, budget reports to the central administrations. However, since some of them do not comply with this directive, it is not possible to present a consolidated situation. The score is C.
(ii) Extent of central government monitoring of the decentralized administrations fiscal position	C	The net budget situation of the territorial communities is controlled at least every year, but does not make it possible to present a consolidated situation. The score is C.
<b>PI-10. Public access to key fiscal information</b>	<b>C▲</b>	This indicator is based on a list of six elements of information about budget operations, to which the public should have access.  The criteria that are met are as follows: v) The award of contracts estimated at over \$100,000; vi) The information on resources made available to the administrative units.  The criteria that are not met are as follows: i) The budget document at the time of their presentation in

Indicator	Score	Summary Explanation
		<p>Parliament;            ii) The in-year reports on the execution of the budget;            iii) The year-end financial statements;            iv) The external audit reports.</p> <p>The score is C, since the administration makes available to the public two of the elements mentioned in the PEFA performance framework. An arrow has been added to the score to indicate that the process is improving, notably with the establishment of Internet sites for the main financial administrations.</p>
<b>PI-11. Orderliness and participation in the annual budget process</b>	<b>D▲</b>	
(i) Existence of, and adherence to, a fixed budget calendar	<i>D▲</i>	<p>The reference period for this component concerns the last budget adopted (2007). Since the information on the timetable for the preparation of the 2007 Budget is inadequate to determine the number of weeks between reception of the budget circular and budget submissions by the ministries, the score is D.</p> <p>The time-table for the preparation of the 2008 Budget has been defined. It establishes the main stages and their deadlines up to the promulgation of the draft budget law. This progress justifies an arrow.</p>
(ii) Guidance on the preparation of budget submissions	<i>D</i>	<p>Concerning fiscal 2007, it could not be demonstrated that a circular had formally been issued for the preparation of the budget. The MEF's circular of July 16, 2007 sets the timetable for the preparation of the 2008 Budget.</p> <p>The score is, therefore, D.</p>
(iii) Timely budget approval by the legislature	<i>D</i>	<p>The reference period for this component concerns the last three budget years. During the past 2 years (2006 and 2007), the budget was adopted by Ordinance with more than 5 months delay. The score is, therefore, D.</p>
<b>PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	<b>D</b>	
(i) Multi-year fiscal forecasts and functional allocations	<i>D</i>	<p>Côte d'Ivoire does not prepare a global MTEF or sector MTEFs. However, in the framework of the post-crisis re-engagement strategy, the process has been re-launched. Moreover, a national development strategy focused on the MDGs is being finalized.</p> <p>Since no medium-term budget framework has been established, the score is D.</p>
(ii) Scope and frequency of debt sustainability analysis	<i>D</i>	<p>The Debt Department is trying to carry out studies on debt sustainability, but they have not been validated.</p> <p>The score is, therefore, D.</p>
(iii) Existence of costed sector strategies	<i>D</i>	<p>There is a national medium-term strategy, which integrates certain sectoral strategies. But these strategies have not been detailed into an action plan nor assessed.</p> <p>Since no sectoral strategy has been sufficiently quantified for the cost associated with investments and operational expenditures, the score is D.</p>
(iv) Linkages between investment budgets and forward expenditure estimates	<i>C</i>	<p>It has not been demonstrated that the recurrent costs induced by investments are taken into account since the ministries have no sectoral strategies. The score is, therefore, C.</p>

Indicator	Score	Summary Explanation
<b>PI-13. Transparency of taxpayer obligations and liabilities</b>	<b>C+</b>	
(i) Clarity and comprehensiveness of tax liabilities	<i>C</i>	<p>The texts and procedures on all major categories of taxes are exhaustive and clear, which limit in theory, the discretionary powers of the entities of the administration that exercise a function in that area.</p> <p>But, contrary to what the regulation stipulates, some enterprises are subjected to in-depth fiscal controls every 2 months. The score is, therefore, <i>C</i>.</p>
(ii) Taxpayer access to information on tax liabilities and administrative procedures	<i>A</i>	<p>In recent years, the DGI and the DGD have developed a number of tools to facilitate access of taxpayers to information.</p> <p>Since taxpayers now have easy access to exhaustive, friendly and up-to-date information on tax obligations and administrative procedures, the score is <i>A</i>.</p>
(iii) Existence and functioning of a tax appeals mechanism	<i>D</i>	<p>A taxpayer's appeal mechanism provides for transparent administrative procedures, but the information on statistics concerning the appeals to the financial administrations were only provided by the DGI, since no information on the follow-up of the appeals was obtained from the DGD. The score of this component is, therefore, <i>D</i>.</p>
<b>PI-14. Effectiveness of measures for taxpayer registration and tax assessment</b>	<b>C+</b>	
(i) Controls in taxpayer registration system	<i>C</i>	<p>A system of registration of taxpayers was put in place in 2005. The identification number is used by the financial administrations as well as in the SIGFIP information system.</p> <p>The score is <i>C</i>, because the database is not exhaustive and contains taxpayers with several numbers.</p>
(ii) Effectiveness of penalties for non-compliance with registration and tax declaration	<i>B</i>	<p>Concerning the DGI, the lack of tax declaration results in the payment of a fine equal to the amount of the tax itself. Discussions may be initiated. A repayment schedule is proposed.</p> <p>Concerning the DGI, the goods imported serve as guarantee for the payment of duties and can therefore, as a last resort, be auctioned. If it is not declared or not appropriately declared, the duties due shall be paid together with the fines according to the Customs Code.</p> <p>Concerning the penalties, discussions may be initiated. The duties are guaranteed by a bank guarantee mandatory for the exercise of the function of customs' agent.</p> <p>Hence, the fines for all cases of contravention are sufficiently high to have a dissuasive effect, but it was not possible to verify whether they are administered in a coherent manner. The score is <i>B</i>.</p>
(iii) Planning and monitoring of tax audit programs	<i>C</i>	<p>The DGI and DGD have a continuous program of tax audits and surveys on fraud, but the audit programs are not based on clear criteria for risk assessment. The score is <i>C</i>.</p>
<b>PI-15. Effectiveness in collection of tax payments</b>	<b>D+</b>	
(i) Collection ratio for gross tax arrears calculated in percentage of tax arrears during the fiscal year concerned	<i>D</i>	<p>The elements provided by the DGD and the DGI are sufficient to assess this component. Score is, therefore, <i>D</i>.</p>

<b>Indicator</b>	<b>Score</b>	<b>Summary Explanation</b>
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	<i>A</i>	The transfer from the DGI and the DGD to the Treasury Department is done every evening. All the accounts are then set at zero. The score is A.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	<i>A</i>	The compliance of the payments from the financial administrations on the account of the Treasury Department is verified each week. Concerning the remaining amounts to be recovered, the Treasury carries out regular reconciliations between its general accounting held on the ASTER software and the REC application (subsidiary accounting of collections). The score is A.
<b>PI-16. Predictability in the availability of funds for commitment of expenditures</b>	<b>D+</b>	
(i) Extent to which cash flows are forecast and monitored	<i>A</i>	Estimations of cash flows are prepared by the Statistics Coordination Department of the DGTCP for the subsequent budget year and updated every month. Since the cash flow estimates are prepared for the budget year and are updated every month on the basis of the actual inflows and outflows of funds, the score is A.
(ii) Reliability and horizon of periodic in-year information to spending agencies on ceilings for expenditure	<i>C</i>	Concerning operational expenditures, the credits are made available to the ministries every month. When an expenditure, by its nature should be made over a period of time exceeding one month, the DAAF of the ministries may solicit for an exception from the DGBF. The credits for investment expenditures are made available in a piecemeal fashion.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of spending agencies	<i>D</i>	A list of budget acts modifying the initial estimates was produced. But the information provided in this document for assessing this component is inadequate: unbalanced operations, lack of a total amount, lack of purpose. For this reason, score is D.
<b>PI-17. Recording and management of cash balances, debt and guarantees</b>	<b>B</b>	
(i) Quality of debt data recording and reporting	<i>B</i>	The debt stock features in an exhaustive manner in the SYGADE (Directorate of Public Debt) and SIGFIP databases and in the public accounting system (ASTER). The reconciliations only show differences due to exchange rate variations. The Directorate of Public Debt establishes a quarterly report on the debt situation.  Since the debt accounts officer has no information on the debt stock, the score is B.
(ii) Extent of consolidation of the government's cash balances	<i>A</i>	A central account opened at the BCEAO is managed by the central accounting officer of the Treasury. Flows from all other accounts are aggregated on the central account through regular action taken by the BCEAO. Generally, no account is opened in the name of the Government in commercial banks.
(iii) Systems for contracting loans and issuance of guarantees	<i>C</i>	After the study by the Directorate of Public Debt, the Minister of Economy and Finance signs all loan agreements. The granting of loan guarantees and approvals is also decided by the Minister of Finance.

Indicator	Score	Summary Explanation
		However, since there is no clear ceiling for indebtedness, the score is C.
<b>PI-18. Effectiveness of payroll controls</b>	<b>D+</b>	
(i) Degree of integration and reconciliation between personnel records and payroll data	C	The updates of the payroll database are done on the basis of computer systems under the control of all the administrations concerned. However, the reconciliation of payroll and personnel records is carried with a periodicity of more than six months. Unexpected controls are carried out in the ministries to ensure the physical presence of the agents. However, it is not certain that the coherence is regularly ensured between the file of the Payroll Directorate and that of the Civil Service Department. That's why the score is C.
(ii) Timeliness of changes to personnel records and the payroll	D	Newly-recruited staff members are not registered in the system before an average period of more than 3 months from the date of their assumption of duty. Changes in the situation of civil servants are taken into account with a minimum delay of 3 months.
(iii) Internal controls of changes to personnel records and the payroll	B	The visa modalities of recruitments and changes in situation are clearly established. These changes are made under the prior control of the Financial Controller and the PGT. A list is prepared to recap movements made in the month, registration of agents, changes in appointments or services.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	C	Since the 2002 census, there has not been any exhaustive control of the payroll statements or staffing position. However, since May 2007, monthly operations to control staff are launched in the ministries by the Pay Control Division of the Payroll Directorate. Moreover, selected controls are carried out on certain remuneration elements, for example transport allowances.
<b>PI-19. Competition, value for money and controls in procurement</b>	<b>C</b>	
i) Use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases	C	The percentage of contracts awarded on the basis of open competition procedures is 47.5%. This is mainly the consequence of several combined factors (i) procurement thresholds for competitive bidding that are high and not justified for part of the public entities (SODE/CFAF 120 million, Communes/CFAF 60 million, ARCC/CFAF 500 million, etc.) whereas that of the ministries is CFAF 30 million; (ii) criteria for utilisation of sole sourcing still too broad and favouring its use; and (iii) procurement of direct contracts between public law entities, which restricts the scope of use of competitive bidding methods.
(ii) Justification for use of less competitive procurement methods	C	The procurement code provides for the principle that open competition is the preferred method of procurement. Several criteria justifying the use of sole sourcing do not appear really justified and are not in conformity with WAEMU Guidelines. It has also been noted that since the adoption of the new code, there has been a worrying rate of increase in sole sourcing. Besides, the lack of an independent audit does not facilitate the verification of compliance with procedures for procurement awarded using less competitive modalities and guaranteeing the control of detected slippages.
(iii) Existence and operation of a procurement complaints mechanism	C	There is a regulatory and institutional mechanism for appealing against decisions rendered in the area of complaints and resolutions to



Indicator	Score	Summary Explanation
		facilitate the implementation of the code were taken to that end to describe the appeals procedures. However, this mechanism is not yet functional. Besides, the information provided by SIGMAP on complaints and treatment given has yet to be developed. Finally, the existing appeals mechanism and amicable settlement of disputes is not independent.
<b>PI-20. Effectiveness of internal controls for non-salary expenditure</b>	<b>D+</b>	
(i) Effectiveness of expenditure commitment controls	C	A considerable amount of expenditures is made through the simplified procedure (89% of payment authorizations approved by the financial controllers in 2006), which limits considerably the area of intervention of the financial controller. The control of expenditures made on the basis of transfers from the State through the EPN and public enterprises escape the financial controller, since it is entrusted to the budget controller. The financial control does not carry out ranked control. Hence, there is no method for risk assessment. Some budget accounts register over-expenditures.  Hence, measures for controlling commitments of expenditures exist but since they are not based on risk assessment, they lack effectiveness. They do not cover all the expenditures and are not always respected. The score is C.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	C	The financial control has no market price listing reference.  The public accountant (PGT) exercises, before accounting booking, the control of non-salary expenditures. This control is done, among others, on the evaluation, at the stage of the order to pay of the respect of the budget ceilings being noted that this type of control has already been done by the financial controller at the stage of commitment. Some rules and procedures, therefore, seem excessive and the score is C.
(iii) Degree of compliance with rules for processing and recording transactions	D	The regulation does not set deadlines for the different actors for the various phases of the expenditure.  The rules guiding expenditure procedures are clear, both for the normal and the simplified procedure. But the use of the simplified procedure, other than for salary expenditures and debt, is very important and it has become the rule.  The reliance of payment of expenditures on the basis of treasury cash advances is still very frequent and represents important amounts. These expenditures, therefore, escape the <i>a priori</i> control and distort the results of the budget execution. For this reason, the score is D.
<b>PI-21. Effectiveness of internal audit</b>	<b>D+</b>	
(i) Coverage and quality of the internal audit function	D	The internal verification is ensured by the General Finance Inspectorate (IGF). Its method of audit is based on the ranking of risks and it is in conformity with international standards. But the IGF basically conducts financial audits and only exceptionally intervenes on the structural aspects (monitoring of the systems) of the controlled administrations.
(ii) Frequency and distribution of reports	C	The reports of the IGF are transmitted to the entity audited and to the MEF. It is difficult for them to establish a plan of their audits, which are decided on case by case basis by their hierarchy. Besides, the text does not oblige them to systematically transmit their audit reports to the Supreme Audit Institution (Chamber of Accounts).

<b>Indicator</b>	<b>Score</b>	<b>Summary Explanation</b>
(iii) Extent of management response to internal audit findings	<i>D</i>	The follow-up of the conclusions and recommendations of the internal audits is not ensured. This lack of follow-up constitutes one of the major concerns of the IGF, which indicates that the follow-up of its recommendations are left to the discretion of the hierarchy.
<b>PI-22. Timeliness and regularity of accounts reconciliation</b>	<b>C+</b>	
(i) Regularity of bank reconciliations	<i>A</i>	The public accountants establish each day their bank situation on the basis of checks received and checks issued. The reconciliation between their account entries and bank statements is conducted at the time of the daily, fortnightly and monthly settlement of accounts.
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	<i>D</i>	Some suspense and advance accounts (notably the sub-divisions of account 472) present very important balances whose amount increases from year to year. This means that the reconciliation and adjustment of these accounts are not done within the 2 months deadline after the end of the fiscal year.
<b>PI-23. Availability of information on resources received by service delivery units</b>	<b>D▲</b>	The administrative entities are well informed of the amount of credits granted to them. But the low level of financial resources of the ministries and the very high number of administrative units allow them to carry out only a few field surveys on the effectiveness of the expenditure.
<b>PI-24. Quality and timeliness of in-year budget reports</b>	<b>D+</b>	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	<i>D</i>	The SIGFIP system allows the publication of both aggregated and detailed budget execution reports and reports may also be published on request. However, these reports do not contain the information on payments of expenditures.  Analytical reports on budget execution are prepared during the fiscal year with the objective of monitoring the policies decided in the framework of WAEMU in order to follow up the convergence criteria.
(ii) Timeliness of the issue of reports	<i>D▲</i>	The monthly balance sheets are produced regularly within the 10 days following the end of the month. However, although the SIGFIP system facilitates it, the publication of budget execution reports is not systematic, but upon request. A monthly TOFE is prepared.  Since the quarterly reports are not prepared, the score is D. However, an arrow is attached to the score in order to formalize the intention of the DGBF to proceed, in the near future, to the monthly publication of the budget execution statement.
(iii) Quality of the information	<i>C</i>	The information from the DGBF (SIGFIP system) is transferred to the Treasury (ASTER system) in digital form. But, the procedure is not fully electronic. The reconciliation of the registrations made in these two systems is done at the end of the fiscal year. The amount of expenditures appearing in the 2006 CGAF is different from that of the budget execution reports produced by SIGFIP.  Since there are concerns about the accuracy of the data, the score is C.
<b>PI-25. Quality and timeliness of annual financial statements</b>		
(i) Completeness of the financial statements	<i>A</i>	The budget execution review law is a very brief document. However, the General Accounts of the Financial Administration (CGAF) is a very complete document.

<b>Indicator</b>	<b>Score</b>	<b>Summary Explanation</b>
(ii) Timeliness of submission of the financial statements	<i>D</i>	The CGAF is prepared each year but the budget execution review law is voted with much delay. The most recent one is that of 2001. The 2002 draft budget execution review law has been examined by the Chamber of Accounts and submitted to Parliament. That of fiscal 2003 is being examined by the Chamber of Accounts. The delay in submission for external scrutiny, therefore, exceeds 15 months following the end of the fiscal year.
(iii) Accounting standards used	<i>C</i>	The accounting system is based on the accounting standards contained in the WAEMU directive on the government accounting plan, which is itself based on the SYSCOA system. However, the analysis of the balances of the 2004, 2005 and 2006 fiscal years made it possible to observe that some suspense accounts present unusual balances while others are not systematically paid off. This shows that if the accounting standards really exist, they are not totally respected.
<b>PI-26 Scope, nature and follow-up of external audit</b>	<b>D</b>	
(i) Scope/nature of audit performed	<i>D</i>	The Chamber of Accounts has not judged the management accounts of the State since 1978. Those of National Public Agencies have never been judged and those of the territorial communities were only partially judged. It carries out, on the average, 3 audits per year. Hence, the verifications carried out by the Chamber of Accounts during fiscal 2006 largely concern less than 50% of total expenditures. The examination of the draft budget execution review law is conducted with much delay. The project currently being examined is that of 2003.
(ii) Timeliness of submission of audit reports to legislature	<i>D</i>	The Chamber of Accounts prepares a bi-annual report on the entities audited. This document is intended for the President of the Republic as well as the National Assembly. However, the Chairman of the Economic and Financial Affairs Commission of the National Assembly declared that he never received it.  The last report on the budget execution dates back to fiscal 2002. It was developed and produced in April 2004, thus with a delay well over 12 months after the end of the period under review.
(iii) Evidence of follow-up on audit recommendations	<i>D</i>	According to the information collected, the recommendations formulated by the auditors are not followed-up, neither by the Chamber of Accounts itself nor by the National Assembly.
<b>PI-27 Legislative scrutiny of the annual budget law</b>	<b>D+</b>	
(i) Scope of the legislature's scrutiny	<i>D</i>	Parliamentary control was not possible because of the crisis. The reference period for this component concerns the last budget executed. Since the budget for fiscal 2006 was approved by Ordinance and the National Assembly did not examine the Draft Budget Law, the score is D.
(ii) Extent to which the legislature's procedures are well-established and respected.	<i>D</i>	The reference period for this component concerns the last budget year executed. Since the budget for fiscal 2006 was adopted by Ordinance and, therefore, the National Assembly did not examine the Draft Budget Law, the score is D.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on	<i>D</i>	Since the beginning of the crisis, except for fiscal 2006 and fiscal 2007, during which the Government intervened with orders, the draft Budget Law was submitted to the National Assembly with a delay of three or four months, which gave the MPs only one month to examine it.

<b>Indicator</b>	<b>Score</b>	<b>Summary Explanation</b>
macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)		Since the budget for fiscal 2006 was adopted by Ordinance and, therefore, the National Assembly did not examine the Draft Budget Law, the score is D.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	<i>C</i>	These rules are clearly set by the organic law on the 1959 Finance Act. However, these amendments do not appear neither in the budget review acts of 2000 and 2001 nor in the General Accounts of the Finance Administration of 2006. Besides, the existence of over-expenditures in the 2006 CGAF shows that even if they are not formalized, many budget or credit transfers of credits are made.  Since the rules on amendment of credits are not always respected, score is C.
<b>PI-28 Legislative scrutiny of external audit reports</b>	<i>D</i>	
(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years)	<i>D</i>	The National Assembly received, during the past three years, no external audit report from other external control organizations or institutions. The examination of the draft budget execution review law was conducted with much delay. The most recent draft budget execution review law voted is that of fiscal 2001. The Chamber of Accounts transmitted in October 2006, to the National Assembly, the 2002 draft budget execution review law.
(ii) Extent of hearings on key findings undertaken by the legislature	<i>D</i>	The Economic and Financial Affairs Commission has the right to establish commissions of enquiry. But it never used it. During the past three years, no hearing was organized by Parliament on the main conclusions of the external audit reports.
(iii) Issuance of recommended actions by the legislature and implementation by the executive	<i>D</i>	During the past three years, the National Assembly made no recommendation on measures in connection with the findings identified in the reports from the external control institutions
<b>D-1 Predictability of Direct Budget Support</b>	<i>NS</i>	Since the Republic of Côte d'Ivoire was not eligible for direct budget support during the past three years, this type of intervention was neither envisaged nor realized. Hence, this indicator cannot be scored.
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature	<i>NS</i>	
(ii) In-year timeliness of donor disbursements	<i>NS</i>	
<b>D-2 Financial information provided by donors for budgeting and reporting</b>	<i>D+</i>	
(i) Completeness and timeliness of budget estimates by donors for project support	<i>D</i>	The documents provided contain the amount of program aid and project aid mobilized in 2006 (67.6%), but it is not specified in which period of the budget calendar they are provided. Because of lack of information, score is D.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	<i>A</i>	The total information on disbursements of aid was provided to the country within one month from the end of the quarter of the last year. These data are obtained from the Public Debt Directorate and from COMFESIP.
<b>D-3 Proportion of aid that is managed by use of national procedures</b>	<i>D</i>	In 2006, 32% of the amount of loans and project grants were managed according to the national public procurement procedures. The payments made according to the national payment and accounting procedures represented 1.62% of total aid. Score is D.

### Annex 3: List of Persons Met

No.	Surname and First Name	Function	Structure	Contacts (Tel./Email)
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1	Charles Koffi Diby	Ministry of Economy and Finance		
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10		Public Inspector		
<b>Chamber of Accounts of the Supreme Court</b>				
11	Serges François	Consultant	Chamber of Accounts	Tel.: 47 03 43 62
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16	Adja Vincent	Auditor	Chamber of Accounts	Tel.: 20 21 70 27 Mobile: 07 60 92 82
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<b>Directorate General of Economy</b>				
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<b>Directorate General of Budget and Finance</b>				
22	Kouassi Kouamé	Director General of Budget and Finance		
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45	Timité Youssouf	Financial Controller	Financial Control Directorate	
46	Traoré Tiédé	Budget Control Director	Budget Control Directorate	
47	Traoré Seydou	Inspector Auditor General	Public Expenditure Review Unit	

No.	Surname and First Name	Function	Structure	Contacts (Tel./Email)
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#### Annex 4: List of Documents Consulted

Indicator	Department or Unit
<b>General Documents</b>	
Law 60-356 of 3 November 1960 on the Constitution of the Republic of Côte d'Ivoire	
Law 2000-513 of 1 <sup>st</sup> August 2000 on the Constitution of Côte d'Ivoire	
Organic Law 59-249 of 31 December 1959 on the Finance Act	DGBF/DPSB
Law 62-53 of 12 February 1962 organizing public finance management	DGBF/DPSB
Decree 50-209 of 21 October 1959 on creation of the <i>Caisse Autonome des Emprunts</i> subscribed by the Republic of Côte d'Ivoire	DGBF/DPSB
Decree 64-116 of 6 March 1964 on organization of economic control	DGBF/DPSB
Order 447-FAEP of 30 May 1960 on organization of the <i>Caisse Autonome d'Amortissement des Emprunts</i> subscribed by the Republic of Côte d'Ivoire	DGBF/DPSB
Decree 64-240 of 16 June 1964 on regulation of the accountability and balance due to public accountants	DGBF/DPSB
Decree 69-416 of 16 September 1969 on regulation in the control of contracts and agreements signed on national budgets and supplementary budgets	DGBF/DPSB
Decree 73-436 of 1 <sup>st</sup> September 1973 fixing the rules on constitution of advance systems	DGBF/DPSB
Decree 77-209 of 2 April 1977 on additional regulation of payments made on public funds	DGBF/DPSB
Articles 6, 7 and 8 of Law 70-214 of 24 March 1970	DGBF/DPSB
Decree 2006-118 of 7 June 2006 on organization of the Deputy Minister attached to the Prime Minister in charge of Economy and Finance	Statistics Coordination Department of the DGTCP
Decree 98-260 of 3 June 1998 on application of the General Public Accounting Plan	DGTCP/DCP
Decree 69-304 of 4 July 1969 fixing guarantees for public accountants	DGTCP/DCP
Decree 71-167 of 25 March 1971, fixing guarantees for public accountants	DGTCP/DCP
Decree 2005-48 of 3 February 2005 on appointment of General Accountants for the Treasury Department and Government Accounting	DGTCP/DCP
Decree 2002-444 of 16 September 2002 on the attributions, organization and functioning of the Inspectorate General (IGE)	IGE
Synthesis of the 2002 recommendations of the seminar on Optimization of Public Expenditures, Yamoussoukro, 23 - 26 August 2006	IGF
Support for training on budget reforms and procedures for execution of public expenditures, 2007 edition, containing the budget structure and Decree 98-716 of 16 December 1998 on the reform of the channels and procedures for execution of the expenditures and revenues of national budget under the special accounts of the Treasury and implementation of the integrated public finance management system	DGBF/DPSB
Procedures Guide of Public Treasury services	DGTCP
Procedures Manual of the Operations Department of Decentralized Communities	DGBF/DOCD
DGBF pamphlet on the budget preparation process	DGBF/DPSB
Extract from the Procedures Guide of the DGBF on the structure of public expenditures and support documents	DGBF
Procedures Guide of the DGBF	DGBF
Procedures Manual of the Budget Department	DGBF/DPSB
Procedures Manual of the Balance Department	DGBF/DPSB
Procedures Manual of the Public Expenditure Review Unit	DGBF/DPSB
Procedures Manual of the Administration Department of SIGFIP	DGBF
Procedures Manual of the Department of Budget Policies and Syntheses	DGBF/DPSB
2007 Strategic Action Plan	Ministry of Economy and Finance/Cabinet
Procedures Manual of the Department of Government Property	DGBF
Audit report of the Ivorian accounting system	DGTCP/IGT
Statement of Audit Recommendations	DGTCP/IGT
Implementation of Audit Requests	DGTCP/IGT

Indicator	Department or Unit
2005 Finance lct, presentation report and annexes	DGBF/DPSB
Order fixing the 2006 Budget, presentation report and annexes	DGBF/DPSB
Order fixing the 2007 Budget, presentation report and annexes	DGBF/DPSB
PIP 2003-2005 PIP 2004-2006 PIP 2005-2007 PIP 2006-2008	Planning Department /Public Investment and Programming Department
<b>PI-4: Stock and monitoring of expenditure payment arrears</b>	
<b>PI-16: Predictability in the availability of funds for commitment of expenditures</b>	
<b>PI-17: Recording and management of cash balances, debt and guarantees</b>	
Note on the debt structure	Public Debt Department
Responses of the Public Debt Department to PEFA questionnaire on PI-4, PI-12, PI-17 and PI-22 indicators	Public Debt Department
Note of the Public Debt Department on the loans mobilization procedure	Public Debt Department
Decree 83-501 of 2 June 1983 on regulation of granting conditions and government approval management modalities	Public Debt Department
Note of the Public Debt Department on loans mobilization procedure	Public Debt Department
Table on the stock of arrears of domestic debt as at 31 December 2006 and 30 September 2007	Public Debt Department
Situation of the stock of arrears of external debt as at 31 December 2006 and 30 September 2007	Public Debt Department
Activity Report as at 30 September 2007	Public Debt Department
Note of 14 November 2007 on the structure of the domestic and external debt	Public Debt Department
Table of the Public Debt Department presenting the stock of arrears of domestic debt as at 31 December 2006 and 30 September 2007	Public Debt Department
Table of the Data Analysis and Forecast Directorate presenting domestic arrears as at 30 September 2007	Public Debt Department
Synthesis Note on the Treasury situation from 01 January to 31 October 2007	Statistics Coordination Department of DGTCP
Draft Report of the Treasury Committee dated 11 October 2007	Statistics Coordination Department of DGTCP
Response to the PEFA questionnaire, point PI-4	Statistics Coordination Department of DGTCP
Decree 2006-118 of 7 June 2006 on the organization of the deputy ministry attached to the Prime Minister in charge of Economy and Finance	Statistics Coordination Department of DGTCP
Note on the definition of arrears and situation of payment arrears at the end of October 2007	Statistics Coordination Department of DGTCP
Order 067 /DGTCP/CE of 21 May 2001 on establishment a Treasury Committee	Statistics Coordination Department of DGTCP
Treasury situation from 1 <sup>st</sup> January to 31 October 2007	DGTCP/Statistics Coordination Department
Treasury situation for the month of November 2006	DGTCP/Statistics Coordination Department
Treasury Plan as at 31 December 2005 Treasury Plan as at 31 December 2006 Treasury Plan as at 31 December 2007	DGTCP/Statistics Coordination Department
Draft minutes of the technical meeting of the Treasury Committee of 10 October 2003	DGTCP/Statistics Coordination Department
Draft minutes of the technical meeting of the Treasury Committee of 11 October 2007	DGTCP/Statistics Coordination Department
<b>PI-5: Classification of the budget</b>	
Synthesis table of the 2006 Budget according to GFS/COFOG 2001 classification	DGBF/DPSB

Indicator	Department or Unit
<b>PI-7: Extent of unreported operations of the central administration</b>	
Annual report of COMFESIP 2004 and prospects for 2005	DGBF/DPSB
Annual report of COMFESIP as at 30 September 2005	DGBF/DPSB
Annual report of COMFESIP as at 31 October 2006	DGBF/DPSB
<b>PI-8 Transparency of inter-governmental fiscal relations</b>	
Law 2003-208 of 7 July 2003 on the transfer and distribution of government competences to the territorial communities	DGBF/DPSB
Law 2003-489 of 26 December 2003 on the financial, fiscal and national regime of the territorial communities	DGBF/DPSB
2007 Draft Budget Annex, general advice, heading 2 and 3 budget envelopes	DGBF/DPSB
2007 Draft Budget Common Annex, heading 2 budget envelopes	DGBF/DPSB
Note on government taxes whose proceeds are partially attributed to the territorial communities (communes)	
Summary statement of management accounts of the territorial communities for the years 2004-2005 and 2006	DGTCP/Semi-public DC
2004 Management Account of Agboville commune	DGTCP/ Semi-public DC
2005 Management Account of Dimbokro commune	DGTCP/ Semi-public DC
<b>PI-9: Oversight of the overall fiscal risk from other public sector entities</b>	
Law 98-388 of 2 July 1998, fixing the general rules on national establishments and on the creation of categories of public establishments and repealing Law 80-1070 of 13 September 1980	DGBF/DPSB
List of state-owned companies and public companies	DGE/Joint Venture and Privatization Department
Table presenting the execution of products and overheads of the main state-owned and joint companies for the 2005 and 2006 management and estimates for 2006	DGE/ Joint Venture and Privatization Department
List of audits and studies concerning state-owned enterprises and public funded enterprises	DGE/ Joint Venture and Privatization Department
Summary statement of EPN financial accounts produced by accounting officers for the years 2004-2005 and 2006	DGTCP/ Semi-public DC
2006 Financial Account of the FIDEN (National Enterprise Development Fund)	DGTCP/ Semi-public DC
<b>PI-10: Public access to key fiscal information</b>	
<b>PI-11: Orderliness and participation in the annual budget process</b>	
Organic Law 59-249 on the Draft Finance Act	DGBF/DPSB
The Prime Minister's Letter of 20 September 2007 presenting the 2008 Budget	DGBF/DPSB
Letter 139/MEF/DGBF/DPSB 02 of 29 August 2007, presenting the 2008 Draft Budget	DGBF/DPSB
2008 Budget presentation, table on the trend of tax revenues, draft of the wage bill, Table on the impact of salary demands in 2007 and 2008, Synthesis of staff movements as of 30 September 2007	DGBF/DPSB
Prime Minister's Letter of 4 November 2005 presenting the 2006 Budget	DGBF/DPSB
Prime Minister's Letter of 4 November 2005 presenting the 2006 Budget	DGBF/DPSB
2002 – 2008 Macro-economic Trends, summary table of the main aggregates	DGBF/DPSB
Management Note on the economic situation and forecasting on macro-economic trends	DGBF/DPSB
Circular Letter 2809/MEFMEF/DGBF/DBE/ABS of 24 November 2005 on the closing of the budgetary transactions, national public establishments and territorial communities for the 2005 management	DGBF/DPSB
Instruction 109/MEF/CAB 01-20 of 16 July 2007 on the process and time-table for preparation of the national budget for fiscal 2008	DGBF/DPSB
Circular Letter 2809/MDPMEF/DGBF/DAS 9 of 29 November 2006 on the closing of the budget transactions for the 2006 management	DGBF/DPSB
Order on the 2007 Budget and its annexes	DGBF/DPSB

Indicator	Department or Unit
Presentation of the Draft Budget to Cabinet	DGBF/DPSB
Order on the 2006 Budget and the economic and financial report	DGBF/DPSB
2004 Finance Act, economic and financial report	DGBF/DPSB
2005 Finance Act, economic and financial report and presentation report	DGBF
Circular Letter 2908/MEMEF/DGBF/DAS 9, on the closing of the budgetary transactions of the State for the 2006 management	DGBF
Circular Letter 2809/MEMEF/DGBF/DBE/ABS of 24 November 2005, on the closing of the budgetary transactions of national public establishments and territorial communities for the 2005 management	DGBF
<b>PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	
Note on the process of preparation and approval of the Public Investment Program (PIP)	Planning Branch/DPIP
Note on the process of preparation of the Poverty Reduction Strategy Paper (PRSP)	Planning Branch /Development Branch
Note on stages planned for implementation of the MTEF	DGBF/National Directorate of Budget
<b>PI-13: Transparency of taxpayers obligations and liabilities</b>	
General Tax Code and Tax Procedures Manual, 2007 edition	DGI
The verified Taxpayer's Charter	DGI
Decision 0001/DGI/CGECI of 30 November 2006 on creation of the fiscal control observatory	DGI
Memorandum of Understanding between the DGI and the National Ivorian Employers' Council on the creation of an exchange and reflection group	DGI
<b>PI-14: Effectiveness of measures for taxpayer registration and tax assessment</b>	
2006 Statement of Actions of the Bureau of control of common law customs procedures	DGD/Customs Investigation Department
2007 Action Plan	DGD/Customs Investigation and Information Department
Activity Report as at 22 November 2007 of the Bureau of control of economic customs procedures	DGD/ Customs Investigation and Information Department
Results of activities of the 1 <sup>st</sup> quarter of the Bureau of control of common law customs procedures	DGD/ Customs Investigation Department
<b>PI-15: Effectiveness in collection of tax payments</b>	
Statistics on issues and collections of customs revenues from 2004 to 2006	DGD/DSEE
<b>PI 16: Predictability in the availability of funds for commitment of expenditures</b>	
List of movements of funds for 2006	DGBF/DPSB
<b>PI-17: Recording and management of cash balances, debt and guarantees</b>	
See PI-4	
<b>PI-18: Effectiveness of payroll controls</b>	
Organizational and Functional Overview of the Debt Department	DGBF/Pay Branch
Report of the Steering Committee on Staff Sector Control of 31 May 2007	DGBF/Pay Branch
Staffing position by category and by ministry from 2002 to 2006	DGBF/Pay Branch
Detailed estimates of the impact (confirmed or potential) pay demands by the different groups of civil servants in 2007	DGBF/ Pay Branch/DPSB
<b>PI-19 Competition, value for money and controls in procurement</b>	
The Government Contracts Code, Decree 2005-110 of 24 February 2005	DMP
Government Procurement procedures on the basis of the Decrees of 16 September 1969 and 3 January 1980	DMP
Order 250 MEF/DGBF/DMP of 13 August 2002 amending Order 037/MEF/DMP of	DMP

Indicator	Department or Unit
13 March 2000 on the execution of budget funds under the Government Contracts Code	
Statistics on contracts by mode of procurement and by amounts from 2000 to 2006	DMP
Table showing the number of complaints submitted in 2006 (3) and 2007 (5)	DMP
Letter 1148/MEMEF/DGBF/DMP/34 of 4 June 2004 defining the modalities of execution of budget funds for 2004, as regards government procurement procedures	DMP
Order 1037/MEF/DMP of 26 November 1990 defining the modalities of commitment, approval and payment of contracts signed with public law moral entities	DMP
Government Contract Sheet no. 954 of 21 October 2007	DMP
Government Contract Sheet no. 955 of 1 <sup>st</sup> November 2007	
Government Contract Sheet no. 956 of 11 November 2007	
Procedures manual of the Department of Government Contracts	DMP
<b>PI-20: Effectiveness of internal audit controls for non-salary expenditures</b>	
Extracts of the 2006 activity report of the Financial Controller	
<b>PI-21: Effectiveness of internal audit</b>	
Decree 95-121 of 22 February 1995 on the attributions, organization and functioning of the financial control	DGBF/DCF
Decree 95-122 of 22 February 1995 determining the conditions of access to the functions of Financial Controllers	DGBF/DCF
Decree 95-123 of 22 February 1995 modifying decree 80-12 of 3 January 1980 on settlement of accounts on public expenditure concerning public expenditures on materials at the central level	DGBF/DCF
Order 23 PM of 6 November 1995 on the application of Decrees 95-121, 95-122 and 95-123 respectively on attributions, organization and functioning of financial control	DGBF/DCF
2006 Activity Report of the Public Expenditures Review Unit	CRDP
Statistical extracts from the Annual Report of the Financial Control Director	DGBF/DCF
Procedures Manual of the Financial Control Department	DGBF/DCF
Auditor's Guide	DGBF/DCF
Financial Controller's Guide	DGBF/DCF
Presentation report of the IGF	IGF
Procedures Guide of IGF services	IGF
Code of Ethics Pamphlet of the IGF	IGF
Note on indicators	IGF
IGE, note on missions carried out in 2006	IGE
Activity program and time-table for the year 2007	IGE
<b>PI-22: Timeliness and regularity of accounts reconciliation</b>	
Copies of availability book of the accounting item of the Plateau for the period May - October 2007	DGTCP/DCP
Note of the DGTCP/DCP on regularity and respect of deadlines of the account reconciliation operations	DGTCP/DCP
Note on control missions of the 2007 balances	DGTCP/DCP
Note on the monitoring of the provisional allocation accounts	
Order 53 MDP/DGTCP/CE of 16 February 2007 on the creation of the Monitoring Committee of the budget execution and operations of the government. And minutes of the meeting of 12 April 2007	DGTCP/DCP
<b>PI-23: Availability of information on resources received by service delivery units</b>	
<b>PI-24: Quality and timeliness of in-year budget reports</b>	
Accounts Instruction 0609 DGTCP ASTER/CRCP project of 14 April 2006 on the breakdown of provisional allocation accounts in the deconcentrated accounts headings	
Letter 2604 of MEMEF/DGTCP/ACCT of 26 June 2006 fixing the time frame for production of the general monthly balance of the 2005 management	

Indicator	Department or Unit
Order 053/MDPMEF/DGTCP/CE of 16 February 2007 on the creation of the Monitoring Committee of the execution of the Budget and Operations of the Government	DGTCP/
CGAF 2003, 2004	DGTCP/DCP
General Account of the Finance Administration, Presentation Report and Operating Report of the Treasury, 2005 Management	DGTCP/DCP
General Trial Balance as at 31 October 2007	DGTCP/DCP
Development of Budgetary Revenues as at 31 October 2007	DGTCP/DCP
Development of Budgetary Expenditures as at 31 October 2007	DGTCP/DCP
<b>PI-25: Quality and timeliness of annual financial statements</b>	
2000 Budget Review Act	DGBF
Presentation of the report of the 2001 Budget Review Act	DGBF
2001 Budget Review Act	DGBF
<b>PI-26: Scope, nature and follow-up of external audit</b>	

## Annex 5: Calculations of Ratios for PI-1 and PI-2

Sources of data: Situations extracted from SIGFIP and General Accounts of the Financial Administration.

The amounts are in CFAF million.

Indications on the method:

For the PI-1 indicator, the ratio to be calculated is the ratio of the difference (in absolute value and in percentage of the estimate) between the total of budgeted and actual expenditures. It does not take into account expenditures on debt and projects funded with external resources.

For the PI-2 indicator, the ratio to be calculated is equal to the sum of differences between the budgeted and actual for each institution, in relation to the total of budgeted expenditures and corrected with the relative difference between total budget and total actual.

### Data Year: 2004

Budget Head	Budget	Actual	Difference	Absolute	Percent
Education	282,879	269,183	-13,697	13,697	4.8%
Economy and Finance	186,531	224,788	38,257	38,257	20.5%
Defence	131,717	130,454	-1,263	1,263	1.0%
Health and Public Hygiene	71,897	67,567	-4,330	4,330	6.0%
Higher Education and Research	62,360	62,247	-113	113	0.2%
Interior	59,493	49,923	-9,570	9,570	16.1%
Foreign Affairs	35,824	35,925	102	102	0.3%
Economic Infrastructure	35,212	31,620	-3,592	3,592	10.2%
Presidency of the Republic	35,158	35,567	409	409	1.2%
Professional Education	19,588	12,882	-6,706	6,706	34.2%
Justice and Human Rights	13,019	11,777	-1,243	1,243	9.5%
Prime Minister's Office and Attached Services	12,273	12,761	487	487	4.0%
Construction and Urban Planning	12,035	11,327	-707	707	5.9%
Agriculture	11,725	11,458	-268	268	2.3%
National Representation	9,759	9,871	112	112	1.1%
Civil Service and Employment	7,933	7,856	-76	76	1.0%
Youth, Sport and Leisure	6,458	6,072	-386	386	6.0%
Communication	3,926	3,692	-235	235	6.0%
Family and Women's Affairs	3,906	3,543	-363	363	9.3%
Solidarity and War Victims	3,892	3,921	29	29	0.8%
Other Ministries	32,290	31,696	-595	595	1.8%
<b>Total Expenditures</b>	<b>1,037,874</b>	<b>1,034,128</b>	<b>-3,746</b>	<b>3,746</b>	<b>0.4%</b>

**Data Year: 2005**

<b>Budget Head</b>	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>	<b>Absolute</b>	<b>Percent</b>
National Education	277,560	272,736	-4,824	4,824	1.7%
Economy and Finance	157,469	198,647	41,178	41,178	26.1%
Defence	128,704	122,671	-6,033	6,033	4.7%
Interior	98,600	92,353	-6,246	6,246	6.3%
Health and Public Hygiene	71,630	67,020	-4,610	4,610	6.4%
Higher Education and Research	66,997	68,240	1,242	1,242	1.9%
Economic Infrastructure	52,729	36,754	-15,975	15,975	30.3%
Foreign Affairs	37,249	36,623	-625	625	1.7%
Agriculture	35,176	19,523	-15,653	15,653	44.5%
Presidency of the Republic	34,928	34,543	-384	384	1.1%
Professional Education	21,401	20,830	-570	570	2.7%
Prime Minister's Office and Attached Services	15,613	13,345	-2,268	2,268	14.5%
Justice and Human Rights	13,480	12,386	-1,093	1,093	8.1%
Construction and Urban Planning	12,031	11,257	-774	774	6.4%
National Representation	10,378	10,291	-86	86	0.8%
Civil Service and Employment	8,358	8,461	103	103	1.2%
Independent Electoral Commission	8,242	8,256	13	13	0.2%
Youth, Sports and Leisure	5,795	7,407	1,612	1,612	27.8%
Solidarity and War Victims	4,035	4,011	-24	24	0.6%
Planning and Development	3,909	3,733	-176	176	4.5%
Other Ministries	402,41	34,511	-5,729	5,729	14.2%
<b>Total Expenditures</b>	<b>1,104,535</b>	<b>1,083,607</b>	<b>-20,927</b>	<b>20,927</b>	<b>1.9%</b>



**Data Year: 2006**

Budget Head	Budget	Actual	difference	absolute	Relative difference
Education	291,056	27,671	-17 384	17 384	6,0%
Economy and Finance	227,756	216,837	-10 919	10 919	4,8%
Defence	132,359	119,796	-12,563	12 563	9,5%
Ministry of Interior	103,503	96,187	-7,316	7 316	7,1%
Higher Education and Research	78,276	76,924	-1,352	1 352	1,7%
Health and Public Hygiene	76,721	73,679	-3,041	3 041	4,0%
Economic Infrastructure	61,953	50,434	-11,519	11 519	18,6%
Foreign Affairs	39,599	38,321	-1,278	1 278	3,2%
Presidency of the Republic	34,595	34,377	-218	218	0,6%
Professional Education	23,118	23,858	740	740	3,2%
Agriculture	19,351	19,563	211	211	1,1%
Justice and Human Rights	14,519	13,330	-1,189	1 189	8,2%
Prime Minister's Office and Attached Services	13,780	14,324	543	543	3,9%
Construction and Urban Planning	12,551	11,729	-822	822	6,6%
National Representation	10,138	10,075	-62	62	0,6%
Civil Service and Employment	10,119	9,256	-864	864	8,5%
Environment, Water and Forests	8,988	7,611	-1,378	1 378	15,3%
Independent Electoral Commission	8,906	4,889	-4,017	4 017	45,1%
Family and Women's Affairs	7,997	7,874	-123	123	1,5%
Youth, Sports and Leisure	6,879	7,902	1,023	1 023	14,9%
Other Ministries	50,105	44,648	-5,457	5 457	10,9%
<b>Total Expenditures</b>	<b>1,232,270</b>	<b>1,155,284</b>	<b>-76,986</b>	<b>76 986</b>	<b>6,2%</b>
Amount of differences (value and % of the estimate)				82 022	6,7%

**Results**

Year	For PI-1	For PI-2	
	Total Expenditure Deviation (1)	Total expenditure variance	Variance in excess of total deviation
2004	0.4%	8.0%	7.6%
2005	1.9%	9.9%	8.0%
20056	6.2%	6.7%	0.4%

**Annex 6: Synthesis of the Observations and Proposals of the Ivorian Part on the PEFA Report**

**Observations and Proposals of the Directorate General of Budget and Finance**

PAGE	PARA-GRAPH	PEFA REPORT	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
V	§-6 Comprehensiveness and transparency	"Though abundant, the budget documentation is not in conformity with the organic requirements, nor PEFA standards"  "The level of extra-budgetary operations would represent a high amount given that, by definition, they are difficult to assess as they are not known"	The budget documentation is in conformity with the organic requirements. We will produce the data in accordance with PEFA standards.  What operations are being referred to here? How can one assess the level of operations that are not known? The extra-budgetary expenditures are limited to advances not regularized at the end of the management, there are no others.	This part could be cancelled for lack of specific elements on these serious and unfounded assertions.		X	
Vii	(ii) §-11 Table: line credibility of the budget; column budget discipline	"It is not possible to assess the level of credibility of the estimates compared to the budget authorizations"	One should rather indicate "credibility of the estimates in relation to the actuals" and not in relation to the budget authorizations, which are also estimates.	The credibility of the budget estimates or authorizations is appreciated in relation to the actual expenditures in the budget execution review laws.	X		
Vii	(ii) §-11 Table: line: comprehensiveness and transparency, column: strategic allocation of resources	"The lack of budget documentation may affect parliamentary control and prevent efficient allocation of resources"	This is a very vague assertion. There is a need to indicate the precise documents that are necessary and would not be available.	All the budget documentation required for parliamentary control are produced and available.			X
Viii	(ii) §-11 Table: line Accounting, registration of financial information and reports	"But the quality of information ... is only assessed at the end of the	There is a PECMER interface which ensures the link of the transfers in real time between SIGFIP and ASTER. Studies				X

PAGE	PARA-GRAPH	PEFA REPORT	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
	column: budget discipline	fiscal year”	are ongoing for the creation of another interface which will ensure feed-back from ASTER and SIGFIP.				
12	3.13 (Table)	“The budget structure ....., the destination and nature.”	<p>The budget structure is in conformity with the WAEMU nomenclature, which is a directive defining the minimum framework concerning classification by functions and by nature, which the member States should complete in case of need.</p> <p>The different parts are linked among themselves through well-defined types of administrative unity: it is therefore not true to say that they lack clarity.</p> <p>The expenditures on poverty reduction are clearly identifiable in the budget. They may be well monitored.</p>				X

### Observations and Proposals of the Chamber of Accounts

PAGE	PARA-GRAPH	PEFA REPORT	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
vi	10	« The Chamber of Accounts..... none has so far been verified nor judged”	Contrary to this view, the Chamber of Accounts has a regular activity despite its highly reduced personnel (07 Magistrates and 02 auditors in 2000) and the very poor state of the offices, which makes the archiving of documents difficult.	<p>The following statistics indicate the pace of activities:</p> <p><b>Years and Total Accounts judged</b></p> <p>2005 - 95 2006 - 101 2007 - 115</p>			X
40	3.95	“...However the accounts					

PAGE	PARA-GRAPH	PEFA REPORT	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
		...of fiscal 2002 and fiscal 2003”		<p><b>Controls made</b></p> <p><b>2006:</b> Abidjan Institute of Cardiology, Road Safety Bureau, National Institute of Public Hygiene</p> <p><b>2005:</b> <i>Société des Transports Abidjanais</i>, - Control of the efficiency of the grants granted to private state establishments.</p>			X

### Observations and Proposals of the General Directorate of Customs

PAGE	PARA-GRAPHE	PEMFAR REPORT.	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
25	Table PI-14 (i)	“The taxpayers are registered in a relatively reliable system ..... the number is also used by the Customs but in an inadequate manner.”	<p>The Customs has no other use to make of the tax account than identifying correctly the importer or the exporter.</p> <p>The inadequate use that is mentioned is not specified.</p>		X		

### Observations and Proposals of the General Directorate of Economy

PAGE	PARAGRAPH	PEMFAR REPORT	OBSERVATIONS	PROPOSALS	FINAL REPORT – STATUS		
					Fully taken into consideration	Partially taken into consideration	Not taken into consideration
6	2.9	“(…) The expenditures are regularized, therefore, paid but not budgeted (…).”	The expenditures to be regularized comprise operations estimated in the budget but executed via advances, before their execution in SIGFIP and some operations not provided for in the budget.		X		



