

Mali: Technical Assistance Report

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Mali

*Resuming implementation of the
WAEMU harmonized fiscal framework
in a post-crisis context*

April 2013

Benoit Taiclet, Jean Bertrand Biguey, and Claude Trupin

INTERNATIONAL MONETARY FUND

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**RESUMING IMPLEMENTATION OF THE WAEMU HARMONIZED FISCAL
FRAMEWORK IN A POST-CRISIS CONTEXT**

Benoit Taiclet, Jean Bertrand Biguey, and Claude Trupin

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ABBREVIATIONS

ACCT	Central accounting agency of the Treasury
AE/CP	Commitment validation/Payment allocations
AFRITAC	IMF African Regional Technical Assistance Center
AICE	Integrated government accounts application
ASYCUDA	Customs management and revenue application
BCEAO	Central Bank of West African States
BP	Program budgets
BSI	Special investment budget
BVG	Office of the Auditor General
CAISFF	IT Support Unit for the Tax and Financial Departments
CARFIP	Support Unit for Fiscal Reform
CASCA	Support Unit for Control Structures
CGSP	Public Service Comptroller General
DAF	Administrative and Financial Directorate
DEPENSE	DNTCP Expenditure Management Software
DFM	Financial and Hardware Directorate
DGABE	General Directorate of Government Property Management
DGB	General Directorate of the Budget
DNCF	National Financial Control Directorate
DNPD	National Development Planning Directorate
DNTCP	National Treasury and Government Accounting Directorate
DOB	Budget pre-debate
DPPD	Multiyear expenditure programming documents
ECOWAS	Economic Community of West African States
EPA	Administrative Public Entity
FCFA	CFA franc
FU	“Functional Units” departments receiving budget resource appropriations
GFSM 2001	2001 Government Finance Statistics Manual
IS	Information System
ISGBUD	Integrated Government Budgeting System
ISGTAS	Tax revenue management application
LdR	Budget review Law
LFI	Initial budget law
LFR	Supplementary budget law
MEFB	Ministry of Economy, Finance, and Budget
MTEF	Medium-term Fiscal Framework
PAGAM	Governmental Program for Fiscal Improvement and Modernization (PFM)
PCE	Government Chart of Accounts
PEFA	Public Expenditure and Financial Accountability

PFM	Public financial management
PGT	Treasury Paymaster General
PRED	Budget execution monitoring software – “Economic reform program for development”
PTI	Three-Year Investment Plan
RGCP	General government accounting regulations
RGD	General district Tax collector
SCCS	Supreme Court Accounting Section
SDI	IT master plan
SNCI	National internal control strategy
SOLDE	Government employee payroll software (DGB)
TABOR	Former general account keeping application
TFP	Technical and financial partner
TOFE	Government Financial Operations Table
TSA	Treasury Single Account
WAEMU	West African Economic and Monetary Union

PREFACE

Following a request from the Ministry of Economy, Finance, and Budget of Mali, a mission from the IMF Fiscal Affairs Department visited Bamako from February 5 to 20, 2013 to (1) take stock of ongoing reforms and the implementation of recommendations made in 2011; (2) provide temporary assistance in cash and debt management with a view to reactivating the TSA when possible; (3) assist in monitoring the expenditure chain in accordance with the government's stated intention of controlling payment lag times and arrears; (4) update the action plan established in 2011 and revise its implementation timetable as reflected in the PAGAM-GFP II; (5) assess future technical assistance needs, in particular for the coming months, and promote synergies among donors and lenders.

The mission comprised Mr. Benoît Taiclet, Mission Chief, and Mr. Jean Bertrand Biguey and Ms. Claude Trupin, both experts from the IMF Fiscal Affairs Department.

The mission was welcomed by His Excellency, Tiena Coulibaly, Minister of Economy, Finance, and Budget, Mr. Abdoulaye Touré, Secretary General of the Ministry, and Mr. Sidiki Traoré, Advisor to the Minister responsible for Finance. It interviewed several officials and their associates: Ms. Cissé Sidibé, National Director of Treasury and Government Accounting, Mr. Robert Diarra, Director General of Budget, Mr. Alhassane Ag Hamed Moussa, National Director of Financial Control (DNCF), Mr. Dolo Modibo, National Director of Development Planning, Mr. Karim Traoré, National Director of the Central Bank of West African States (BCEAO), Mr. Ouéna Baba Niaré, President of the Accounts Section of the Supreme Court (SCCS), Mr. Amadou Ousmane Touré, Auditor General, Mr. Amadou Gadiaga, Comptroller General, and Ms. Aminata Sidibé Soumaré, Coordinator of the Support Unit for Fiscal Reform (CARFIP). The mission was able to discuss its conclusions and recommendations with representatives of the various development partners.

The mission members express their sincere appreciation to the Minister's office for organizing their tasks, to the officials for their accessibility, and for the quality and transparency of the information shared.

The mission also thanks the office of the IMF Resident Representative, Mr. Anton Op de Becke, and in particular Mr. Bakary Traore, Resident Economist, for his assistance in preparing the mission and his involvement in its work. Finally, the mission is grateful to Mr. Alioune Diop, IMF Security Advisor, for his much appreciated assistance in the context of the military crisis, which was ongoing throughout the mission's stay in Malian territory.

Comment:

The mission was financed by the government of Japan under the Technical Assistance program for the ECOWAS countries, to improve the credibility of multiyear budgets. The mission would be gratified if the Malian authorities would disclose this source of technical assistance and announce the results.

SUMMARY OF RECOMMENDATIONS

The year 2012 was marked by exceptional events in Malian history. The droughts of 2011 were followed by acts of terrorism in the North, attempts to secede, and the March 2012 coup d'état. The sanctions imposed by ECOWAS and the freezing of external financing put a stop to BCEAO banking transactions on behalf of the government and halted most investment projects co-financed by external partners.

Faced with these extremely challenging developments, the authorities took a number of appropriate measures through which they managed to safeguard from disarray the public expenditure management system and continued to supervise budget management despite shortages. The mission was pleased to note the measures taken in this latter respect: reframing appropriations to conform to constricted public finance; funding the war effort by budget items through a supplementary budget law (LFR); restricting appropriations to spending agencies with due respect to cash projections; and mounting repeated efforts to fend off fiscal indiscipline.

Despite these pointed efforts, FY 2012 ended with heavy liabilities. The mission's study of a sample of expenses shows that, while wage payments were met over the period, other payments were seriously curtailed, leading to considerable increase in arrears by the end of the fiscal year. The situation at end-2012 was characterized by rising domestic and external arrears, liabilities to commercial banks, and the burden of external and domestic debt. Despite government efforts to limit the increase of liabilities to only 2 percentage points above their 2011 level, overall liabilities identified¹ at end-2012 amounted to 35 percent of GDP.

Public expenditure management reforms predictably lost steam. The mission's quantitative assessment shows that only about half the initiatives planned for 2013 have been implemented, with the notable exception of progress in four areas: managing and monitoring budget execution, monitoring payments arrears (which can be further improved), cash management, and internal control.

The reform agenda proposed by FAD in 2011 must therefore be revived and rephased to synchronize with the post-crisis transition and the resumption of implementation of the WAEMU harmonized fiscal framework.

Recommendations to address the most pressing issues during the post-crisis period:

- Continue to manage expenditure and to prioritize spending in respect to needs and available resources, which means enacting a supplementary budget within the parameters of secured external financing;

¹ The breakdown of liabilities is described on page 30 of this report.

- Effectively monitor budget execution through the existing mechanism for following up on payment delays and arrears;
- Improve the management of co-financed projects to boost public investment;
- Update the legal framework by transposing WAEMU directives into domestic law.

Recommendations to resume implementation of the WAEMU harmonized fiscal framework: the mission proposes to reschedule the 2011 reform timetable in the following way:

- In 2014, appropriate the budget for 2015 in programs;
- By 2017, provide the first opening balance;
- By 2018, complete the devolution of program management;
- In 2018, have the external audit deliver a first certification of government's accounts.

As the mission's terms of references also included appraising the mechanism for monitoring payments arrears and clarifying contradictory data from November 2012 on the position of the Treasury vis-à-vis the banks, the mission, at the end of its work, is of the opinion that:

- Payments arrears can possibly be monitored overtime through the financial management system (PRED), based on the validation of invoices (and not on their reception by the pay master, as is currently the practice). This follow-up of payments from invoices complies with the government's letter of intent to the IMF and with the WAEMU definition of arrears. The proposed data collection and processing method are annexed to this report.
- From now on, the net Treasury's position (NTP) can be jointly followed up by the BCEAO and the Treasury according to a common definition. Several meetings, held in an excellent climate of cooperation between these two stakeholders, resulted in a clear definition of the scope of the NTP: 179 accounts in banks opened on behalf of government accountants. This scope exactly matches the coverage of "central government" in WAEMU's terms and according to the IMF's Government Finance Statistics Manual.

I. OPTIMIZE CASH RESOURCES IN A CRISIS CONTEXT AND WITH A MEDIUM-TERM OUTLOOK

A. Cash resource breakdown as a result of the crisis

1. **Since 2011, the government has undertaken pooling its cash in a Treasury single account (TSA).** A status report of its liabilities (at end-June and end-September) with each of the 13 commercial banks operating in Mali and holding government accounts was drawn up in 2011. The mission has been transmitted a reconciliation report cross checking each bank's numbers with those of the Treasury (DGTCP), the Debt Management Office (DGDGP), and the Central Accountant (ACCT). Furthermore, an impact study conducted in 2011 identified seven banks whose liquidity ratio could be weakened, by their loss of central government's liquidities. In late 2011 and early 2012, the TSA was partially implemented, the Paymaster (PGT) and the Tax Collector (RGD) had an account with the WAEMU Central Bank (BCEAO) and the first repatriations of government assets from seven preselected banks were started.
2. **In March 2012, the TSA was stalled in the wake of Sanctions by the Economic Community of West African States (ECOWAS);** in other words, BCEAO stopped any transactions in government accounts. Hence PGT and RGD activities within the TSA, namely 80 percent of government accounting and financial operations, were stalled.
3. **Fiscal continuity was assured at the expense of setbacks in the implementation of the TSA.** The authorities reacted rapidly to prevent an interruption in payments. Accounts that had been previously closed in the commercial banks were reopened and the banks extended overdrafts to pay civil servants in March 2012. These overdrafts were adjusted by the government the following month. Shortly afterwards, the BCEAO resumed banking for the government but government banking with commercial banks is still maintained.
4. **Cash resources are now dispersed among the commercial banks although banking with the BCEAO is still preferred.** One hundred seventy-nine accounts have been opened on behalf of government accountants with a consolidated balance of CFAF 103.910 billion as at December 31, 2012. All spending agencies and co-financed projects included, the overall number of accounts opened with the commercial banks stands at about 3,400. That notwithstanding, the PGT and RGD now preferably operate with the BCEAO.
5. **This situation is detrimental to cash management.** The broad dispersal of liquidities makes preparing a regular government cash flow statement impossible. Each government accountant is responsible for monitoring his/her accounts and reconciling them with the bank statements (hardcopy statements are collected on a daily basis). The ACCT also conducts its own daily bank reconciliations for its accounts, but has difficulty in consolidating the overall bank reconciliation.

6. **The Treasury continues to close dormant accounts.** This process of closing inactive accounts is still being carried out. In early 2013, a cumulative amount of CFAF 6 billion was credited back to the Treasury's accounts.

7. **The structure of bank assets evolved during the 2012 crisis.** The BCEAO provided a summary table of liquidity and coverage ratios of the liabilities of 13 banks operating on the local financial market at end-2011 and mid-2012 (see below). Liquidity ratios overall (only four banks saw an improvement) declined significantly. Changes in the coverage ratio were more mixed (six had improved and seven had worsened). The situation of one bank had seriously deteriorated in terms of owner equity. Furthermore, the data cover the period December 2011 to June 2012² and therefore do not eliminate some seasonal effects that would have been erased in a year-on-year comparison. The situation of the banks and the indications of uncertainty from the BCEAO point to the need to update the study conducted in 2011 on the effect of the migration of government liquidity to the TSA.

Recommendation

- **In these circumstances, the re-establishment of the TSA is a medium-term objective to be prudently pursued.** A gradual, organized and well-managed approach is in order. The mission proposes proceeding in two stages:
 - **An initial general stage of surveying all mobilizable resources,** during which the impact study conducted in 2011 would be updated.
 - **A second stage of phased re-introduction of the TSA** with a timetable of transfers from 2013 onwards, tailored to the situation of the banks even if the relative volume of government assets deposited in accounts with them is usually small. Only afterwards would government accounts be gradually transferred.

² The only data available when the mission visited.

Table 1. Commercial banks, potential impact of the transfer of government liquidity to the TSA

IMPACT OF THE TREASURY SINGLE ACCOUNT ON LIQUIDITY AND COVERAGE RATIOS OF RESOURCE USE IN THE MEDIUM TO LONG TERM														
Source: BCEAO														
	BANKS												12	13
	1	2	3	4	5	6	7	8	9	10	11			
LIQUIDITY RATIO (Standard: 75% min)														
Performance at Dec. 31, 2011	101.34	85.56	94.47	88.45	86.23	86.38	96.39	89.96	80.29	72.59	88.88	83.28	84.56	
TSA Simulation at Dec. 31, 2011	100.8	83.56	94.08	86.51	84.99	86.05	96.06	88.37	79.36	72.27	88.59	80.99	74.1	
Performance at Dec. 31, 2012	120.1	103.9	69.8	76.5	74.4	79.5	84.2	86.80	87.90	73.40	82.00	76.70	37.50	
Simulation CUT au 31 Dec 2012	120.50	103.90	67.40	76.00	72.30	79.00	81.20	86.00	86.80	73.40	81.80	84.50	0.00	
COVERAGE RATIO (Standard: 75% min then 50% starting 01/2013)														
Performance at Dec. 31, 2011	109.00	77.90	61.20	76.30	126.90	76.10	92.20	82.90	91.80	87.90	119.20	186.80	9.40	
TSA Simulation at Dec. 31, 2011	114.06	77.90	61.16	76.27	126.93	76.07	92.24	82.94	91.81	87.90	119.15	186.76	9.41	
Performance at Dec. 31, 2012	110.26	76.44	52.68	75.32	120.69	77.75	76.49	85.94	84.03	90.55	130.04	188.44	NS	
TSA Simulation at Dec. 31, 2012	115.48	76.44	52.68	75.32	120.69	77.75	76.49	85.94	84.03	90.55	130.04	188.44	NS	

Methodological Notes:

The banks have been listed anonymously at the request of the BEAO National Director.

The liquidity ratio measures the ratio of assets that are available, encashable, or can be mobilized in the short term (maximum three months)—in the numerator—to liabilities that are callable in the short term and signature commitments that may be executed in the short term (maximum three months)—in the denominator.

The coverage ratio of medium- to long-term uses to stable resources measures the relationship of:

- the numerator comprising core capital; supplementary capital; deposits with a residual term of more than two years; resources with a residual duration of more than two years; bond borrowing and other borrowing at terms of more than two years;
- to the denominator comprising net fixed assets; assets of branches and agencies abroad; placement securities with a residual repayment period of more than two years, with the exception of securities having a BCEAO repurchase guarantee; public and similar securities and holdings of government loan securities with a residual term of more than two years; nonperforming loans (unpaid, in escrow, doubtful, and in litigation) not covered by provisions; performing loans with a residual duration of more than two years; assistance to banks and other financial institutions with a residual duration of more than two years; all other assets that can only be collected after at least two years.

B. In the short term, take stock of mobilizable resources

8. **Efforts to close dormant accounts must continue.** The first wave of closures shall apply to accounts with no activity for at least three years, in particular ACCT and RGD accounts, based on the tables provided. The process must be executed in particular for accounts with very few inventoried operations.

9. **All the accounts of spending agencies must continue to be inventoried and monitored.** The inventory of accounts opened by Central government accountants³ was conducted and completed by the National Treasury and Government Accounting Directorate (DNTCP). Reconciliation of these accounts is usually made by the accountants themselves. This first round of the inventory must be completed for all of the approximately 3,400 accounts opened by general government agencies identified in 2011,⁴ which may have since increased in number. A status report must be drawn up by cross checking the accounts with the banks. The DNTCP must also ensure discipline among autonomous agencies to restrain them from opening new accounts.

Box 1. Reconciliation of the net Treasury position between the DNTCP and BCEAO

The November 2012 mission in the context of the IMF program detected considerable discrepancies between the monetary survey produced by the BCEAO and the Net Treasury Position (NTP) reported by the DNTCP. This February 2013 mission organized two meetings to reconcile the two. The scope and methodology for defining the NTP were therefore clarified in the presence of both parties.

- A decision was taken to limit the scope of the NTP to 179 accounts opened on behalf of government accountants, with a total balance of CFAF 103,910,279,067 at December 31, 2012.
- The accounts above pool the central government's assets with those of the local authorities, on whose behalf the accountants are controlling expenses. The scope of the NTP redefined in this way matches the scope of "central government" as defined in the 2001 Government Finance Statistics Manual 1/ and WAEMU's standards.
- The method used is the one envisaged in the 2001 Manual: the NTP described in the TOFE "above the line" is the result of the monetary survey produced regularly by the BCEAO. It is therefore an exogenous aggregate, has some elements that could be defined as below-the-line financing not TOFE balancing variables.

1/ 2001 Government Finance Statistics Manual published by the IMF.

³ It should be noted that government accountants' funds represent the combined liquidity of the central government and local authorities, on whose behalf the accountants execute expenses.

⁴ Administrative public entities, special welfare or Social Security establishments, public industrial and commercial establishments providing a service to the public.

10. **The Treasury must have at its disposal a reliable survey of its banks in real time.**

The daily bank accounts are subject to direct collection of data from the banks by courier or fax. This circuit could be improved by introducing direct e-mail exchanges (secure messaging, for example). Similarly, for units already connected to the computerized accounting software (AICE), development of the banking module could be prioritized along with the roll-out of AICE at the ACCT.

11. **The BCEAO agreed to provide simulations of government asset transfers.**

The 2011 impact study could be quickly updated. The timetable of transfers from government accounts with the commercial banks to the TSA could then be set up according to the study and not only at the initiative of the accountants.

12. **Generally speaking, the mission wished to commend and underscore the climate of cooperation that has been restored between the Treasury and the Central Bank** and the willingness expressed by the BCEAO National Office to work with the government after the difficult times in March 2012.

C. Pool all government resources in the medium term

13. **The TSA must be reintroduced and completed according to a strategy and a realistic timetable.** The DNTCP is the key administrative stakeholder in defining and monitoring the strategic approach and putting it into perspective. The approach will be the following: to define the scope of the TSA at the different stages of its re-implementation, the technical arrangements for transfers, focusing specifically on the management or closure of pending operations, and the accountants involved; to manage changes and to train accountants; to finalize the TSA banking arrangement with the BCEAO; and lastly, to design and to follow-up on transfers of liquidities to TSA accounts (TSA subaccounts are impossible in the BCEAO operating system).

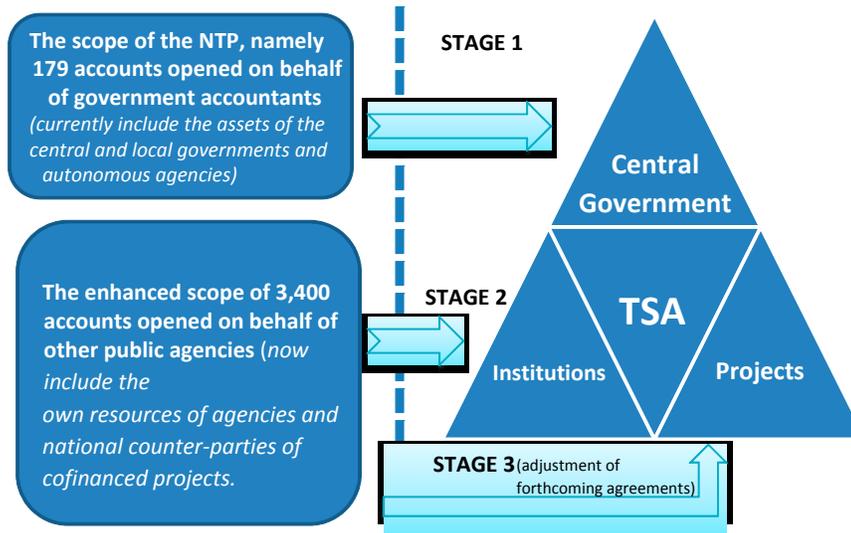
14. **The timetable for transfers will be based initially on the conclusions of the impact study and the BCEAO's enhanced simulations.** For central government accounts opened with the commercial banks, the completion of transfers, or at least of the maximum number of accounts, should be planned for end-2013 so as to begin upcoming FY 2014 with a clear scope for the TSA and start a full-fledged cash management.

Recommendation

- **The TSA must gradually incorporate all government liquidities.**
 - **A first step will be to transfer the central government's core liquidities into the TSA**— namely the hundred and seventy-nine accounts opened to date with the commercial banks on behalf of central government accountants (scope of the NTP).
 - **A second step, will be to pool in the TSA all autonomous agencies' liquidities** (including their own resources) meeting certain criteria for inclusion, which are yet to be defined (the criteria would exclude agencies mostly providing merchant services).

- **A third step would be to collect the Malian counterpart funds for co-financed projects** in an escrow account opened with the BCEAO for donors who accept the principle.

Figure 1. Gradually pool cash resources in the TSA



15. **This requirement to deposit the funds of all agencies should be grounded by law.** The principle of requiring funds to be deposited in the Treasury must be clearly reinstated and observed in accordance with the principle of a single account noted in the 2009 WAEMU directive. This implies the prior clarification of existing texts on public funds deposits (mainly autonomous agencies) in the Treasury. This adaptation of the legislation should be completed by 2013.

16. **Agencies benefiting largely from subsidies or direct public financing should transfer funds in order of priority.** A classification of agencies should be drawn up using several criteria defining their proximity to the central government. They would then be categorized as “government operators” and therefore should be compelled to deposit their funds (own resources included) in the TSA. To do so, the DNTCP should be given the authority to assess the situation with respect to predefined financial criteria and to submit proposals for the government to make relevant decisions. The implementation of this classification / inclusion approach could possibly start as soon as 2014.

**Box 2. Example, in France, of criteria defining agencies' inclusion
in the category of "government operators"**

An agency may be classified as a government operator on the basis of a number of criteria defined to reflect the tightness of its links with the central government:

- **the agency provides public service**, which can explicitly be included in a policy defined by the government;
- **Financing provided mostly by the central government**, directly in the form of subsidies or indirectly through the allocation of resources, in particular fiscal resources. This does not exclude the possibility of the operator exercising additional market activities;
- **Direct control by the government**, which is not limited to economic or financial control but arises from government oversight.

It is also possible to classify as government operators institutions that do not meet all the criteria described above, but are considered as important because of:

- their weight in loans or in **the attainment of the objectives of the ministries** that fund them;
- **The use or occupation of property** appropriated by or made available to the government.

Source: France, Budget Directorate "Forum on Performance."

17. **National counterpart funds of co-financed projects may also be deposited in the TSA.** Particular thought must be given to projects co-financed by foreign donors in the interest of security and transparency of financial operations between different stakeholders. To date, projects co-financed by foreign donors fall under financing agreements whose primary (or only) purpose is to set up, call for, and pay government contributions into accounts opened with the commercial banks. While government deposits should be driven by the projects' achievements, the practice is that government disbursements comply with the disbursement schedule stated in the agreements whatever the degree of projects' general progress. Completion and formal closure of projects are not properly followed up and the government funds are kept until a project ends, even if its completion is delayed.

18. **The monitoring of national counterpart funds used in co-financed projects should be improved.** Donors have two legitimate demands, first, to assure that their funds are actually being used for the project; and, second, to ensure that the government contributes the pre-agreed amount. For this purpose, a project account is usually opened with a commercial bank. Funds are currently credited to this account, which is operated by the project manager, as a result of which the government can no longer track the use of the funds.

19. **Provided that the partners agree, it is proposed that the principle of depositing national counterpart funds in an escrow account be established.** Using this approach, for a given project, the annual tranche of credits would be deposited in an escrow account located in the BCEAO, which would assure the technical and financial partners (TFP) that the government will meet its obligations. The project account would then be funded from the escrow account, in tranches. After using the first advance, the replenishment of the account would be conditional upon verification of use, to allow the government to find out the end-use of the deposits. The implementation of this solution in future projects therefore requires the establishment of a single escrow account at the BCEAO with as many nonfungible lines

as there are projects or, if this setup is impossible, as many accounts as there are new projects based on this model.

20. **The project escrow account at the BCEAO would not be fungible with government cash flow.** It would be used to ensure the safety and transparency of the government's quotas in the eyes of foreign donors. Government funds deposited in the escrow account could presumably be mobilized at any time by project heads to provide financial coverage for invoices pertaining to each project. These invoices would then be paid through the account(s) opened in the commercial bank network.

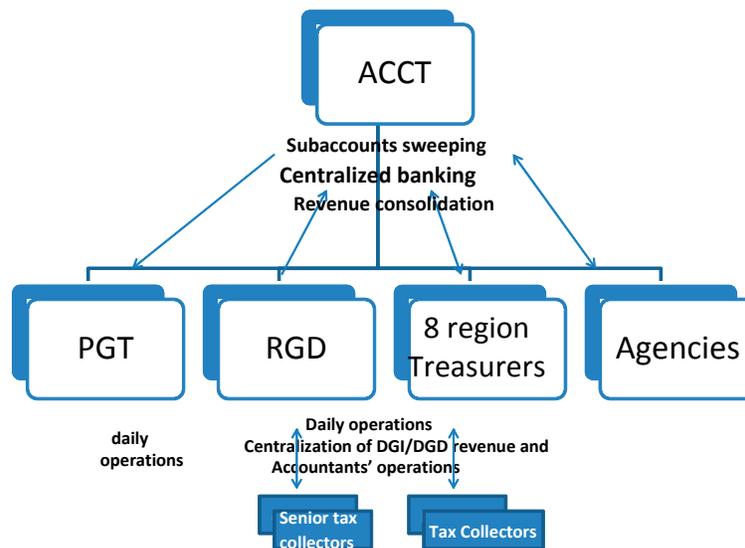
Recommendation

- Introduce in upcoming projects' financing agreements the principle of depositing national funds in an escrow account opened with the BCEAO.

D. Adapt the accounting and financial architecture to optimize the TSA

21. **TSA transfer and deployment operations require an adaptation of the government accounting and financial architecture** to streamline data collection and cash flows and to facilitate their management.

Figure 2. Proposed architecture of accounts opened with the BCEAO



22. **In the proposed scheme, cash surpluses are regularly swept from regular accounts to a pivot account (ACCT).** Cash from revenue collection (RGD and local tax collectors) is transferred to the ACCT to enable the ACCT to resupply the PGT with cash and to operate its own payments. Following the gradual transfer of funds from agencies to the

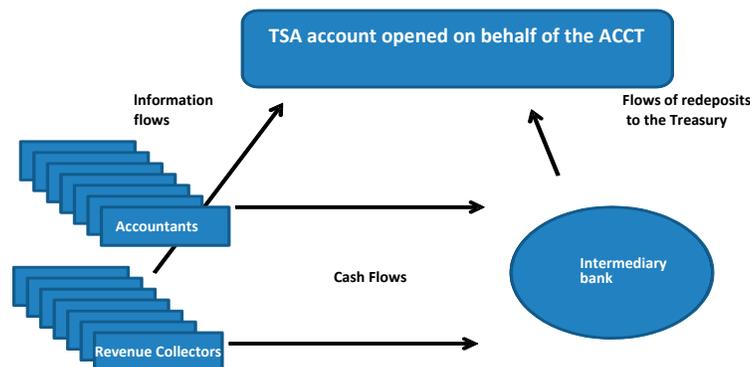
ACCT account, the ACCT will be able to act as the centralizing accountant of the banking operations for all public entities. Agencies' revenue and expense operations will be accounted in their respective ledgers prior to the transfer to the ACCT for bank reconciliation. The reconciled operations will then be transmitted to the agencies for the accountants to balance their ledgers.

23. **Senior accountants rely on their BCEAO accounts to operate their daily transactions.** The accounts opened for the RGD and the PGT can be used for regular spending and revenue collection transactions. The accounts of the eight regional treasurers stand for their own operations and for centralizing the secondary accountants' (tax collectors') revenue and expenditure operations. Once the transactions are reconciled by the ACCT, they are communicated to the senior accountants to balance their respective ledgers.

24. **There is need for a training plan and support for treasury units.** The TSA opened with centralizing accountants (RGD and regional treasurers), and their interactions with secondary accountants must be comprehensively described in manuals on accounting procedures with training materials and tailored support to the units. The training timetable should be synchronized with the 2013–14 timetable of transfers from the commercial bank accounts to the TSA.

25. **Petty cash management at the regional level should be customized with the assistance of a banking partner yet to be defined.** Given that BCEAO cannot cover petty cash operations (small amounts of revenue and expenses) throughout the country, these should be operated by a commercial bank, ideally the one with the largest network. The so-called liquidities should then be regularly redeposited to the ACCT's account and accounted for in the year-end balance. The commercial bank in charge of the operations should be chosen through a bidding process resulting in an operating agreement. The pace of re-deposits from the bank to the Treasury deserves attention; a weekly frequency seems realistic.

Figure 3. Cash flows and the TSA



Recommendations

- Open a small number of accounts at the BCEAO, namely 11 accounts opened with the BCEAO constituting the TSA, organized as follows:
 - The account opened at the ACCT is the TSA's pivot account.
 - The PGT and the RGD each retain the accounts they currently have.
 - An account will be opened for each of the eight regional treasurers.
- Organize petty cash transfers from the regions through an intermediary commercial bank.

E. Start to actively manage cash and debt

26. **The annual cash plan, appended to the budget law, is not used for intra-year management.** Previous TA missions recommended the establishment of a database, the production of a daily cash survey, and an intra-year rolling cash plan. The annual cash plan now appended to the budget law is a step in the right direction, but its projections for monthly revenue and expenditure are based on data from the previous fiscal year. Currently, the instruments for cash management and for revenue and expenditure tables are not suitable. They are used mainly as hypothetical fiscal targets for spending and collector units. The cash flow technical committee is as a consequence able to follow up on fiscal targets for revenue and expenditure, but has no reliable vision of actual cash revenue collection.

27. **The cash plan must be updated at the beginning of, and monitored throughout, the fiscal year.** The implementation of real, active cash management is now based on the consolidation and enhancement of the current system with, in particular, the continuous integration of fiscal, accounting, and financial forecasts taking a dynamic approach. The current monthly cash flow table can be used as a sound basis for the new system. In the medium term (mid- or end-2014), following the transfer of the government accounts from commercial banks to the TSA, and the implementation of the AICE cash management module, the ACCT should be able to produce a consolidated daily cash survey.

Box 3. Update the appended cash plan in the budget law for intra-year tracking

Break down the annual cash plan structure during the fiscal year based on actual revenue and expenditure executed from the TSA accounts (gradual inclusion based on the timetable of transfers from commercial bank accounts).

Switch approaches from pursuing fiscal targets on revenue and expenditure management, to following up on actual cash flow.

Introduce stock items (balances after reconciliation and fiscal position vis-à-vis the banks, treasury unit arrears, bonds maturing at the beginning of the fiscal year) and flows (unpaid commitments and pending invoices, with the help of the financial controllers' network).

Update the monthly projections with actual cash flows instead of reports on budget execution.

28. **Cash management within a full-fledged TSA, allows fine tuning debt policy.** Currently the Treasury bond planning seems not to be linked to cash flow projection. A sound and dynamic cash plan would allow a better phased issuance of bonds, or any other debt instruments, to maintain the TSA at its relevant balance.

29. **Bank arrears should be taken into account in the cash plan.** As a first step, all arrears pending with the commercial banks should be balanced prior to the transfers of liquidities from commercial banks to the TSA. The 2011 survey on the fiscal position of the DNTCP and the DGDB should be updated beforehand. The cash plan and its disbursement schedule should address the ongoing government bank-arrears clearing policy and the related banking agreements.

30. **Continue to monitor the sequence of expenditure flow upstream from appropriations.** An apparently simple and pertinent intra-year fiscal regulation mechanism was established. This consists of giving notification⁵ of appropriations (by ministerial decree prepared by the DGB) based on cash projections (Treasury forecasts). Thus, in 2012, notification was given only of appropriations for mandatory expenditure (on a quarterly basis) in accordance with the budget. Allocations for operating expenses were reduced (by up to 20 percent). Investment spending was notified only in special cases documented by the requesting line ministries. This approach involving appropriate synergies between the Treasury and the DGB should be maintained to contain expenses based on projected resources.

Recommendation

- Use the existing cash plan appended to the budget law and update it to foster intra-year cash management.

II. ORGANIZE THE EXPENDITURE CHAIN TO CONTROL DELAYS AND ARREARS

A. Keep spending within a context of scarcity and risk

31. **The 2012 scarcity of finance drove budget management into hurdles.** Box 4 below gives a synthetic view of this particularly tense fiscal year.

32. **Spending is therefore subject to dual tensions.** Scarce resources have severely restricted services, hence the risk of fiscal indiscipline as seen in Senegal in 2008.⁶ At the

⁵ Notification consists of making available to payment authorizing agents over a given period the appropriations they could use during the fiscal year. Operating and personnel expenses are usually notified on a quarterly basis by the Finance Minister; investment and personnel expenses are notified half yearly.

⁶ The departments used to accept deliveries of goods and services in violation of the expenditure rules. These “extrabudgetary” expenses had amounted to as much as 10 percent of annual fiscal spending and resulted in a multiyear plan to clear these irregular outstanding payments to suppliers.

same time, the depletion of foreign financing and the temporary freezing of assets have further exacerbated the cash crunch.

33. In 2012, faced with constraints and risks, the government controlled the budget execution with a firm hand.

- **The medium-term framework was reframed.** Even though the budget pre-debate with the Parliament⁷ could not take place in 2012 because of the country's instability, reports on the execution of the budget were transmitted to the National Assembly in due time.
- **The government proposed a LFR** to strike out CFAF 400 billion in appropriations.
- **Appropriations were notified based on available resources** to safeguard mandatory expenses as a priority (wages, contractual spending) to the detriment of other expenses (current operations and non-committed investments).

Box 4. FY 2012

The events of March 22, 2012 had major repercussions on budget execution in 2012. The temporary freezing of government assets in the BCEAO led to a cash flow crisis and recourse to advances from the commercial banks. The suspension of aid resulted in a very restrictive policy to prevent fiscal slippage.

The LFR, based only on domestic revenue, was revised downwards by one-third of the resources.

Major revenue revisions in 2012

CFAF billions	Revenue in 2012	
	Initial Budget Law (LFI)	Supplementary Budget Law (LFR)
General Budget	1 331,879	930,326
Tax Revenue	875,833	815,757
Exceptional Revenue (HIPC resources)	11,599	-
Special Investment Budget (BSI)	329,157	3,596
Program Grants (budgetary assistance)	38,570	-
Supplementary Budgets, Accounts, and Special Funds	9,629	11,333
Total	1341,508	941,659

Overall, expenses were reduced by CFAF 400 billion and each item was reduced in various proportions.

Operating expenses: remunerations—CFAF 228 billion for the government and CFAF 79 billion for local authorities—were safeguarded, as were scholarships (CFAF 18 billion), which are equated with those expenses. The same is true of mandatory spending on communications and energy (CFAF 30 billion). The other operating expense items, equipment, travel, etc. were cut back by 25–30 percent.

Expenses on the **debt**, capital and interests, were cut by close to 50 percent. As a result, the 2012 tranche of CFAF 7.5 billion of the commercial banks' overdrafts-reducing plan, initiated in 2011 by the DND, could not be carried over.

Investment continued to plummet with a reduction of over 70 percent. Only a few domestically funded investments were maintained.

⁷ Please note that the first DOB was held in 2012 under conditions set by WAEMU.

Box 4. FY 2012 (continued)**Salient points of the 2012 expenditure review**

(CFAF billions)	Original Budget Law 2012	LFR 2012
Equipment – Investment	176.6	141.3
Equipment – Investment HIPC	9.1	0.3
Principal – Interest on the Debt	115.7	71.0
Investment – (external financing)	329.1	3.6
Sectoral Fiscal Support	28.992	0.0
TOTAL	1 483.5	988.6

This policy prevented an irreversible slide. The overall deficit (excluding grants) and the fiscal deficit, base year 2012, are estimated by the government at 0.0 percent of GDP, compared with -7.5 percent and -0.3 percent in 2011.

Prudence was maintained in 2013 within a deteriorated economic situation and no external financing was incurred to back the budget. The deficit is CFAF 50 billion for about CFAF 1,000 billion in resources.

34. **Expenses were also contained by controlling end-of-year spending.** In keeping with the 2011 FAD recommendations, two key measures were implemented:

- **The supplementary period was limited to one month** (circular n°03346/MEFB-SG of October 10, 2012), with the additional outcome of better circumscribing the fiscal year.
- **Deposit orders have been prohibited** (circular n° 03396 MEFB SG of October 12, 2012). These orders used to allow the PGT to pay for goods and services beyond the close of the fiscal year. This mechanism, which is equivalent to a massive and uncontrolled carry-forward of cash, formerly caused, in the subsequent fiscal year, cash flow tensions compromising the execution of the budget.

35. **Finally, the government is sending multiple warnings to fend off fiscal indiscipline.** The communication from the Minister of Economy, Finance, and Budget (MEFB) was toughened with regard to expense-related “extrabudgetary” risks, which correspond to goods or services provided without the financial controller’s approval. Provisions in the initial budget law of the year recall that any government employee who commits extrabudgetary expenses, or commits expenses in excess of appropriations, is personally and financially liable; and that in this case, the government is not accountable. The MEFB combines two leverages in this policy: the implementation of departmental rules (circular 00390 MEFB SG of February 4, 2013, in particular) and communication to creditors on invoices and payment-related documents. This policy seems to be bearing fruit; in 2012 only one “extrabudgetary” expense of CFAF 500 million was found.

36. **Significant liabilities accumulated despite these proactive steps toward good management.** The year-end amount of liabilities rose as a result of the cash flow tensions, subsequent government’s commitments with the banks, the issuance of bonds, and the accumulation of sizable overdue debts. According to the Treasury and the National Public

Debt Directorate (DNDD), liabilities at end-2012 rose by 2 percentage points since 2011, to 35 percent of GDP:

- **Domestic debt liabilities amounting to 5 percent of GDP**, of which CFAF 25 billion in payment arrears (invoices still pending 90 days after being recorded on the books);⁸ CFAF 15 billion (invoices pending less than 90 days);⁹ CFAF 111 billion in commitments to the banks⁹ (overdrafts, debt securities, miscellaneous obligations);
- **External debt liabilities amounting to GDP 30 percent**,¹⁰ including CFAF 29 billion (GDP ½ percent) in external arrears.

37. **As an example, the mission studied the case of the Ministry of Health**,¹¹ based on financial data transmitted by the Directorate General of Budget. This sample is particularly illustrative of liquidity shortage issues but also of habitual management practices with traditionally low volumes of spending at the beginning of the year and spectacular increases at year-end.

38. **Payroll services were maintained despite the March 2012 TSA shutdown.** The central payroll office managed to pay civil servants' compensation steadily, albeit variation in volumes of payments occurred from month to month.

39. **The monthly budget execution evolved from slow at first to massive by year-end** for all expenditures except payroll.

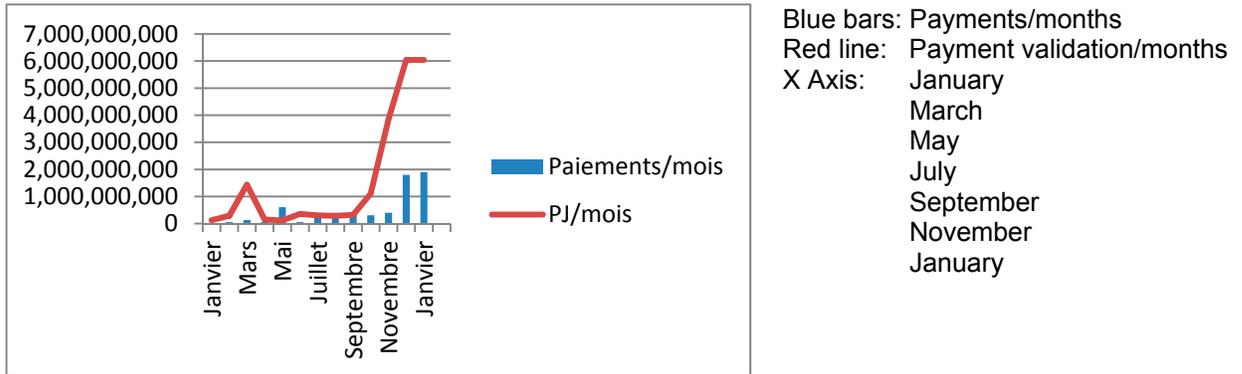
⁸ Data extracted from the system for monitoring arrears, January 2013.

⁹ According to an inventory done in 2011 and not repeated since.

¹⁰ IMF program data presented to the Executive Board in January 2013.

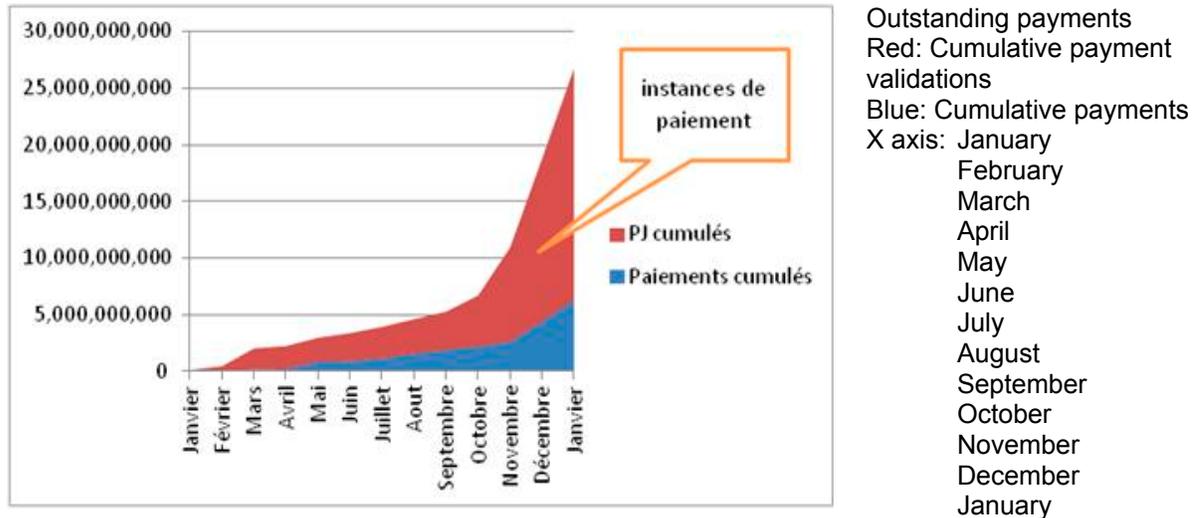
¹¹ Data culled from the PRED software with the following scope: section 610, payment authorizing agent 610, all categories of expenditure. It was not possible, during the limited period in which the Mission visited Mali, to extend the scope of this study to all government expenses but the mission encourages the DGB to conduct the study on all ministries using the methodology proposed in Annex III.

Figure 4. FY 2012, Ministry of Health, monthly volumes of payment validation and payments (CFAF)



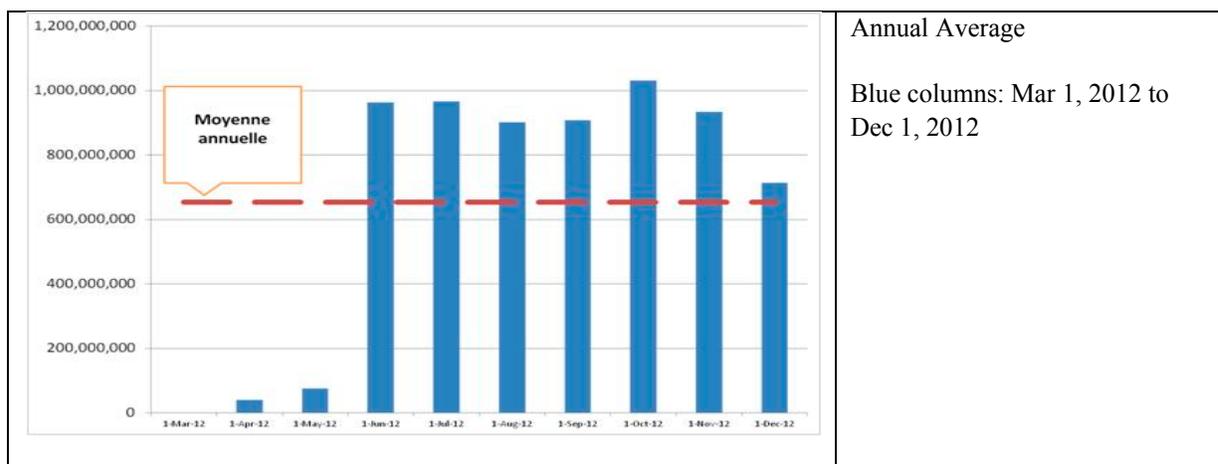
40. **Available cash could barely cover departmental needs.** The year-end increase of the volume of invoices caused a sharp rise in overdue payments (the red surface area in the graph below).

Figure 5. FY 2012, Ministry of Health, cumulative volumes of payment validations and payments (CFAF)



41. **The amount of payments arrears (in the sense of the WAEMU standards) has increased considerably.** The volume of arrears is kept within an annual average of 4.2 percent of the ministry’s overall expenditure (including wages), however it peaked at 6.6 percent on October 31, 2012.

Figure 6. FY 2012, Ministry of Health, Arrears at more than 90 Days (CFAF)



Recommendation

- In the context of a return to better fortunes with the resumption of foreign financing, the government can prioritize disbursements to take account of the departments' capacity to re-commit expenses and the Treasury's capacity to disburse. In that context, priorities should, logically, be scheduled as follows:
 - **Reframe and prioritize appropriations**, in particular the ones linked to the foreign financing, through a LFR.
 - **Maintain mandatory expenses** (wages and pending commitments).
 - **Reduce liabilities** such as domestic and external arrears, and resume clearing commitments to banks according to the suspended plan.
 - **Resume public investment** starting with committed investments.
 - **Gradually resume operating expenses.**

B. Monitoring payments arrears

42. **The government implemented monitoring payments arrears, but the policy needs further improvement.** This mechanism tracks arrears from formal reception of invoices by the paymaster, far downstream in the expenditure sequence after the invoice has been validated, authorized, approved, and transmitted to the paymaster. Therefore, the mechanism is not able to track arrears according to the WAEMU definition and the government's stipulations in its letter of intent,¹² which provides for monitoring arrears from validation of invoices.

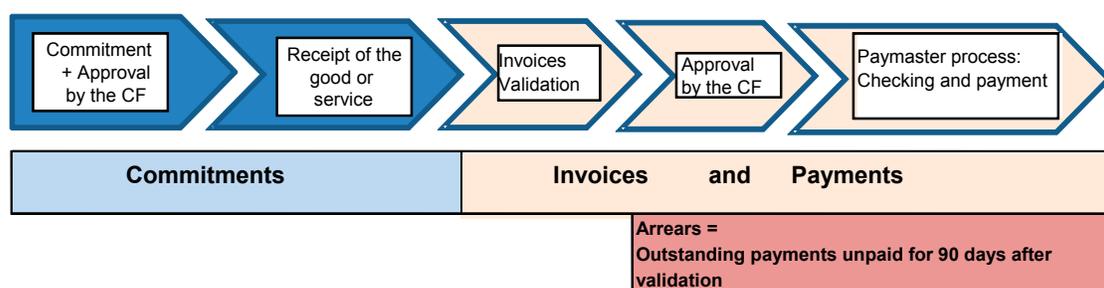
¹² Transmitted to the IMF Managing Director in January 2013.

Recommendation

- Monitor arrears from invoice validation (see Annex III).

Box 5. Monitoring of payments arrears from the validation of invoices

This chart summarizes the key points for monitoring payments. After the payment has been committed by the authorized authority (after approval by the CF) the debt occurs when the goods or services are delivered as ordered. This step is traditionally called “validation.” To pay for the expenses, after approval by the CF, and the authorized authority then issues an invoice and registers it in the financial information system (PRED). The invoice is sent to the paymaster for its processing (reception, checking, bookkeeping, and final payment), According to the WAEMU and IMF standards, arrears are validated invoices that are not paid within 90 days.



The mechanism implemented by the Treasury had its weaknesses:

1. **From the PRED data base, the DGB considered invoices checked by the paymaster in 2012**, that is, invoices that had been received and checked. Within this sample, the DGB divided invoices issued more than 90 days prior and not paid—CFAF 15 billion—from invoices issued less than 90 days prior—CFAF 23 billion. The DGB then considered the first group as arrears.
2. **This mechanism underestimates the amount of arrears.** The starting point of the arrears' lag time does not include in the expenditure chain pending expenses for which the service has been provided but the invoice has not yet been issued or transmitted to the paymaster or for which the paymaster has not yet checked the invoice. For the Ministry of Health, for example, the total amount of unpaid payment orders received no more than 90 days prior total CFAF 4.01 billion and those received more than 90 days prior total CFAF 390 million.

Proposed improvements:

Good cooperation from the PRED IT team allowed the mission to use all the Ministry of Health's commitments filed for FY 2012 (4,032 producing about 20,150 acts). It reprocessed these data from PRED using the methodology presented in Annex III and was able to quantify the arrears in accordance with WAEMU's definition at CFAF 713 million. For this ministry, the conversion of arrears from the DGB's to the WAEMU's definition meant multiplying them by a factor of 1.8. When applied to the whole scope of FY 2012 government expenditure, this method can allow the DGB to quantify arrears more precisely.

C. Toward a smoother pace for budget execution

43. **The objective is to step up volumes of payment early in the fiscal year and to lower the volumes at the end of the year.** The pace of fiscal year observed at the Ministry of Health (see above) shows that expenses tend to stagnate at the start of the year and take off at the end. The origin of this erratic pace of expenditure lies in the problems the departments

face in starting their fiscal year and the fact that a large number of investment expenses must be completed within the FY even though they are constrained by a long procurement process and by the actual execution of the work. However, the Ministry of Economy, Finance, and Budget has already taken several measures to smooth and facilitate the budget execution.

44. **Managers have better information on transfers of appropriation.** According to 2011 FAD recommendations, the possibility of switching appropriations across budget items within the fiscal year was clarified by two decrees on October 11, 2012, on transfers.

45. **At close of FY 2012 managers were tentatively allowed to carry appropriations forward to the next FY.** Spearheading the implementation of the WAEMU legislation, the government authorized carrying forward the following: pledged appropriations subject to the cancellation of an equal amount for other items in the next FY budget; investment appropriations to a maximum of 10 percent of the initial budget, subject to availability of cash. In both cases, a decree from the MEF must be obtained to allow the carry forward.

46. **The authorities made advances, which could eventually have an impact on revenue.** A study was conducted on improvement in the collection of government property revenue and the adoption laws on the capital gains tax on real estate conveyances and on land taxes.

47. **The whole of government's investment expenses can hardly be completed within the FY.** They continue to be governed by appropriation notifications for the reception of goods and thereby follow a long process that is difficult to implement within a single year. This is the main reason why managers are used to pushing through their last invoices at the very end of the year.

48. **Some contracts executed over several years need better monitoring.** Commitment and payment timetables are not yet tracked by a commitment authorization mechanism. However, there are promising signs of improvement in multiyear expenditure management:

- The DGB's considered implementing this mechanism on a narrow scope in FY 2014.
- The Ministry of Health tracks payments on previous commitments through a table recorded by the stock accountant.

49. **It is proposed to pursue the above initiatives to smooth monthly management volumes.** The challenge is to ease the pace of the year-end expenses by starting off the fiscal year earlier and by following up on multiyear commitments and appropriations, which requires improving monitoring multiyear contracts.

Recommendations

- **Shorten the supplementary period** by starting management earlier in the following year (reform under way);

- **Inform managers of the availability of their appropriations** (current practice is satisfactory);
- **Extend existing practices to multiyear contracts**, so as to execute payments over several fiscal years, conditional upon monitoring multiyear expenses (a commitment-appropriation control mechanism is being considered);
- **Start the practice of carrying forward appropriations** for pending expenses at the end of the fiscal year, subject to cash availability.

D. Continue streamlining the expenditure chain

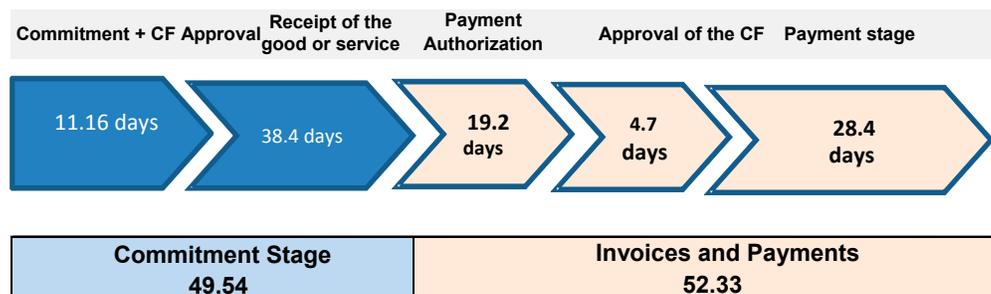
50. **The expenditure chain follows a conventional procedure** (notification, commitment, approval by the CF, monitoring of work, control of deliveries, payment authorization, bookkeeping, and payment). The decentralization of payment authorizations is almost complete, compared with other countries of the subregion; the sectoral ministers and regional governors are secondary payment authorization agents (*ordonnateurs secondaires*), and the directors of financial affairs, directors of finance and stocks (ministerial DAF and DFM), and the regional budget directors (regional DRBs) act on delegation as payment authorization delegates. The senior payment authorization agent (*ordonnateur principal*), the MEF,¹³ is upstream of the process and can therefore block expenditure upstream, if necessary.

51. **Delays still occur in the expenditure chain but do not exceed WAEMU's average time line for validation and payment.** The average time from commitment to payment in the Ministry of Health is between three months and one week. Accounting operations require close to 30 percent of that time. The lag time owing to the intervention of the CF is comparatively brief (less than 5 percent). The debt¹⁴ "invoicing and payment" stage is slightly longer (52 days) than the "commitment" stage (50 days) and accounts for more than half of the line items, hence the pressing need to speed up spending at this level.

¹³ The ministers are secondary payment authorization agents.

¹⁴ Time between commitment and payment.

Figure 7. Average lag times noted at the Ministry of Health



52. **The integration of accounting and fiscal information systems was continued** pursuant to the recommendations made in 2011. The deployment of PRED5 is satisfactory. In 2013, 71 sites were connected: DAF and DFM, financial control, and DGB and DRB in the regional capitals. The interconnection of public institutions continues, thereby enabling interfaces between computerized accounting systems (AICE, and “DEPENSE”) and the budget application (PRED 5). Progress ahead would consist, on the one hand, in replacing “DEPENSE” by AICE for less than 20 percent of expenditures and, on the other hand, properly interfacing the revenue applications with the budget.

53. **The adaptation of information systems (IS) is paramount to implementing program budgeting**, consistent with the entire PFM system. The need to prepare the IT master plan envisaged in 2011 is urgent. In 2012, this work would have been outsourced but the selected contractor withdrew following the March events. The still-planned work on SDI is part of the 2013 timetable for the reform plan PAGAM/GFP II.

54. **The financial comptroller, whose methods of intervention have improved, helps to secure spending.** His double intervention, first before commitment and second before authorization of the payment, is a deterrent to potential mismanagement. To limit the impact on lag time, the decentralization of the CF continued at a steady pace covering all regions and ministries going forward. The checks implemented in 2011 improved the actual provision of services. A further step, recommended by the WAEMU harmonized fiscal framework, will simplify ex-ante controls. However, the mission proposes that the current procedures be retained in the short term for domestic internal controls are not sufficiently well-developed to ensure proper use of public finance.

55. **Comprehensive financial controls must be strengthened by an effective system of supervision and control.** The function of the CF is crucial in the expenditure chain because the CF acts from the origin of expenditure (commitment approval), to the approval of invoices (certification of actual deliveries), and the last phase before payment (approval for payment authorization). Given the high stakes involved in their actions, controllers are by no means protected from solicitation. It is therefore important to strengthen control of the CF duties. The Auditor General (BVG) plans to conduct surveys of financial control.

Recommendations

- Maintain existing financial supervision arrangements in the short term.
- Strengthen supervision of CF, in particular through BVG surveys.

E. Improve the execution of expenditures by type

56. **The conventional procedure for regular expenses is largely effective albeit susceptible to fraud.** In his annual report, the Auditor General often points out fraudulent practices, many of which occur in the expenditure stages. Better supervision and streamlining of processes and delays¹⁵ (particularly in transmitting paper documents) can help reduce these bad practices.

57. **Wages are regularly paid with prior payment authorizations, but payments are not properly secured.** Compensation is deposited in the banks as a lump sum with a list of the employees to be paid. The banks are in charge of depositing the pay to the employee accounts they hold. This form of indirect payments gives no assurance that the pay will actually reach the end recipient. The same can be said for “*billetage*,” which consists of hiring a cash payer (*billeteur*), who would pay wages against a receipt from the employees. In both cases, the government cannot ascertain that all payments have reached their proper recipients.

Recommendations

- Issue payroll transfer orders to banks with a specific breakdown of employees and organize reports from the banks on the actual payment of the salaries.
- Deposit salaries in the banks to reduce the practice of using cash payers and strengthen their supervision.

58. **Ease the accountants’ operations upstream of the process.** Prior the actual payment accountants must run a certain number of checks. In a context where cash flow is crucial, they could conceivably be sensitive to the lag time between accepting the payment order, completing controls, and checking the availability of resources. With the likely resumption of foreign financing and, as a consequence, a sharp increase in the volume of expenditure, it is expected that the number of invoices will rapidly increase to meet the pressing demand from departments, and risk creating bottlenecks among the paymasters. It is therefore key to anticipate the recovery by making every effort to improve the quality and pace of operations at paymasters’ offices.

¹⁵ Expenditure stages during which operations are momentarily blocked for no particular reason are signs of vulnerability to corruption, which need to be carefully monitored.

Recommendation:

- Increase the paymasters' staff to improve the quality and speed of controls.

59. **Controls of foreign-financed investments should be strengthened.** Controls over externally funded investments are more relaxed than on domestic resources despite the massive volume of external funding. About 430 investment projects are budgeted and executed within the investment expenditure budget (BSI), which is the annual tranche of the three-year investment plan (PTI). In the initial budget law for 2012, which was the last reference budget before foreign assistance was frozen, only 28.4 percent of the BSI's CFAF 460 billion were domestically financed (CFAF 130 billion). The other CFAF 328 billion was externally financed—53 percent with loans and the rest with grants. Given the limited time the mission could spend on this topics, some of the below recommendations are merely exploratory. However, with aid about to resume, it is essential that the BSI management be evaluated by experts so that donors be reassured that their funds are being properly used and that Mali can better develop public investments to leverage growth.

60. **The selection and planning of investment projects can be improved.** Projects are selected and then included in planning on the basis of a formal policy document against criteria of varying importance, but conformity with these criteria is often poorly documented.

Recommendations

- Significantly reduce the number of selection criteria giving preference to those that are measurable and review only documents that are complete.
- Include economic and financial criteria to ensure that selected investment projects are sustainable over time and optimize related appropriations.

61. **Strengthen the budgeting of donor-funded projects.** Some standardized project documents have almost no content and most are not up-to-date when they are due, preventing the government from making informed choices, thereby hampering efficient resource allocation in the budget.

62. **Projects must have results.** Past contracts reaching completion should be scrutinized if they seem unnecessarily costly. One possible method would be to assess the completed projects in terms of budget execution with respect to (i) national and foreign disbursements compared to projections; (ii) capital spending compared to operation costs; and (iii) the projects' achievements (infrastructure built compared with plans, results achieved compared with expectations). Consequences should be drawn from this analysis before extending the initial timetable. As an overarching rule, all projects upon completion should be subjected to an ex post evaluation to verify their results.

Recommendations

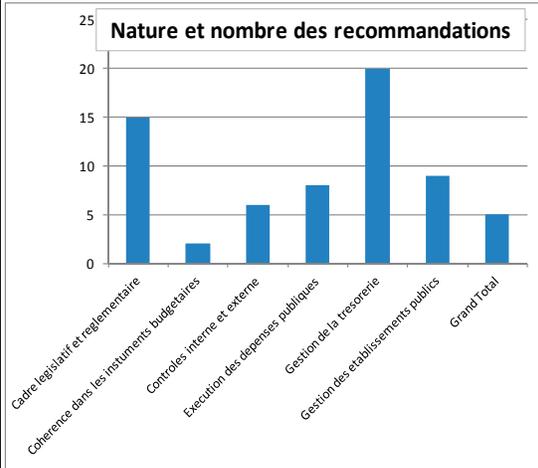
- **Reinforce the BSI management capacity (tools and methods)**, by the following actions: appraising the project database of the National Directorate of Planning and Development (DNPDP); mapping and improving the IS used by the line departments and the donors; enhancing the training of national professionals and providing them with standardized instruments, particularly for reporting; and strengthening the coordination of the DNPDP with the line departments.
- **Enhance follow-up** by organizing regular inspections on project implementation, by permitting assessment bureaus to cancel contracts in the event of poor practices, and by fending off undesirable practices through random inspections in situ.
- **Improve project evaluation before, during, and after project implementation.** This will further improve selection of projects, allow interim assessment prior to contract extension, help complete projects within reasonable deadlines, and facilitate a final assessment of results.

III. PACE OF IMPLEMENTATION OF PARTIALLY INTERRUPTED REFORMS

A. Quantitative tally of the implementation of 2011 FAD recommendations

63. **Understandably, the implementation of 2011 recommendations has been put on hold.** However, the Ministry of Finance largely prevented backtracking and even made some limited progress. The framework described below takes stock of the implementation of these recommendations.

Box 6. Quantitative assessment of implementation of the 2011 recommendations



Of the 65 recommendations made by the 2011 IMF Fiscal Affairs Department mission 47 were completed in 2012 and 2013.

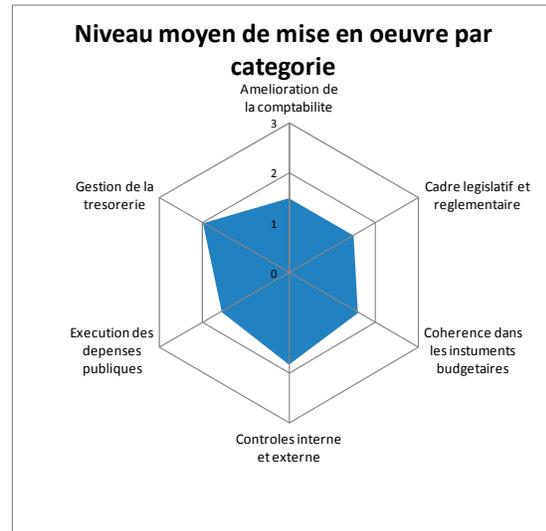
Recommendations mainly cover program budget (PB) and its direct corollaries (managing reforms, transcribing directives into national law, and budgeting) but they also call for strengthening the PFM basics such as accounting, cash management, and internal and external control.

Legend:
 Heading: Type and Number of Recommendations
 Blue columns: 1) Legislative and Regulatory Framework, 2) Coherence of Fiscal Instruments; 3) Internal and External Audits; 4) Budget execution, 5) Cash Management; 6) Management of Agencies.

The level of implementation 1/ (1.66/ 3.00) is lower in 2013 than it was in 2011 (1.93/3.00) yet achievements were maintained.

Faced with 2012 events and with the scarcity of resources, cash management developed considerably and controls improved through the gradual implementation of the national internal control strategy (SNCI). The implementation of fiscal instruments reached a 1.5 level. However the mission noted no major backtracking in reforms. Owing to a shift in priorities, no progress has been made in accounting and modernizing the legislative and regulatory framework.

Legend:
 Heading: Average Level of Implementation by Category
 Labels (clockwise from top of hexagon): 1) Strengthening accounting; 2) Legislative and regulatory framework; 3) Coherence of fiscal instruments; 5) Internal and external controls; 6) Budget Execution; 6) Cash management



1/ Methodology: each recommendation was evaluated on a scale of 1 (not implemented) to 2 (in progress) and 3 (completed). Recommendations to be completed after 2012 were not included in the score. The overall rating is a non-weighted average of the scores for each recommendation.

B. Incomplete development of the legislative and regulatory framework

64. **Transcribing WAEMU directives into national law is challenged by the architecture of domestic legislation.** In regard to the Constitution, the country must adopt at least two organic laws: one to transcribe the LOLF directive¹⁶ into a finance responsibility law (FRL) with, among others, provisions related to the country's commitment in the convergence, stability, growth, and solidarity pact; and another one to transpose the Transparency directive¹⁷ as a legal code for public financial management (PFM). Both organic laws will ground any further legislation related directly or indirectly to government finance. As for the central government, the upcoming legislation will cover the budget, public accounting, budget classification, the chart of accounts or the Government fiscal table; and, lastly, for local governments, the chart of accounts.

Box 7. Rising issues in transcribing WAEMU directives into national law

A logical legal system would require that the directive on budget laws be transposed through an organic law that grounds the regulation on public accounting and the annual budget. In this rationale, texts transposing classification directives (budget, chart of accounts, and GFS table) would derive from the public accounting regulation.

However, Article 70 of the Malian Constitution 1/ favors regulation to rule the budget instead of legislation at ordinary or organic level. Paradoxically, under the same article, the rules of public accounting are explicitly governed by law. To overcome this problem the government initially considered three options:

Option 1: File an ordinary draft law on the budget and then raise the level of this law after the Constitution is revised.

Option 2: Submit a draft organic law considering that this procedure would be legally more binding for the government than the one favored by the Constitution and would thereby not violate the spirit of the Constitution if the Assembly agrees with the procedure. This option would require a prior legal study.

Option 3: Wait for the revision of the Constitution before submitting a draft organic law.

1/ Memorandum item: the only reference to public financial legislation mentioned in Article 70 of the Constitution outlining the scope of the law is the following: "the law determines [...] the fundamental principles: [...] of government accounting." There is no other reference in the Constitution to an organic law organizing the preparation, content, and approval of the budget law.

65. **The government is making up for lost time in transcribing directives.** The technical work is either far advanced or completed. The committee to monitor and implement the directives established in 2010 has endorsed the draft FRL and the PFM transparency code. Key regulations are also ready; Directive n°08/2009/cm/WAEMU of June 26, 2009 on budget classification, for example will be transcribed through a decree yet to be signed.

¹⁶ Directive n°06/2009/CM/WAEMU establishing the budget laws in WAEMU.

¹⁷ Directive n°01/2009/CM/WAEMU for transparency in PFM within WAEMU.

66. **The government opted to file a draft ordinary law.** Considering setting up a referendum to revise the Constitution as a major difficulty at this juncture, the government decided first to transpose the transparency code and the directive on the budget as ordinary laws and, later on, to upgrade these laws to organic law when the Constitution is revised.

67. **This could take place in the first half of 2013.** The two pre-draft laws were endorsed by the Cabinet in November 2012 and the National Assembly would examine them before the end of the current legislature session.¹⁸ The draft law on the budget will be placed on the agenda and the one on the transparency code will be raised shortly. The complete transcription of directives into the domestic legal and the derived regulations should be completed by end-2013, two years after the deadline set by WAEMU.

68. **No option is envisaged for upgrading the Financial Audit Section of the Supreme Court,** which poses similar legal problems.

Recommendations

- Ensure that the PFM regulations are published as soon as the laws are adopted, so that they can be implemented in time for FY 2014.
- Facilitate the legal framework implementation with instructions and guides to ensure a quick and large buy-in and to foster its use.

C. Holding ground in the reform of fiscal instruments

69. **A timetable for the budget preparation was timely disseminated but the budget pre-debate (DOB) held in 2011 was not repeated in 2012, because of** institutional instability (suspension of institutions after the coup d'état). Nonetheless the Directorate General of Budget (DGB) reframed the medium-term fiscal framework (MTFF), (typically used as the platform for the DOB) taking into account suspended foreign financing and plummeting revenue. The budget law and all its required appendices were eventually voted in compliance with the constitutional time frame.

70. **The program budget (PB) documentation improved with a reduction in the number of objectives and indicators for each program,** but it was technically impossible to properly appropriate the budget by program given the uncertainty of fiscal resources.

71. **The implementation of commitment authorization (AE/CP) started** for domestically funded public investments. The DGB plans to expand this approach within the 2014 budget. However, technical assistance would be useful to encourage this nascent reform.

¹⁸ During the mission's visit, the transition government announced that elections would be held in July 2013.

72. **Public policy reviews were not launched but the control bodies embraced this new function.** The BVG and the public-service supervisory office (CGSP) began to consider ways to build capacity to assess public policy (BVG) and to evaluate the performance of CGSP.

Recommendations

- Continue to improve the PB of the ministries based on the program review conducted in 2010–11.
- Strengthen the capacity of the BVG and the CGSP to assess public policy and the performance of public utilities.

D. Slow improvements in fiscal reporting

73. **Despite the ongoing rollout of the computerized accounting system there has been little progress toward improving accounting.** Due to the very difficult context of 2012, the January 2012 FAD recommendations have been put on hold and are still applicable, albeit according to an updated timetable.

74. **Draft regulation on accounting (RGCP), and the government chart of accounts (PCE) have not evolved.** They would be published following the transcription of WAEMU PFM directives (transparency, budget laws, and general accounting principles) into law in 2013.

75. **The rollout of the AICE was continued in 2012 and into 2013.** The new system already implemented in the office of the Paymaster General (PGT) in early 2011, was rolled out in the district of Bamako Tax collector Office (RGD) in 2012 and then, in early 2013, in the regional treasury of Koulikoro. This occurred after training treasury units in mid-December 2011 and in October 2012. For a temporary period the old and new systems kept running in parallel.

76. **The AICE system was easy to handle** because of its similarity in structure to Microsoft software. In the RGD, interfaces with the revenue applications of the DGI (ISGTAS) and the DGD (ASYCUDA) were tentatively implemented in early 2012 then blocked in March of 2012. Technically, the interfaces do function but are not fully synchronized with AICE. In Koulikoro, the interfaces with the DGI and DGD applications are not operational yet. The interface with PRED5 (the budget expenditure management

system) is active.¹⁹ The roll out of AICE in the ACCT was scheduled for early 2014 pending to 2013 works on analytics, concepts, development and implementation.

77. **Continue to rollout AICE is key to improve the quality of the government accounting.** Its implementation in the ACCT is a particularly important step to facilitate fiscal reporting at the national level, with the production of financial and statistical statements (in particular the GFS Table).

78. **It is proposed that the technical assistance, suspended since 2012, resume to roll out AICE.** The MEFB benefited from IMF technical assistance financed by the Kingdom of Belgium to develop and implement this system. The assistance was suspended in March 2012 but it could resume. The resumption of this project, which had borne fruit until it was suspended, seems critical for consolidating the deployment of AICE.

79. **The creation of an inter-departmental IT coordination unit is strongly recommended** to help as follow: steer and monitor design and development, interfaces, and integration; adapt to changes in the accounts in compliance with the PCE; and train IT teams to ensure buy-in and maintenance of appropriate skills.

80. **The procedure to centralize accounts (all subaccounts included) in the monthly balance sheets is cumbersome.** The balances issued from AICE must be manually re-captured into the ACCT tables (pending the rollout of AICE in the ACCT). The accounts of customs and tax collectors attached to the RGD are still kept in single entry form and must be manually input to the RGD's accounts. The senior accountants still centralize their related accountants' reports on hard copy and re-capture these data in AICE manually. Furthermore, Treasury buildings in the Northern Territory were hard hit and must be rebuilt.

81. **The practice of "adding on days to the month" has an impact on the reliability and quality of accounting and financial data.** The practice of sending numerous invoices to paymasters around the 25th of the month to catch up with monthly fiscal targets is still widespread and delays monthly closings.

82. **The monthly balance sheet is delivered after the delivery time fixed by the ACCT (45 days).** The annual balance sheet is usually finalized in April/May of N+1. Delays in producing the government's balance sheet do have repercussions on the financial statement. At the time the mission was in Mali, the treasury was unable to produce any balance sheet for end-2012, even a tentative sheet.

¹⁹ The interface is currently two-way: it allows PRED 5 documents to be fed into AICE and vice versa, if they are rejected, without requiring reentry; it also allows payment orders to be unwound in PRED showing their current status ("accepted by the Treasury" or "Paid").

83. **The monthly balance sheet is delivered after the delivery time fixed by the ACCT (45 days).** The annual balance sheet is usually finalized in April/May of N+1. Delays in producing the government's balance sheet do have repercussions on the financial statement. At the time the mission was in, the treasury was unable to produce any balance sheet for end-2012, even tentative.

84. **Stock and assets accounting is being gradually implemented and rolled out as planned,** with new software being currently deployed for line departments' managers. At the time of the mission's visit, 41 offices were using the software and some were benefiting from training sessions. This rollout is essential for the implementation of accrual accounting in the medium term.

Recommendations

- Resume technical assistance and secure domestic funds to continue the rollout of AICE in the ACCT and the regions according to the existing agenda.
- The following 2011 recommendations still largely apply: (1) reduce the supplementary accounting period to one month after the end of the fiscal year; (2) improve the quality of accounting by clearing specific accounts in the ledger (reciprocal, third-party, and financial accounts); (3) deliver in due time monthly and annual balance sheets; (4) continue to roll out stock and asset accounting to inventory fixed assets (government property), stocks, and liabilities, to ultimately provide an opening balance.

E. Poor management of autonomous public agencies

85. **The mission noted little progress in this medium-term reform.** The budget law for 2013 created new agencies and of the 100-odd autonomous public agencies (EPAs) in existence, only nine regularly produce fiscal reporting. The dissemination of the agencies' chart of accounts has not started and the legal regime applicable to EPAs has remained largely unchanged. The government has seemingly given up these works, despite their being deemed crucial since 2008, thereby hampering budget comprehensiveness and quality of reporting.

Recommendations

- The 2009–11 recommendations still apply: (1) ensure that EPAs regularly submit quarterly reports on budget execution and financial risks to the DGB, to the DNTCP, and to the line department Administrative and Financial Directorate (DAF) concerned; (2) widely disseminate the DNTCP's chart of accounts designed for EPAs and make its use mandatory; and (3) extend the practice of result-based management agreements (based on results and verifiable indicators) with agencies, on a voluntary basis.
- In the long run, the government should clarify its policy ruling the establishment of new agencies, and ensuring agencies' fiscal and financial autonomy. It should also deploy a

consistent management system for agencies, in which the execution of expenditures is streamlined through the appointment of a single paymaster per agency, specifically the paymaster currently handling government transfers to the agency.

F. Development of ex post controls

86. **Ex post controls are performed by three agencies:** external control is performed by the accounting section of the Supreme Court and by the Auditor General; internal control is performed by the general supervisory office for the civil service, assisted by control bodies in the line ministries.

Accounting Section of the Supreme Court

87. **The accounting section of the Supreme Court is phasing in its 2009 strategy for checking accountants' financial statements.** Ledgers from 1960 to 1991, which could not be examined because of the lack of key documentation, were cleared under the law of January 2013 (not yet promulgated) with the dual advantage of finally settling ancient ledgers and reducing the number of statements to be reviewed. Senior government accountants' ledgers from 1992 through 2008 are being reviewed and auditors' opinions will be issued following the promulgation of the January 2013 law.

88. **The review of post-2008 accounts could not yet be undertaken.**

Box 8. Progress clearing accounts from 1992 through 2008

It had been decided that the accounts from 1992 through 2008 would be administratively settled, following a summary review. The table below shows that, technically, the settlement of the accounts of the all government's main accountants, and 2 percent of the local government accountants, has been completed. The settlement of accounts for the public entities, however, has not yet begun.

	Accountants	Accounts	Problems	Progress
Main government accountants	11	186 in 46 groups		46 technical judgments ready
Senior accountants of the local authorities	761	4566	Only 77 percent of the accounts identified	98 technical judgments ready
EPA accountants	Not precisely known	Not precisely known	85 EPAs identified in 2011, of which 39 have submitted the requested fiscal reports	None

Comments: Given difficulties in inventorying and collecting data from local governments and, above all, EPAs, prior facilitating actions are needed from the MEF. The scope of the review of the senior government accountants will encompass government transfers to EPAs but not the EPAs' own resources management.

89. **Legal strides have benefited the Accounts Section although it is still facing serious difficulties in developing as a Supreme Audit Institution (SAI).** The increase of the section's staffing and the improvement of its hiring policies have been approved by law.

Conversely, the draft law on the status of its members has been on hold since 2011, thus hampering the development of the section into an SAI when a forthcoming revision of the Constitution allows such a conversion.

90. **The Section's resources are still limited although** its needs in training and capacity reinforcement are considerable. This reform still needs better prioritization in the government agenda.

91. **The section's branch charged with enforcing budgetary discipline (CDBF) should become operational.** The CDBF is grounded on the section's legal status, to strengthen the framework of management accountability which is paramount in the struggle to fend off budget mismanagement.

Recommendations

- In the short term, boost the resources of the Accounts Section so that it can perform its new missions: certification of government financial statement; review of the draft budget review law (LdR).
- Operationnalize the CDBF as rapidly as possible.
- Jointly with the MEF, organize collecting needed EPAs' and local government's data and improve their reliability to allow the Section perform its tasks in the longer term.²⁰

Office of the Auditor General

92. **The BVG's scope is broad** ranging from certifying the quality of the fiscal reporting (accuracy and sincerity), to verifying performance. He is therefore able to detect irregularities, fraud, and mismanagement. In 2011, his investigations of 13 spending units included nine financial audits and one performance audit.

93. **The scope of his authority was recently extended to evaluating public policy** under the law of February 8, 2012.

94. **The BVG capacities foster his credibility.** He is an external auditor, independent of the government; he sets his own agenda, and refers cases directly to the attorney general. His resources are ample, his management strict, and his employees well trained.

Comptroller General of the civil service and ministerial inspections

95. **The Comptroller General of the civil service (CGSP) coordinates implementation of the national internal control strategy.** This strategy is implemented in

²⁰ Missions to supervise management of the EPAs and issue judgments on the accounts managed by EPA accountants.

the line ministries by supervisory committees to oversee the quality of internal audits carried out by the line ministries' internal control. The CGSP supervises and coordinates the internal control through harmonized agenda and joint missions.

96. **A risk management approach is being gradually implemented.** In November 2012, The CGSP, with the support of the World Bank, organized training in a risk-based approach. Two pilot ministries were selected (Health and Education) and three others should benefit from training in 2013 (Transport, Equipment, and Finance).

Support Unit for control bodies

97. **The follow-up of recommendations is monitored by the control bodies themselves and a unit supporting the supervisory structures (CASCA)** established in the office of the President of the Republic. CASCA consolidates the reports and can refer cases to the attorney general for criminal violations. There is still room to improve the monitoring of recommendations, particularly with respect to sharing post-control analysis of experience. Thus, the 2011 recommendation about a study of external control bodies still applies.

Recommendations

- Develop information sharing among control bodies concerning their respective methods and implement training focused on the use of common tools.
- Mutually exchange information drawn from audits with two options: (i) systematically transmit the reports of each structure to the others, by establishing operating units; or (ii) use CASCA, adding to its current task (e.g., management of all reports sent to the President of the Republic) the task of disseminating more condensed analyses to the control bodies. In either case, it is advisable to pay particular attention to cases of poor practices²¹ flagged by the audits.
- Designate a unit to be responsible for monitoring the plan to combat corruption, specify the frequency of its operation, and other details.

IV. UPDATE PAGAM GFP II WITH A VIEW TO RESUMING REFORMS

98. **The following recommendations are intended to update the reform plan without challenging it.** The approach proposed below conforms with the 2011 proposition to include FAD recommendations in the reform plan (PAGAM GF2) for implementing the WAEMU harmonized fiscal framework. The approach's rationale is to keep the plan unchanged except for an update of deadlines (see Annex II).

²¹ Particularly with respect to corruption: According to a joint report of the World Economic Forum, World Bank, and African Development Bank on competitiveness in Africa, corruption in Mali is one of the main drawbacks to private sector development.

A. Coping in the Short-term with pitfalls from the 2012 crisis

99. **Urgent action must be taken** to rectify the post-2012 crisis situation. Some recommendations quoted above must be undertaken immediately in order to catch up in 2013 with the pace of reforms achieved in 2011. The main recommendations are:

- **Start to gradually pool central government's cash** ;
- **Anticipate the resumption of external financing** by reframing appropriations through a supplementary budget and by reviving the plan to clear liabilities.
- **Smooth budget execution in 2013** to absorb foreign assistance and financing for this crucial year for the recovery;
- **Improve budget execution control**, in particular the monitoring of arrears based on validation.

B. Revising the 2011 action plan timetable

100. **For the longer-term reforms, the approach proposed in 2011 is still applicable.** Although the overall reform pace was slower in 2012, the PFM system did not suffer major setbacks, and there is no need to rethink the rationale and the sequencing of the reform plan. The mission therefore proposes maintaining the same sequence of events proposed in 2011 while rolling forward deadlines.

101. **Resuming the implementation of WAEMU's fiscal framework should reach key milestones** in improving public services through a sounder use of public finance. The 2011 plan was grounded on several key pillars and four strategic milestones subject to certain individual prerequisites. The milestones (below in bold), and their prerequisites are the following:

- **Submit to the National Assembly the draft budget appropriated by programs**, when the directives have been transcribed in national law and the IS adapted.
- **Devolve budget execution to managers**, following the gradual transfer of capacities to the line ministries and the establishment of an accountability regime for financial comptrollers and budget managers.
- **Prepare an opening balance**, following the prior improvement of government accounting, the inventory of government's financial and nonfinancial assets and liabilities, and the integration of expenditure and revenue management system on an accrual basis.
- **Certification by the SAI of the government's financial statement to back up the parliament's debate on budget**, which requires building the SAI's capacity to enable it fulfill its tasks.

102. **The 2012 freeze in reforms has resulted in delaying the achievement of the four strategic milestones by one year.** Accordingly, the overall proposed schedule is now as follows:

- the 2015 budget appropriated by programs by 2014;
- the first opening balance by end-2017;
- Devolution of budget management completed in 2018, for a full fledged decentralized management in 2019;
- First certification of the government's financial statement by end-2018.

C. Create cross-department dynamics for a noticeable impact

103. **PB should be used for its very purpose:** to obtain measurable results by improving public services. To do so, line ministries and spending agencies should be encouraged to initiate the reform momentum. This mobilization may take different forms:

- A high-level cross-department workshop, recording the conclusions of the government seminar held in 2011, would sensitize all departments about the implementation of WAEMU's harmonized fiscal framework.
- Strengthening the MEFB capacity to mobilize departments and spending agencies through thematic workshops, for example;
- A sounder program-budget framework, by capitalizing on the four program reviews undertaken in 2010 and 2011, and by expanding the scope of these reviews to cross-department topics, such as decentralization of budget management.

104. **During the next legislature, the government should seize the opportunity to increase the involvement of national representatives in the 2013 budget pre-debate.** Taking into account the political agenda (the July elections), 2013 could give rise to a discussion about sensitizing representatives. The discussion should focus on the broad medium-term strategy based on the MTFB and should complete informing the parliament about ongoing reforms. Parliamentarians' capacity building could be envisaged to prepare for the upcoming renewed budget documentation.

105. **In the longer term the government should undertake periodic reviews of results of the programs' public policies.** Such reviews have been conducted in countries that practice program budgeting to determine the effectiveness and efficiency of public policies and to make the necessary policy corrections. They could be carried out in Mali by cross-department teams composed of auditors from line ministries and the MEF, under the CGSP's coordination.

D. Use the budget as leverage to improve public services

106. Two milestones are planned:

- **In 2014, the appropriation of the 2015 draft budget by program:** this milestone consists, in compliance with the directive, in presenting the PB as the main body of the budget law, to allow each program to be voted on. Among other budget appendices, the government should, during a transitional period, present indicative appropriations according to the existing line item budget. This appendix would not be subject to a vote but would contain useful information, especially with respect to local appropriations by region.
- **The devolution of budget management in 2018²²** is intended to make program managers progressively more accountable, decentralize budget execution to a reasonable extent that is fairly close to the current organization of management, and allow the budget managers, after one or more fiscal years, to practice fungibility of wage expenditure.

E. A progressively more accurate reflection of the government's fiscal position

107. The WAEMU directives provide three main innovations:

- **Income and expenses are recorded as they occur.** This means that flows are recorded in the accounts at the time the creditors' rights and debtors' obligations are acknowledged; chart of account category 9 is therefore eliminated, and invoices are directly recorded in categories 6 and 7.
- **All government's assets (fixed assets, stocks, cash, etc.) and liabilities (loans, loan loss provisions, and expenses, etc.) are accounted for.** The government's assets and liabilities are reported in a balance sheet along with contingent liabilities (or assets), which may give rise to future costs.
- **Public accounting is more similar to the private system,** producing financial statements to be certified by the SAI (balance sheet, income statement, cash flow statement, and GFS).
- **In the medium term, a more realistic, regular, and comprehensive accounting system can play three roles:** as a vector of information, a management and decision-making tool, and support for supervision. The mission proposes gradually implementing this new accounting in three waves: (1) in the short term, stabilization of the modified cash-basis accounting system; (2) in the long term, introduction of accrual accounting and preparation of an opening balance sheet; and (3) production of financial statements.

²² Devolution should be completed in 2018 and could be applied to the 2019 fiscal year.

F. Introduce a new accountability framework

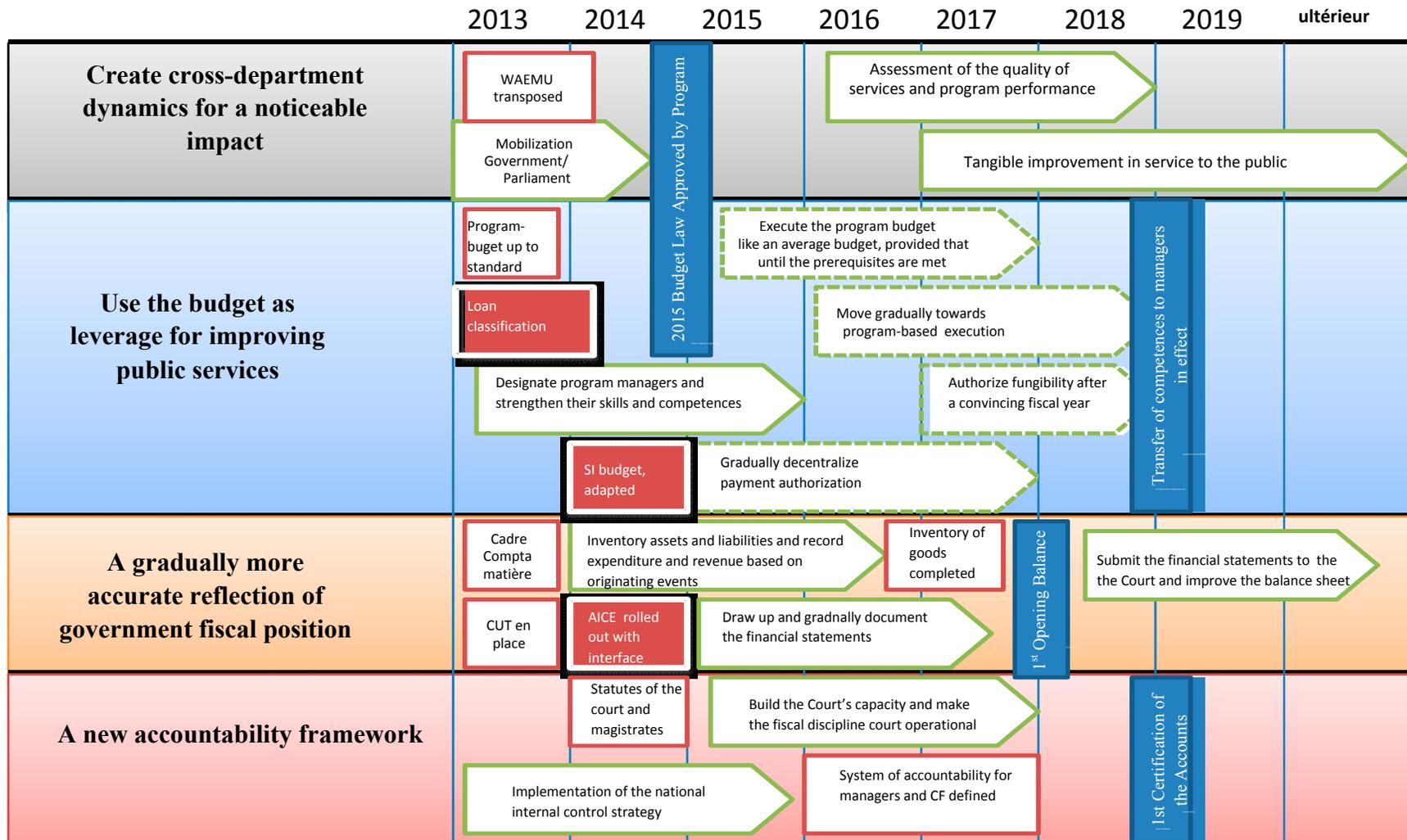
108. **The WAEMU directives introduce several challenging innovations**, for the internal and external control bodies. To fully benefit from these innovations, it is proposed that internal and external controls be developed to reach two milestones: (1) the Account Section of the Supreme Court develops as an Audit Court by WAEMU's definition, with the capacity to review and comment on the government financial statement; (2) frame the managers' accountability when budget management is devolved.

109. **Figure 8 describes the updated approach.** It staggers the actions needed to create cross-department dynamics, to use the PB as leverage for improving public utilities, to provide a truer reflection of the fiscal position, and to revise the accountability framework.

G. Project reforms over the medium term

110. **The objectives prescribed by the mission are ambitious but, in light of the results obtained before the events of March 2012, they are achievable.** They will enable Mali to significantly improve PFM and, in terms of future growth, to get the maximum return on its external financing. The mission recommends (Figure 8 below) scaling the reform over time and not undertaking the strategic policy focuses (blue columns) unless the prerequisites have been met (arrows).

Figure 8. Medium-term reform projections



H. Coordinate Technical Assistance

111. **Many of the actions to be taken require coordinated technical assistance.** The mission met with donors at the start and at the end of its visit to Bamako. All donors agreed on the need to avoid duplication or to leave “blind spots” (overlooking parts of the reform). It was therefore agreed that a simple, summary technical assistance map would be drawn up to facilitate coordination and synergies in the future.

112. **Two blind spots emerged from this map (Annex I):**

- **Developments in the Audit Court** does not have proper coverage. Apart from the support provided by the European Union in 2010, there is no upcoming project.
- **The public procurement sector** has apparently been neglected; only one program run by Canada has been announced to date.

113. **For its part, the IMF Fiscal Affairs Department plans to continue providing assistance in the areas described in Box 9 below.**

Box 9. FAD Technical Assistance for 2013–14

The Fiscal Affairs Department intends to continue providing technical assistance in close coordination with AFRITAC West in the following areas:

- **Assistance with the expenditure chain:** this means evaluating the expenditure process, proposing efficiencies to improve its effectiveness, and consolidating the implementation of a monitoring mechanism for payment lags and arrears by the Ministry of Finance.
- **Method of evaluating public policies** and PB performance: the assistance will seek to provide the BVG and the CGSP with the most effective tools for tasks recently devolved to them. The planned deliverable consists of a general approach, a method of evaluation, and concrete proposals for their management.
- **Cash management:** the following is proposed: resume suspended assistance to pool funds in the TSA, selection methods and criteria for repatriation of EPA funds, and assistance in implementing the escrow account for national counterpart funds for projects.
- **Management of the BSI:** expert advice will consist of reviewing the methods and the BSI database to facilitate its monitoring; reviewing the methods of project evaluation and monitoring to make capital spending management more dynamic.
- **Management of multiyear investment spending:** this assistance could be led by West AFRITAC to support implementation of authorized commitments and allocated payments (AE/CP) as well as the mechanism for carrying forward appropriations.

Annex I. Map of planned technical assistance

SECTORS OF TECHNICAL ASSISTANCE AND SUPPORT					
	Multiyear programming, budget preparation	Expenditure execution, cash management, and government statistics	Public procurement	Revenue	Supervision, combating fraud and corruption
Consultants or cooperation staff posted to Mali	France: on expert in support to the TC-PRSP + training sessions in management and maintenance of IT networks, filing, and office automation				
	European Union: specific TA, PRSP, CPS health, education; contract ends July 2013 France: 1 expert assigned to the TC-PRSP and the Secretariat for the Harmonization of Aid (SHA), support for preparing frameworks for medium-term external revenue frameworks and MTFs	European Union: Permanent TA provided to INSTAT (capacity building) Belgium/ IMF: one long-term expert to support the Treasury (computerization of expenditure and accounting, development of the AICE application, support for establishing the Treasury Single Account, improving the quality of the accounts)		France: 1 Expert assigned to the Directorate General of Taxes (DGI) starting in the first half of 2013 1 Expert assigned to the Directorate General of Customs (DGD) Canada: 1. Project to support the mobilization of domestic resources (PAMORI II) Budget: CAD 18.5 million from 2012–17 2. Support for the BVG Budget: CAD 6 million for 2008–15;	
Ongoing capacity building projects	AfDB: An institutional support operation , in the amount of 10 million units of account for duration of five years. The assessment mission is ongoing. Areas of support to be determined will be part of the activities implemented under the PAGAMGFP.				
	World Bank, Technical Assistance Project for Fiscal Governance and Decentralization , period: 2011–14.				

SECTORS OF TECHNICAL ASSISTANCE AND SUPPORT					
	Multiyear programming, budget preparation	Expenditure execution, cash management, and government statistics	Public procurement	Revenue	Supervision, combating fraud and corruption
	<p>France: Scholarship program for training of variable duration in French economic and financial colleges (Customs, Treasury, Taxes, and Business Administration—ENA) about 15 000 Euros per year.</p>			<p>France: Customs Component of the Justice and Security Project in the Sahelo-Saharan Region. Support for the DGD – Combating fraud and widespread crime. 147 000 Euros over 3 years 2011–13 with the possibility of an extension until 2014.</p>	
	<p>Canada: Capacity building project for sectoral budgetary support (PRECABS) Budget: CAD 3.8 million, period 2009–12, will be extended up until 2014. Assistance to CARFIP and to three ministries (Finance, Education, and Health).</p>				
Direct technical assistance	<p>IMF/ AFRITAC West under its Trust Fund, under IMF quality control, support for: the PB (completed), multiyear budgeting of investment spending (ongoing), for debt management and issuing debt securities, and for government finance statistics (TOFE).</p>		<p>Canada: Project to support the Niger Office (PAON) public procurement area, budget: CAD 335 000 for 2013–2017.</p>		<p>European Union: Support in 2010 for the Accounts Section for clearing the accounts.</p>
	<p>JAPAN/IMF: Support for the program-budget, the MTFP, and budget execution. Financing under the Japan projects Jsa 1 and 4 covering WAEMU and ECOWAS.</p>	<p>France: Support for the TOFE benefitting the DNTCP, DGB, DNP, and TC-PRSP (with financing from UNDP at the initiative of the SHA/TC-PRSP Expert).</p>			
	<p>European Union: Expertise to make the PAGAM more understandable (short-term TA of about 100,000 Euros, exchange with CARFIP in progress); financing for the mid-term assessment of PAGAM (about 100,000 Euros).</p>				
Audits of the PFM system	<p>The 2010 PEFA was conducted with domestic financing and with the participation of donors, in particular the PEFA Secretariat, the EU, IMF, and World Bank for technical expertise. Another PEFA will be carried out in 2013 with the participation of CANADA, the IMF, and the World Bank.</p>				

SECTORS OF TECHNICAL ASSISTANCE AND SUPPORT

	Multiyear programming, budget preparation	Expenditure execution, cash management, and government statistics	Public procurement	Revenue	Supervision, combating fraud and corruption
Concessional loans	<p>IMF: ECF program suspended, but \$18.7 million disbursed in February 2012 under the Rapid Credit Facility. Concessional lending is conditional upon a memorandum in which the Malian government agrees to comply with structural benchmarks, many of which relate to public expenditure management and revenue mobilization.</p>				
Overall fiscal support: matrix of indicators common to several donors for monitoring and triggering disbursements	<p>AfDB: A general budgetary support operation in the amount of 40 million units of account, for which an assessment mission is currently in Bamako. Disbursement could start in June.</p>				
	<p>France: An initial ABG for 2010 and 2011 (5 million Euros disbursed in 2010 and 5 millions in 2011). This ABG could be rolled over? The general budgetary assistance (ABG) is monitored under the common matrix; the AFD may audit the budgetary and accounting procedures for a random sample of expenses in 2010 and 2011 corresponding to the amount provided through the ABG.</p>				
	<p>European Union: General budgetary assistance conditional upon a number of indicators, some of which are linked to the PFM system, MDG Contract, covering the period 2009–14, currently suspended but may be resumed. Preparation of a State Building Contract (SBC) ongoing, budget of 250 million Euros announced.</p>				
	<p>France: ABG monetary debt swap 2010–13 – 31.7 million Euros over 2010–12 (10.4 million deposited in 2010, 10.8 million deposited in 2011 and 10.3 million planned for 2012 but not deposited because the Malian government did not make the initial repayment of this tranche). Monitoring under the common matrix of ABG triggers as well as the Monetary Debt Monitoring Committee.</p>				
Sectoral Budget Support	<p>France: ABS under the education sector investment program (PISE) for 2011 and 2012 - 1 million Euros disbursed in 2011 and 1 million Euros scheduled for disbursement in 2012 but not paid because of the coup d'état. Support for governance: from the PISE Committee, annual audit by an independent audit firm selected by the Republic of Mali with no objection from the AFD or a TFP with respect to the audit firm or the terms of reference of the audit.</p>				

Annex II. Proposal for Updating PAGAM GFP 2

Intermediate Effects	Outcome	Department Involved	Maturity	PAGAM Reference	TA Need
PAGAM Reference, Strategic Effect 2: Quality of budget preparation and execution meets international standards and provides general access to budgetary support					
The budget is consistent, exhaustive, and credible	Continue to organize budget pre-debates and sensitize the national representatives about the challenges of the reform.	DGB	2013	2.1.1	TA
	<p>New outcome proposed: Improve the tools and management capacity of the BSI</p> <ul style="list-style-type: none"> • Evaluate and improve the basis for BSI management and modernize its by implementing a new application • Improve project evaluation ex ante, in progress, and ex post. • Enhance monitoring of the work performed under projects 	DNDP	2013–14	-	TA
Budget allocations are based on well-defined policies and results-oriented management	Harmonize multiyear programming documents with WAEMU standards (DPEB, DPPD, DAP, and RAP). Define the guidelines for preparing sectoral strategies. Take an MEF decree defining the timetable for budget timetable and accommodate it with the timetable for reviewing strategies.	DGB DNDP	2013	2.2.4 2.2.1	TA
	In the longer term, periodically conduct public policy reviews underpinned by programs to assess the effects and draw conclusions from these reviews to overcome any weaknesses found. (deadline outside the current PAGAM; this measure could be included subsequently).	Multidisciplinary teams	Starting in 2016	-	TA
The expenditure execution system functions well and matches financial assets	Multi-year capital spending budget	DGB	2014	2.3.1	TA
	Streamlined expenditure chain: <ul style="list-style-type: none"> • identification and elimination of redundant controls and other bottlenecks • implementation of a mechanism to monitor lags in payment • limiting the supplementary period to one month 	DGB CARFIP DNTCP DNCF	2013	2.3	TA
	Enhances credibility and transparency of the budget: <ul style="list-style-type: none"> • procedures for depositing payment orders prohibited • investment expenses using external resources controlled 	DGB	2013–14	2.3	-
	Appoint program managers and strengthen their capacity.	DGB+ sectoral ministries	2013–15	-	-
	Execute the PB initially on the basis of the resource budget.		2015–17	-	-
Expenditure and cash	The computerized expenditure management system is integrated, interconnected at all levels, and adapted to results-based management.	Pilot: CAISFF, DGB, DNTCP	2013–14	2.4 /2.4.1	-
				-	-

Intermediate Effects	Outcome	Department Involved	Maturity	PAGAM Reference	TA Need
forecasts are based on an integrated, high-performing, and secure IS	<ul style="list-style-type: none"> Steer the IS with a broad-based IT team dedicated to implementing PBs Adopt a strategy to gradually adapt IS to program budgeting 	DGI, DGD		-	-
	<ul style="list-style-type: none"> Define the scenario for switching the IS to program budgeting Take stock of and manage the risks associated with switching the IS to program budgeting 	CAISFF,	2013–15	-	-
	<ul style="list-style-type: none"> Conduct impact and feasibility studies of the existing IS to adapt them to the PB reform Develop the existing applications Test the new budget and accounting classification in all the IS Gradually roll out the new applications linked to PB reform 	Pilot: CAISFF, DGB, DNTCP DGI, DGD, PRECABS	2013–14	-	-
	<ul style="list-style-type: none"> Conduct a study defining a solution or integration 	CAISFF	2013–14	-	-
	The security of IS is assured			2.4 /2.4.3	-
	The MEF has a master plan for IT			2.4 /2.4.4	-
Cash management provides quick access to financing at the lowest cost in terms of public expenditure	Centralize government financial flows in a single account: <ul style="list-style-type: none"> Update the impact study on bank capacity to support the transfer of the government’s liquid assets to the TSA Reinstate the TSA, initially for the banks that are candidates for the transfer, Draft and agreement for keeping the TSA at the BCEAO, Define a strategy for unifying all the government accounts opened with full service banks 	DNTCP	2013–14	2.5.1.	TA
The cash plan is revised and improved	Create a database to track cash management.	DNTCP	2013–14	2.5.2.1.	-
	Produce a daily cash report.			-	-
	Establish a system for updating the cash plan, in particular by instituting a sliding cash plan.		2014	2.5.2.3.	-
	Give notification of appropriations and prepare commitments in accordance with cash flow projections.	DNTCP / DGB	2014	2.5.2.4.	-
	Create a cash reserve for unexpected expenses.	DNTCP	après 2014	2.5.2.2.	-
	Develop the habit of resorting to the financial instruments best suited to the government’s needs.		après 2013	-	TA
Intermediate Effects	Outcome	Department Involved	Maturity	PAGAM Reference	TA Need
The accounting framework meets international standards	The WAEMU directives on government accounting have been transcribed into national law.	DNTCP	2013	2.6.1.	-
	The add-on accounting period is reduced to one month from the end of the fiscal year.		2014	-	-

	<p>The quality of the accounts has improved by clearing specific accounts (Reciprocal, third-party, and financial). The monthly and annual account balances are produced within the regulatory time frames. The accounts are closed on a daily, monthly, and annual basis.</p>		2014–17	-	-
	<p>An applicable system was implemented and accounts organized for stock accounting.</p>	DGABE	2013–14	2.6.2.	-
	<p>Fixed assets, stocks, and liabilities are counted to prepare an inventory, including their valuation.</p>		2014–15	-	-
	<p>Accrual accounting is introduced:</p> <ul style="list-style-type: none"> • Implementation of the texts transposing the WAEMU directives on government accounting are accompanied by instructions and guides explaining the PCE • A table transposing the PCE is established to facilitate the transition from cash-based to accrual-based accounting. • A PCE bridge table is introduced to facilitate the transition from cash-based to accrual-based accounting • A training plan for accountants is in place and a timetable for implementing accrual-based accounting has been disseminated • Transactions are recorded as expenses and revenue occur. • Reciprocal accounts, third-party accounts, and financial accounts are monitored regularly • The first opening balance has been drawn up and recorded • Year-end transactions regarding depreciation, risk provisions, and expenses are recorded. • An income and expense statement to be attached to the fiscal year is produced for recording these transactions • Off-balance sheet operations are inventoried. 	DNTCP	2013–20	-	-

Intermediate Effects	Outcome	Department Involved	Maturity	PAGAM Reference	TA Need
The accounting framework meets international standards	<p>New outcome proposed: the management of autonomous agencies is standardized and their accounts are transparent</p> <ul style="list-style-type: none"> Each EPA submits quarterly reports on budget execution and financial risks to the DGB, DNTCP, and the respective DAF The accounting system prepared by the DNTCP for EPA management is widely used; Management contracts are widely used Over time, the government's policy to control the proliferation of EPNs is clear and applied A system for more consistent management of the EPAs, with real budgetary and financial autonomy and a single account manager, namely the EAP manager. 	Civil service DGB DNTCP ministries CDI CARFIP	2013–15	2.6.3	-
PAGAM Reference, Strategic Effect 3: The financial governance system makes operators accountable and increases the transparency and visibility of PFM					
Internal control systems ensure the effective prevention and detection of irregularities in public revenue and expenditure	Continue to develop risk maps in the ministries and internal fiscal supervision, and then gradually introduce financial supervision arrangements.	CGSP	2013–14	3.2	TA
	Build the capacity for financial supervision to change the focus back to core functions, such as the sustainability of management acts and liabilities.	DNCF	2014–15	3.2	TA
External controls strengthen good governance and ensure the reliability and complementarity of account accountability systems	Modernize and adapt ex post controls and refine audit tools to assess the performance of programs (all supervisory bodies).	All supervisory agencies	2013–16	3.3	-
	Give the Audit Court, when it is established, the capacity to assume its new duties by allowing it to increase its staffing and resources.	Supreme Court + Parliament	2013–15	3.3	-
	Capitalize on the ground gained by the Auditor General in combating poor management practices and expand his public policy evaluation capacity to include the assessment of fiscal programs.	BVG + Audit Court	2014	3.3	TA
	Combat mismanagement and corruption, which means revitalizing fiscal discipline in the future Audit Court and implement a mechanism for monitoring the plan to combat corruption.	Audit Court, BVG, Ministry of Justice	2013–14	3.3	TA
Parliamentary supervision is based on adequate information and ability to do the job	Support the parliament in reviewing the budget law by certifying the LdR process within the time frame and submitting an opinion to the finance committee on the draft budget laws.	Audit Court	2015–20	3.4	-
PAGAM Reference, Strategic Effect 4: Decentralization is reinforced by a good PFM system					
The IS is consistent with the needs of the decentralized government departments and the regional assemblies	Dual entry accounting is the norm in all revenue collection offices.	DNTCP	2014	4.2.1.1	-
	Provide revenue collection offices with manuals for dual entry accounting. An instruction will be circulated to institute this system.	DNTCP	2014	4.2.1.2.	-

Intermediate Effects	Outcome	Department Involved	Maturity	PAGAM Reference	TA Need
The accounting framework meets international standards	<p>New outcome proposed: the management of autonomous agencies is standardized and their accounts are transparent</p> <ul style="list-style-type: none"> • Each EPA submits quarterly reports on budget execution and financial risks to the DGB, DNTCP, and the respective DAF • The accounting system prepared by the DNTCP for EPA management is widely used; • Management contracts are widely used • Over time, the government's policy to control the proliferation of EPNs is clear and applied • A system for more consistent management of the EPAs, with real budgetary and financial autonomy and a single account manager, namely the EAP manager. 	Civil service DGB DNTCP ministries CDI CARFIP	2013–15	2.6.3	-
	The DNTCP has a computerized system for fiscal and accounting management that is linked to the decentralized units.	DNTCP	2015	4.2/4.2.2	-
Fiscal decentralization is supported by a system of accountability and reporting that reduces the fiduciary risk and ensures transparency	The new competences are gradually transferred to budget managers:			4.3	-
	<ul style="list-style-type: none"> • Gradual decentralization of payment authorization after conducting audits that certify that requirements are met 	DGB	2015–17	-	-
	<ul style="list-style-type: none"> • Allow principal payment authorization agents to treat loans as fungible after demonstrating one or more fiscal years of low and acceptable management risk 	DGB	2018–19	-	-
	<ul style="list-style-type: none"> • Build capacity for financial supervision to refocus supervision on the sustainability of management actions and commitments 	DNCF	2015	-	

Annex III. Proposed method for monitoring payment lag times and arrears

Case study: Ministry of Health, Section 610, Payment Authorization Agent 610, all functional units

The following study is culled in whole from the PRED software, which has a database with information on all the 4,032 files of commitments undertaken in FY 2012, representing about 20,150 transactions by this ministry alone.

Available data	
Data	Meaning
Section	Appointed by the Ministry
FU	Unit receiving the appropriation
Payment Authorization Agent	The Minister and, by delegation, his DFM
MDT No.	Reference of the payment order
Net payable	Transaction amount
Commitment No.	Commitment reference number
Date vis Ord Eng	Date on which the payment authorization agent committed the funds
Date Vis CF Eng	Date on which the accountant approved the commitment
Date BE Ord	Date on which the payment authorization agent validated the payment and issued the payment order
Date Vis CF BE	Date on which the accountant issued the payment order
Date Accepted by the Treasury	Date on which the accountant enters the record
Date of Payment by the Treasury	Date on which the accountant paid
Date PJ	Date appearing on the most recent PJ referenced in the payment order (service provided)
Purpose of the expense	Statement of the purpose of the expense

MONITORING THE PAYMENT OF WAGES

The salaries can be identified by two possible criteria:

- the purpose of the expense explicitly mentioned the wages
- no invoice date is referenced because these are general payments to banks holding payroll accounts

Method: classification of wages by months, add month to month

Ministry case study:

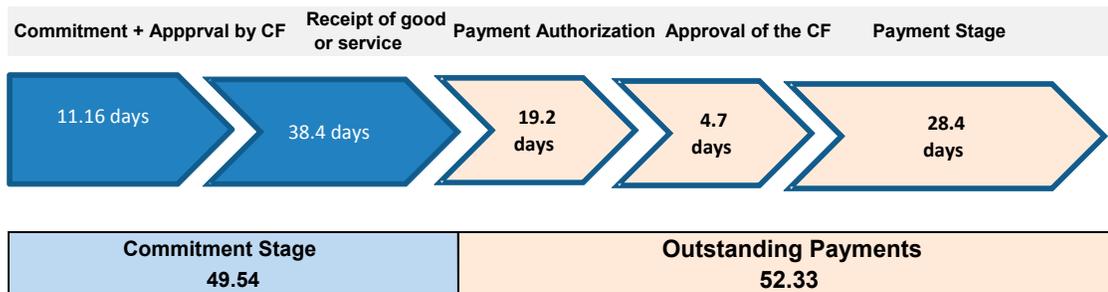


AVERAGE PAYMENT TIME LAGS 1 605 475 4000 CODE 252978#

They are calculated as the difference between mean values on the following dates:

Date vis Ord Eng / Date Vis CF Eng / Date PJ/ Date BE Ord / Date Vis CF BE / Date Treasury Payment

Ministry Case Study:



Comment: The average time payments remain pending is on average less than three months, although some payments are overdue for longer periods and become arrears according to the WAEMU definition (expenses validated and unpaid for three months). See the monitoring of arrears at more than 90 days below.

History of the pace of payments and the time overdue by months

They are calculated in terms of cumulative payments and payment validations on a monthly basis

- cumulative payments in chronological order:

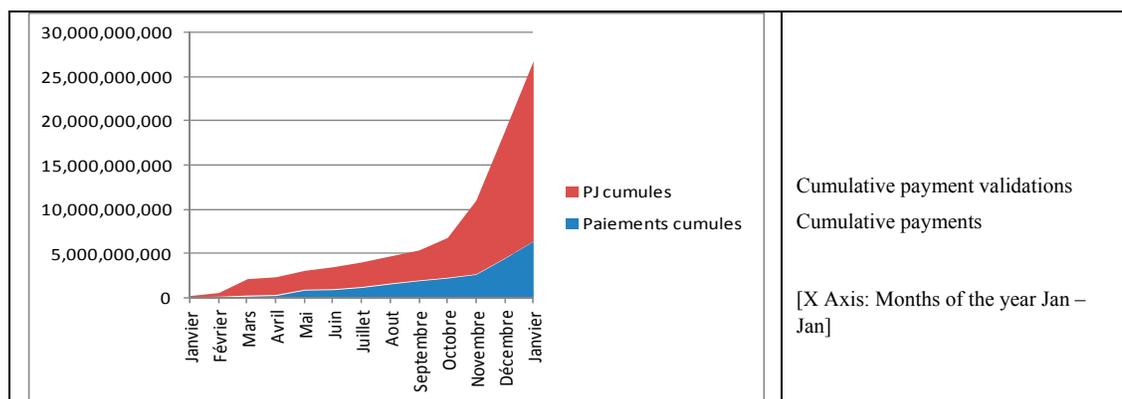
	Date	Amount	Cumulative Amount
Payment 1	1/01/2012	100	100
Payment 2	2/02/2012	50	150
Etc....			

- payment validations using the same method

We then compare the cumulative payments and payment validations at the end of each month. Overdue payments are calculated as the difference between validations and payments.

Case study of the Ministry of Health:

	Payments/Months	Validations/Months	Cumulative Payments	Cumulative Validations	Overdue Payments
January	23,578,500	126,652,638	23,578,500	126,652,638	103,074,138
February	52,272,000	288,497,277	75,850,500	415,149,915	339,299,415
March	132,542,015	1,439,156,314	208,392,515	1,854,306,229	1,645,913,714
April	59,840,700	153,296,388	268,233,215	2,007,602,617	1,739,369,402
May	609,147,607	117,952,060	877,380,822	2,125,554,677	1,248,173,855
June	56,646,063	354,960,229	934,026,885	2,480,514,906	1,546,488,021
July	239,807,506	304,875,529	1,173,834,391	2,785,390,435	1,611,556,044
August	396,692,176	287,096,437	1,570,526,567	3,072,486,872	1,501,960,305
September	344,280,588	320,484,667	1,914,807,155	3,392,971,539	1,478,164,384
October	307,758,726	1,109,035,666	2,222,565,881	4,502,007,205	2,279,441,324
November	400,078,912	3,833,492,188	2,622,644,793	8,335,499,393	5,712,854,600
December	1,799,593,469	6,041,684,536	4,422,238,262	14,377,183,929	9,954,945,667
January	1,906,039,682	6,041,684,536	6,328,277,944	20,418,868,465	14,090,590,521
February	16,805,500		6,345,083,444	20,418,868,465	14,073,785,021
Total	6,345,083,444	20,418,868,465			



MONITORING PAYMENTS IN ARREARS FOR MORE THAN 90 DAYS

The arrears are calculated in accordance with the WAEMU definition, taking expenses unpaid 90 days after validation. The proposed calculation is made with reference to the amounts of the payments made more than three months after the date shown on the most recent attached invoice.

Stage 1:

- For transactions not executed at year-end, use the oldest payment date covered by study 931/01/2013 in the case study
- Do not count transactions in which the attached voucher and the actual payment are separated less than 90 days

Stage 2:

- Inventory all unpaid arrears at each month-end
- Sum them up every month (blue columns below)
- Calculate the annual average (red line below)

Case study: Ministry of Health

[Dates	Amounts	Average]
dates	montants	moyenne
31-Mar-12	259,096	
30-Apr-12	40,708,451	
31-May-12	75,223,280	
30-Jun-12	963,330,401	
31-Jul-12	965,653,442	653160794
31-Aug-12	901,786,927	
30-Sep-12	907,214,662	
31-Oct-12	1,030,860,808	
30-Nov-12	933,746,933	
31-Dec-12	712,823,937	

