

**Togo: Technical Assistance Report—Launch of the Project for Strengthening  
Public Financial Management**

This Technical Assistance report on Togo was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed in November 2012. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Togo or the Executive Board of the IMF.

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**Togo**

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*Launch of the Project for  
Strengthening Public Financial  
Management*

**November 2012**

**Maximilien Queyranne, Delphine Moretti,  
Jean-Gustave Sanon, Blaise Yehouenou, and  
Ephrem Ghonda Makiadi**

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# **INTERNATIONAL MONETARY FUND**

Fiscal Affairs Department



**TOGO**

## **LAUNCH OF THE PROJECT FOR STRENGTHENING PUBLIC FINANCIAL MANAGEMENT**

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Blaise Yehouenou, and Ephrem Ghonda Makiadi**

**November 2012**

European Union funded project implemented by the Fiscal Affairs Department



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## LIST OF ABBREVIATIONS AND ACRONYMS

AC	Appropriations Manager
ACCT	Central Accounting Agency of the Treasury
AFD	French Development Agency
AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Center
ARMP	Public Procurement Regulatory Authority
BCEAO	Central Bank of West African States
BGC	Consolidated Trial Balance
CdC	Audit Office
CFAF	African Financial Community francs
CGAF	Consolidated financial statements
CT	Cash Management Committee
CTT	Cash Management Technical Committee
CUT	Single Treasury Account
DAAF	Administrative and Financial Affairs Directorate
DAO	Bid Documents
DF	Finance Directorate
DFCEP	Plan Financing and Implementation Monitoring Directorate
DGTCP	Treasury and Government Accounting General Directorate
DNCMP	National Directorate of Public Procurement Control
DPPE	Forecasting and Economic Policy Directorate
EUD	European Union Delegation
FAD	Fiscal Affairs Department (IMF)
FC	Financial Control
GFSM	<i>Government Finance Statistics Manual</i>
IGF	Office of the Inspector-General of Finance
LFI	Initial Budget Law
LOLF	Budget Framework Law
MEF	Ministry of Economy and Finance
MTEF	Medium-Term Expenditure Framework
NA	National Assembly
NBE	Government Budget Classification
PA-RGFP	Public Financial Management Reform Action Plan
PCE	Government Chart of Accounts
PE	Commitment Plan
PFM	Public Financial Management
PGT	General Pay Office of the Treasury
PLF	Draft Budget Law
PLR	Draft Year-end Budget Law
PPM	Procurement Plan
RGT	Receiver-General of the Treasury



SIGFIP	Integrated Public Financial Management System
SP-PRPF	Reform Policies and Financial Programs Permanent Secretariat
SRFP	PFM Reform Strategy
TA	Technical Assistance
TFP	Technical and Financial Partners
TOFE	Fiscal Reporting Table
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union

## PREFACE

In response to a request for technical assistance (TA) from the Minister of Economy and Finance of Togo, a Fiscal Affairs Department (FAD) TA mission visited Lomé from September 19 to October 2, 2012 to launch the joint project of the European Union Delegation (EUD) and International Monetary Fund (IMF) for strengthening public financial management (PFM). Mr. Maximilien Queyranne headed the mission, which comprised Ms. Delphine Moretti (FAD advisor), Mr. Jean Gustave Sanon (resident advisor, West Africa Regional Technical Assistance Center—West AFRITAC), and Mr. Blaise Yehouenou and Mr. Ephrem Ghonda Makiadi (FAD experts).

The main objectives of the mission were to: (1) ascertain progress made in implementing the PFM reform priority action plan (PA-RGFP) in the areas covered by the project and monitor implementation of the recommendations made by previous FAD TA missions in 2010 and 2011; (2) prepare a roadmap for implementing the EU-IMF project, in particular establishing the sequencing of short-term expert missions; (3) propose an institutional framework for managing the PFM reforms and for coordinating with donors to implement the PFM reform strategy (SRFP); and (4) draw up the terms of reference for Mr. Blaise Yehouenou and Mr. Ephrem Ghonda Makiadi, resident advisors for the period October 2012 to September 2013.

The mission was received by Mr. Mawussi D. Semodji, Minister of National Planning, Development, and Local Planning, and Mr. Mongo Aharh-Kpessou, Permanent Secretary responsible for monitoring the reform policies and financial programs (SP-PRPF), accompanied by their senior staffs and by Mr. Badawasso T. Gnaro, Secretary-General of the Ministry of Economy and Finance (MEF). The mission held working meetings with Mr. Gnandi Kossi Gilbert, State Inspector-General; Mr. Djimba N. Ibrahima, Inspector-General of Finance; Mr. Wolanyo K. Amawuda, Budget Director, Mr. Kofi A. Paniah, Financial Control Director, Mr. Mashoud Y. Amadou, Director-General of the Treasury and Government Accounting; Mr. Kossi Tenou, National Director of the Central Bank of West African States (BCEAO); Mr. Bakpena Baba Kokoga, Finance Director; Ms. Abiré Akpo, Director of Plan Financing and Implementation Control; Mr. Sévon-Tépé Kodjo Adédzé, Director-General of Customs; Mr. Tofio Kossi Daniel, Deputy Director-General of Taxes; Ms. Zouréhatou Kassah-Traoré, Director of Public Procurement Control; and Ms. Johnson Ahéba, Director of Economy. Mr. Tankpadja Lalle, First President of the Audit Office (CdC), accompanied by his senior staff, also received the mission.

The mission held discussions with Ambassador Patrick Spirlet, Head of the EUD.

The mission would like to express its gratitude to the authorities for their warm hospitality and courtesy, and for the frank and candid discussions on all issues.

The mission also thanks Mr. Werner Keller, IMF Resident Representative in Lomé, and his staff for the assistance and advice received during its stay.

The mission submitted a summary of its findings and recommendations to the Minister of Economy and Finance, Mr. Adji Otèth Ayassor, in the presence of the Permanent Secretary responsible for the monitoring of reform policies and financial programs, Mr. Mongo Aharh-Kpessou, and provided him with copies of its provisional report.

The mission also attended meetings at the French Embassy and the French Development Agency (AFD), the African Development Bank (AfDB), the World Bank, and the United Nations Development Programme (UNDP). It presented a summary of its main findings and recommendations to Togo's donors at the end of its stay in Lomé.

This report was finalized after comments were received from the government of Togo and internal review in FAD.

**This mission was funded by the EU within the framework of the project to strengthen public financial management in the Republic of Togo.**

## EXECUTIVE SUMMARY

The EUD and FAD signed a TA Agreement with the Togolese government within the framework of the second institutional support program (ISP2). The TA is funded by the EUD, and FAD is the executing agency. The objectives of this project, which is scheduled to end in May 2015, are as follows:

- strengthening the institutional framework for PA-RGFP implementation and performance monitoring, and improving coordination of the assistance provided by donors;
- establishing a communications program and training strategy, so that MEF and CdC staff can take ownership and master the technical aspects of the ongoing reforms; and
- continuing the work begun by ministry staff to improve the budget execution (in particular capital expenditure), accounting, financial reporting, and cash management procedures, in accordance with the new WAEMU directives.

In that context, the purpose of this mission was to assess the PFM arrangements in place at the start of the project by monitoring the implementation status of the main recommendations made by previous FAD missions. Based on that assessment, a starting point can be established for: (i) assessing progress to be made in the context of the project; (ii) proposing a project roadmap and identifying the specific TA activities to be performed; and (iii) drawing up the terms of reference for the two resident advisors who will be assigned to the MEF for missions lasting 18 months and 24 months, respectively.

At the end of its work, the mission notes the commitment of ministry staff in implementing the reforms and the progress made in some areas, especially accounting.

However, this mission confirms several of the observations made during the previous missions, and ministry staff should therefore continue the reforms in several PFM areas.

The institutional framework for managing PFM reforms is in place, but its work and outcomes need improvement, and coordination with donors should be revitalized. There is a lack of coordination among MEF staff in managing and conducting the reform. The lack of joint monitoring and coordination tools means that there is room for improvement in the dialogue between the government and donors. Progress in this area should be a priority, considering the numerous tasks to be planned and carried out for implementing the innovations resulting from the WAEMU Directives.

Although streamlining of the budget execution process has started, speeding it up and further simplifying it in preparation for the future devolution of payment order authorization remain significant challenges. Budget execution is still insufficiently frontloaded to ensure a quick start to processing at the beginning of each fiscal year. In addition, only a very small portion

of capital expenditure appropriated in the budget law is actually executed, mainly because of poor programming and budgeting, procurement delays, and inadequate application of the bidding procedures. Furthermore, there is no monitoring of payment deadlines. Efforts to streamline the expenditure process should therefore be continued.

A government cash management framework has been put in place but still lacks effectiveness. Payment decisions are made without reference to the cash management technical committee (CTT). Streamlining liquidity management also requires reliable cash plans, taking into account the ministries' commitments and their procurement plans (PPMs), and depends on the establishment of the single treasury account (CUT). However, there are still many government accounts on the books of commercial banks, including a number of overdrawn accounts that are still pending regularization. Ongoing efforts to close these bank accounts should therefore be continued, so that a target balancing mechanism can be put into place for the government's accounts to ensure optimal cash flow management.

Efforts have been made to improve the government accounts and financial reporting, with the result that the first set of consolidated financial statements (CGAF) were produced in 2011. These efforts need to be continued, as deficiencies still exist. The fact that double-entry bookkeeping is not used for the revenue accounts, and the lack of information on government financial operations, are an obstacle to the preparation of proper, reliable accounts. Moreover, there are still irregularities in the trial balance. The staff concerned must work together more closely to reconcile the financial data presented in the accounts with those in the budget documents.

Lastly, the future organizational structure of the ministry is of strategic importance for proper implementation of the reforms and should continue to be studied. There seems to be room to improve the provisions of the draft decree on the reorganization of the ministry, and further discussion would contribute considerably to its clarification and improvement.

## ROADMAP FOR PROJECT IMPLEMENTATION

The table below shows the estimated timetable for the TA activities to be implemented during the project period.

**Table 1. Estimated Timetable for the Technical Assistance Missions Planned in the Context of the Joint Project of the European Union and Fiscal Affairs Department**

Activity	Goals	Date	Resources
FAD resident advisor responsible for managing the reforms	Improve PFM reform management Organize donor coordination Improve public finance data Ensure local coordination and guidance of the project Provide PFM training	As of October 2012	1 expert, 18 months
FAD resident advisor responsible for improving budget execution, accounting, and cash management	Streamline budget execution procedures and their monitoring Enhance cash management Increase the reliability of the government accounts Provide training in budget execution, accounting, and cash management	As of October 2012	1 expert, 24 months
Improvement of the reliability of the trial balance	Prepare the closing of the 2012 accounts Train DGTCP staff in the closing procedures	December 2012	1 expert, 2 weeks
Capacity building	Prepare a training strategy and plan, incorporating the reforms resulting from the WAEMU Directives and drawing on the training modules prepared by the WAEMU Commission	January 2013	1 expert, 2 weeks
Reorganization of the MEF	Finalize the draft decree on the organizational structure of the MEF	January 2013	1 expert, 2 weeks
Improvement of cash management	Enhance the reliability of the estimated cash plans Prepare a draft decree to ensure the functioning of the cash management committee (CT)	April 2013	1 expert, 2 weeks
Strengthening of the expenditure process	Simplify the expenditure process so as to speed up budget execution and procurement	May 2013	1 expert, 2 weeks
Support for implementation of the new budget framework law (LOLF)	Establish the roadmap for implementation of the LOLF	June 2013	1 expert, 2 weeks
Monitoring and evaluation of the project	Carry out an FAD inspection mission	September 2013	An FAD mission

Activity	Goals	Date	Resources
Making policy makers aware of the new PFM framework	Organize a high-level seminar on the new PFM framework and the roadmap for its implementation	September 2013	
Cash management improvement	Monitor actions to enhance the reliability of estimated cash plans	October 2013	1 expert, 2 weeks
Cash management improvement	Enhance the reliability of PPMs Train sectoral ministries in the preparation of PPMs	November 2013	1expert, 2 weeks
Strengthening of the CUT	Formulate a new strategy and action plan for strengthening the CUT	December 2013	1expert, 2 weeks
Improvement of the reliability of the trial balance	Provide direct support for the closing of the 2013 accounts	February 2014	1 expert, 2 weeks
Strengthening of budget execution	Prepare for testing of the devolution of payment order authorization and financial control	March 2014	1 expert, 2 weeks
Identification of the functional needs of the MEF with a view to adapting the integrated public financial management system (SIGFIP)	Assess the impact of the LOLF on the public financial reporting system Compile a three-year plan for updating the IT system	July 2014	1 expert, 1 week
Improvement of the reliability of the trial balance	Establish an internal control mechanism and procedures	November 2014	1 expert, 2 weeks
Implementation of the new government chart of accounts	Compare the 2008 chart of accounts with the WAEMU chart of accounts Adapt the chart of accounts for compliance with the WAEMU Directives Prepare an implementation strategy	March 2015	1 expert, 2 weeks

The following table presents the recommendations made in this report. These recommendations concern only reform actions for which the resident advisors or short-term experts can provide direct support in the context of the project. An estimated deadline is associated with each of the recommendations for prioritization purposes.

**Table 2. Recommendations to be Implemented through the Project**

<b>Area</b>	<b>Recommendations</b>	<b>Deadline</b>
Reform management and coordination with donors	Adopt a single reform management tool by consolidating the PA-RGFP and the action plans of the MEF directorates	December 2013
	Prepare a detailed report on implementation of the PA-RGFP in the context of the upcoming review	December 2013
	Design methodological tools for monitoring and reporting on the reforms	June 2013
	Draft and sign an agreement with donors providing budget support, and prepare a common matrix of that support	September 2013
Implementation of the WAEMU Directives	Prepare a roadmap for gradual implementation of the future legal and regulatory framework resulting from the WAEMU Directives	September 2013
	Prepare and implement a PFM change communications plan	September 2013
	Organize a high-level workshop on implementation of the new PFM framework resulting from the WAEMU Directives	September 2013
Budget execution and public procurement	Adapt the budget classification to the provisions of WAEMU Directive 08/2009	June 2014
	Ensure the traceability in the information system of capital expenditure funded by donors	March 2013
	Call on the sectoral ministries to submit their estimated PPMs for FY 2014 at the same time as the draft budget law (PLF) is submitted to the National Assembly (NA)	September 2013
	Before the start of the fiscal year, prepare a consolidated table of the PPMs and forward it to the staff responsible for preparing the annual commitment plan (PE)	November 2013
Cash management and the CUT	Adopt the draft decree defining the mechanism for collecting the data to serve as input for the cash plan, as well as the roles and tasks of those involved in its preparation	June 2013
	Complete the closing of the government accounts still on the books of commercial banks	December 2013
	Ensure that the banks submit quarterly lists of the accounts maintained by public entities and perform the prescribed inspections	December 2013
	Introduce a mechanism for sweeping the revenue accounts into current account of the Receiver-General of the Treasury (RGT) daily and also sweeping the RGT current account into the account of the Central Accounting Agency of the Treasury (ACCT) daily	March 2013



Area	Recommendations	Deadline
Financial reporting	Review procedures and upgrade software to make the bookkeeping more reliable	July 2014
	Continue the efforts to improve the reliability of the trial balance, in particular by developing internal controls	December 2014
	Improve financial reporting and the financial data provided in the budget review law through better coordination among MEF staff and the use of clearly specified procedures	June 2013
	Conduct an impact study on having the General Pay Office of the Treasury (PGT) handle cash operations and spell out the liability of accountants in the regulations	March 2013
	Identify the data sources and officials responsible for the fiscal reporting table (TOFE) for communication to the Directorate of Economy (DE)	March 2013
	Identify all bank accounts included in the calculation of the net government position and report this to the BCEAO	March 2013
	Draw up a training plan and strategy for implementing the PA-RGFP and for laying the groundwork for the gradual application of the new legal framework resulting from the WAEMU Directives	February 2013
	Train those involved in the expenditure process on the fundamentals of PFM	September 2013
Modernization of the Ministry of Finance	Integrate the internal audit staff and functions within the Office of the Inspector-General of Finance (IGF)	February 2013
	Reclassify the debt management functions within the DGTCP and the poverty reduction functions within the Forecasting and Economic Policy Directorate (DPPE)	February 2013
	Eliminate the provisions in the decree giving FC oversight of public entities subject to private sector-type management, and unify the financial oversight of the public sector	February 2013

## I. INTRODUCTION

1. **Since 2006, numerous FAD and West AFRITAC TA missions have supported the authorities in their efforts to modernize public finances.**
2. **During the same period, the WAEMU adopted directives on public finance that would require major PFM changes in member states.** These medium- and long-term directives (implementation is staggered over the period from January 1, 2012 to January 1, 2019) call for medium-term budget programming, the devolution of payment order authorization, the introduction of program-based performance budgeting, and the adoption of accrual basis accounting.
3. **An FAD follow-up mission in July 2010 assessed progress and helped the authorities complete their PFM reform strategy.** Covering 10 years, the strategy provides for an initial three-year priority action plan (PA-RGFP) covering the period 2010–14. The mission found that considerable progress had been made but that the deficiencies in most of the key aspects noted by the 2009 mission had not been resolved. The mission’s recommendations were incorporated into the PA-RGFP.
4. **In June 2011, an FAD mission carried out jointly with the regional hub of the UNDP in Dakar assessed progress made since the 2010 mission.** While there had been progress, especially in the area of accounting, most of the recommendations of the previous missions had not yet been implemented. The mission had therefore repeated and further explained its recommendations on budget preparation and execution, expenditure control, cash management, and financial reporting, and made new recommendations on multiyear budget programming and the implementation of program budgets. The mission also noted that the draft laws on the national transposition of the six WAEMU directives of June 2009 had been prepared and were being adopted by the authorities.
5. **Based on the findings and recommendations of the June 2011 mission, the European Union Delegation (EUD) and FAD signed a TA agreement to provide support to the Togolese government.** That agreement falls within the framework of the second institutional support program (ISP2), for the second phase of which FAD is executing agency. Under that agreement, funding will be provided until June 2015 for FAD TA and, in particular, two resident advisors placed directly in the office of the Minister of Finance.
6. **The objectives of this project are to:** (i) establish a detailed, realistic roadmap for consistent implementation of the PA-RGFP; (ii) define a truly operational institutional framework for monitoring and managing implementation of the PA-RGFP; (iii) establish a communications program to increase ownership of the PFM reforms; (iv) improve budget execution, accounting, financial reporting, and cash management procedures, in accordance with the new WAEMU directives; (v) enhance the capacity of the Audit Office (CdC) to analyze budget and accounting data; and (vi) formulate a training strategy and actions for staff of the MEF.

7. **The present headquarter led mission , financed in the context of this project, was aimed at:**

- assessing progress made with PFM, so that a status report to serve as a reference for the project could be prepared;
- agreeing with the authorities on the roadmap for project implementation;
- assigning the two resident advisors and agreeing on their terms of reference and on their institutional positioning with the minister.

## II. IMPLEMENTATION STRATEGY FOR THE JOINT TECHNICAL ASSISTANCE PROJECT

### A. Project Management

8. **The project will be led by FAD (Public Financial Management Division 2).** The department will select the short-term experts and approve their terms of reference, with the support of the resident advisors and the agreement of the authorities.

9. **Two resident advisors placed with the minister will help the authorities implement the project at the local level.** This assistance will be both operational and technical, and will be aimed at supporting the MEF staff in their reform efforts. At the local level, the project will be headed by Mr. Ephrem Ghonda Makiadi (for a total period of 18 months). He will update the schedule of short-term expert missions to reflect project developments, propose draft terms of reference (TOR) to FAD, and submit the TOR to the authorities for validation. He will participate in the organization of the missions, mainly the preparation and progress of their work programs. Mr. Blaise Yehouenou (assignment for a maximum of two years) will assist Mr. Ghonda Makiadi as needed, in particular for the missions of experts on budget execution, cash management, and government accounting. The two resident advisors will, under the authority of the Minister of Finance, help coordinate the work of the MEF directorates in the areas covered by the project.

10. **The two resident advisors will, under the authority of FAD, ensure that project activities are coordinated with the TA provided by other donors.** In particular, Mr. Ghonda Makiadi will facilitate the missions of West AFRITAC, which will retarget its activity on budget preparation and the fiscal reporting table (TOFE).

11. **The resident advisors will participate in MEF meetings on the areas covered by the project that are necessary for the performance of their mission.** Specifically, Mr. Ghonda Makiadi will participate in meetings of the reform monitoring committee, under the authority of the permanent secretary, as well as the meetings of the inter-agency donor group, and Mr. Yehouenou will participate in the work of the cash management technical committee (CTT).

## B. Types of Assistance Provided

12. **Four types of assistance will be provided in the context of this project:**
- **Definition of a reform strategy for implementation of the new PFM framework resulting from the WAEMU Directives.** An initial level of strategic assistance will focus on updating the PA-RGFP to facilitate better incorporation of all the reforms resulting from the Directives. In addition, specific strategies will be prepared for the reforms that are the most important structurally, namely, the reorganization of the MEF; the establishment of the CUT, for which the strategy will be finalized; and changes to the information systems;
  - **Management of the reforms.** Methodological and operational support will be provided to guide and coordinate the reforms within the MEF and with the sectoral ministries in the PFM area, and to strengthen the dialogue with donors;
  - **Operational assistance for the reforms in the areas covered by the project.** This assistance will be given primarily by the resident advisors, with support from short-term expert missions;
  - **Programming and implementation of training and awareness-raising activities.** A PFM training strategy and plan will be prepared for staff concerned in the MEF, the sectoral ministries, and the CdC, in accordance with the fifth objective of the project (to enhance the capacity of the CdC to analyze budget and accounting data). A high-level seminar on the PFM reforms will be held, with the support of Mr. Ghonda Makiadi, who will also assist the authorities with communications and awareness-raising on the PFM reforms. The two resident advisors will provide the training, to be supplemented with training by the short-term missions.
13. **The timetable for the TA activities is presented at the beginning of the report.** This detailed sequencing is indicative only and will be amended as needed based on progress made with the reforms and the project. In the various areas covered by the project, it is based on the following priorities:
- **The revitalization of existing structures and the provision of methodological tools for managing and monitoring the reforms.** The mission has opted to rely on the existing institutional framework so that the restructuring actions can be started as quickly as possible. Mr. Ghonda Makiadi's work will fall under the PA-RGFP, which he will help make more operational and consistent with the activities of the MEF directorates. Once this framework is fully operational, the new PFM framework resulting from the WAEMU Directives will be fully integrated into the PA-RGFP, and the work of the reform monitoring committee will be carried out;
  - **In the area of budget execution, simplification of the expenditure process, strengthening of expenditure monitoring, and recording of expenditure.** The devolution of payment order authorization and FC is part of the attempt to clear the

expenditure bottlenecks and will be implemented gradually throughout the project along with actions to strengthen the Administrative and Financial Affairs Directorate (DAAF) in each ministry;

- **In the area of cash management, making the CTT operational, improving the cash plan, and strengthening the CUT.** Only after this can actions be taken to improve the procurement plans (PPMs) and commitment plans (PEs). The establishment of a system of liquidity management instruments (*billets de trésorerie*) will be a longer-term objective;
- **Concerning the production of accounting and financial data, initially increasing the reliability of the cash basis trial balances and the TOFE.** Special attention will be paid to the timely production of consistent and reliable year-end budget laws and consolidated financial statements (CGAF). The implementation of accrual basis accounting will be planned for the longer term;
- **Concerning the modernization of the ministry, priority will be given to understanding the existing PFM framework and finalizing the draft decree on organizational structure of the MEF.**

### **C. Identification of the Risks to Project Implementation**

14. **The main risks that may delay implementation of the project and achievement of the objectives established in the EU-IMF agreement are:**

- Institutional and political risk related to delays in the adoption of the draft laws transposing WAEMU directives, especially of the budget framework law (LOLF). This draft law, which is the cornerstone of the PFM system, has still not been passed by parliament. Legislative elections are expected to be held soon, but their date was not yet set at the time of the submission of this report. To mitigate this risk, the project will focus initially on improving the existing financial management system;
- Risk related to the proposed financial reforms, combined with the general reorganization of the MEF, the planned creation of an autonomous Togolese revenue office, which would have an impact on the recording of revenues, and the establishment of a deposit and consignment office (*Caisse des dépôts et consignations*), which could change the cash management framework. These structural reforms could slow the more technical actions aimed at improving management envisaged in the EU-IMF joint project. This risk will be contained through active support to the finalization of the draft decree reorganizing the ministry and through the resident advisors assistance in helping with these reforms;
- Risk related to the absorption and reform capacities of the MEF. The flow of information and cooperation among staff seem inadequate and capacity building is needed. The resident advisors, under the authority of the minister, will make every

effort to facilitate communication and collaboration among staff, and training actions will be given priority;

- Lastly, risk related to the exclusion of budget preparation from the scope of this project. Expenditure execution, cash management, and accounting depend in part on the passage of an accurate budget law and realistic programming of public expenditure, especially capital expenditure, throughout the year. However, West AFRITAC's intervention will cover this upstream phase of PFM.

#### **D. Project Monitoring and Evaluation**

15. **FAD will monitor and evaluate the project.** It will be responsible for reviewing and approving the reports of the short-term TA experts and for evaluating the work of the resident advisors. An FAD follow-up inspection mission will take place at the end of the first year of implementation of the project.

16. **FAD will keep the EUD in Togo informed of project progress by means of periodic monitoring reports.** The mission has broken down and sequenced the objectives and performance indicators defined in the agreement signed between the EU and the IMF and these will constitute the project performance criteria (see Annex 3). The IMF resident representative will hold regular meetings with the EUD, in which the resident advisors will participate as necessary.

### **III. MANAGING THE PFM REFORMS AND COORDINATING WITH DONORS**

#### **A. Main Recommendations of Previous Missions**

17. **The September 2010 FAD mission had observed that despite the adoption of the PA-RGFP, there were problems coordinating and implementing the reforms within the MEF.** Its recommendations had been to: (i) clarify the design, implementation, coordination, and monitoring functions for the PFM reforms, specifying the roles and tasks of those involved; and (ii) give greater force to the text creating the inter-ministerial committee for the monitoring of reform policies and financial programs (PRPF) with donors, expanding its scope to include all ministries and spelling out its responsibilities.

18. **The June 2011 FAD mission had stressed the need to strengthen PFM reform management.** It had pointed to the lack of a strategy for managing the reforms and the need to make the PFM management institutional framework operational. As a result, the mission had recommended: (i) that a clear, realistic strategy that included a change management process be developed so as to help put the new PFM framework into effect; (ii) that a high-level structure to guide implementation of the PFM reform strategy be created; and (iii) that the assistance of donors be sought, based on the roadmap, to obtain the necessary support for reform implementation.

## B. Analysis of the Current Situation

### Reform management institutional framework

**19. The institutional framework for managing the PFM reform remains unchanged.**

Decree 2012-006/PR of March 7, 2012 organizing the ministerial departments confirms the existence of the SP-PRPF, which operates directly under the authority of the minister. The tasks of the SP-PRPF remain defined by the decree creating it (Decree 2008-031/PR of February 15, 2008). Decree 154 of June 19, 2008 has not been amended and continues to identify the members of the PRPF committee, without specifying their duties.

**20. The organization of the SP-PRPF into four divisions could be improved.** The four divisions are responsible for: (i) monitoring relations with the IMF and the AFD (Division 1); (ii) monitoring relations with the World Bank and the AfDB (Division 2); (iii) monitoring the reforms in all ministries and relations with the EU (Division 3); and (iv) coordinating financial policies, particularly in the parapublic sector (Division 4). This structure disperses the Secretariat's human resources (13 professionals) and overburdens Division 3, which is responsible for monitoring all reforms in the government. Furthermore, it may make more difficult to coordinate with donors, since monitoring of donor coordination is distributed among Divisions 1, 2, and 3.

**21. A draft implementing regulation for the decree on the organization of the ministerial departments provides for the restructuring of the SP-PRPF.** This draft decree, a copy of which was given to the mission (which made detailed comments—see below), very broadly reiterates the tasks already assigned to the SP-PRPF, while adding a more strongly stated inter-ministerial role. The SP-PRPF would be reorganized into two units, one responsible for monitoring programs, and the other responsible for monitoring the reforms. While there is still room for improvement in this structure, it would facilitate coordination of donor activities and enhance reform monitoring. The SP-PRPF must, however, ensure proper coordination between the reforms undertaken with donor support and those carried out by the authorities in the context of the PA-RGFP.

**22. Despite its best efforts, the SP-PRPF is still not entirely operational.** The monitoring committee is not meeting once a quarter as it is supposed to, especially to monitor of PA-RGFP implementation, although reform focal points have been designated in all ministries, in accordance with Decree 109/MEF/SP-PRPF of April 23, 2010. Meanwhile, its action has recently been focused primarily on guiding and providing direct methodological support for the establishment of medium-term expenditure frameworks (MTEF) in the sectoral ministries. The objective is to enable appropriations managers in the ministries to prepare PPMs and bid documents (DAO) on this basis by end-2012, with a view to increasing the rate of use of appropriations. The SP-PRPF is still unable to monitor the reforms being handled by the MEF directorates, which are under the authority of the Secretary-General of the ministry and do not submit regular reports on their work.

23. **Bearing this in mind, the mission suggests revitalizing the existing institutional framework rather than adopting a new framework for managing the reforms.** The coordination problems seem to be explained less by the unsuitability of the institutional framework than by the inadequate flow of information and the collaboration difficulties among MEF units and, more generally, among ministerial departments. These problems affect not only the management of the reforms but also the production of certain data, which are crucial for monitoring public finances (see below). In that context, it is important for the entities responsible for managing and monitoring the reforms to meet more regularly and to improve the tools available to them for carrying out their tasks, with the support of the resident advisor responsible for helping to manage the reforms.

### **Public finance reform strategy**

24. **Implementation of the PA-RGFP is hampered by a disconnect with the action plans of the MEF directorates.** Although the PA-RGFP represents a reference framework for PFM reform, it has not been broken down into specific activities. The MEF directorates have formulated detailed action plans, but these have not been consolidated in a single action plan, which is what the PA-RGFP should be. That work would facilitate the establishment of a reform database that would be closely monitored on a regular basis as part of the work of the PRPF committee.

25. **The half-yearly reviews of PA-RGFP implementation do not facilitate operational monitoring of the reforms.** The SP-PRPF is not managing to collect reform monitoring data, as there is no one methodological approach common to all the directorates. It is not possible, on the basis of the review reports, to determine the progress made and problems experienced, over the previous six months, with the actions taken previously. The next review, scheduled for November 2012, should be an opportunity for a full, up-to-date report on the implementation of the PA-RGFP since its adoption in 2010, and should allow for an assessment of two years of implementation of the action plan and, on that basis, identification of the priority measures and actions to be taken for 2013.

### **Cooperation and coordination with donors**

26. **The inter-agency donor group on public finance is still not active enough, despite the considerable involvement of donors in this area.** Since 2006, the main donors have been supporting the government's efforts in the PFM area within the framework of institutional support programs (AfDB, EU, and UNDP), TA (West AFRITAC, French Embassy), and budget support (World Bank, AfDB, and EU, in particular). However, the group responsible for relations between the authorities and the donors, under the authority of the SP-PRPF, is not yet a framework for dialogue and regular discussions on public finance. The reforms are being monitored, instead, in the context of the projects of each of the donors.

27. **Although the government and the donors have introduced coordination tools, they are not yet entirely operational.** The MEF directorates have defined their TA needs



within the framework of PA-RGFP implementation, but there has been no consolidation of those needs. The government, with the support of the main donors involved in the PFM area, has drawn up a common matrix of budget support that has not yet been approved.

28. **The donors with whom meetings were held during this mission expressed their shared wish to strengthen the joint dialogue with the authorities.** Accordingly, the World Bank suggested that a common matrix of prior actions and triggers be put in place, along with a mechanism for budget support operations' joint reviews. The other donors expressed interest in such an approach, which could be led by the government with the support of the resident advisor responsible for reform management and donor coordination.

29. **The mission suggests that the inter-agency donor group be revived on the basis of coordination tools, and that a system of joint reviews by donors be established.** The fact that the number of donors active in Togo is small should facilitate such collaboration. The work of this group should be organized on a more regular basis and it should be provided with tools, such as a comprehensive map of donor involvement in the PFM area and a costing of TA needs. An agreement between the authorities and the donors providing budget support would be prepared and signed, defining a framework and a method for joint reviews, without, however, establishing a new inter-agency donor group. It will be up to the authorities and the donors to decide who will sign that agreement and who will participate in the joint reviews.

### **C. Recommendations to be Implemented through the Project**

- Acquire a single reform management tool by consolidating the PA-RGFP and the action plans of the MEF directorates;
- Conduct a detailed survey of PA-RGFP implementation as part of the next review;
- Design methodological tools for monitoring and reporting on the reforms;
- Draft and sign an agreement with the donors providing budget support, and prepare a common matrix of triggers for these operations.

### **D. FAD Support through the Project**

#### **Project objective and verifiable indicators**

30. **The joint support of the EU and FAD is aimed at ensuring implementation of the PA-RGFP over the period 2012–14 and strengthening the reform management and monitoring mechanisms, including the framework for the dialogue with the donors.** The verifiable indicators in this area are:

- satisfactory progress in the implementation of the action plan, as attested by the minutes of the joint reviews; and

- meetings of the partnership framework with the donors involved in the PFM area.

### Expected project outcomes

#### *Description of the expected outcomes*

31. **The government should have a realistic roadmap for implementing the PA-RGFP and an operational institutional framework.** The first outcome will be achieved by the preparation of a detailed roadmap, based on an estimated costing of implementation and a monitoring system that defines indicators, targets, and outcomes. This roadmap should be reflected in annual action plans that are defined and monitored in the half-yearly sectoral reviews. The institutional framework will be strengthened by the identification of the officials responsible for monitoring the reforms and trained in the context of this project, and by sectoral reviews conducted on a half-yearly basis with donor participation.

#### *Verifiable indicators and deadlines*

32. **The verifiable indicators for implementation of the PA-RGFP remain the same in substance.** In light of the delays observed in the signing of the project agreement and the time needed for the preparation of a comprehensive, detailed PA-RGFP roadmap, completion dates have been set and slightly staggered over time.

**Table 3. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
1.1. PA-RGFP – The government of Togo has a realistic roadmap for implementing the PFM strategy adopted.	A detailed roadmap with a monitoring system (indicators and targets) for implementation of the PA	September 2013
	The PA-RGFP is supported by a performance monitoring mechanism.	June 2013
	The costs of implementing the PA-RGFP are assessed for at least a three-year period.	March 2013
	An annual action plan highlighting the priority measures and the expected outcomes for the year is prepared at regular intervals.	As of December 2012
1.2. PA- RGFP – The institutional framework for managing implementation of the PA-RGFP is operational.	The structures and persons responsible for reform implementation and monitoring regularly present the results of their work in the sectoral committee.	As of December 2012
	The staff responsible for monitoring the reform and preparing the periodic reports are trained.	
	Working groups for each program in the PFM reform strategy are fully operational.	
	Each working group prepares quarterly reports on implementation of the program.	
	The joint sectoral reviews on progress made in the implementation of the PA-RGFP are held once every six months in the context of the inter-agency donor group, on the basis of the annual plans and the monitoring system.	

33. **For the institutional framework, the indicator concerning the appointment of the persons responsible for monitoring has been reformulated, and the indicators are expected to be met.** In the first verifiable indicator, mention of the actual appointment of the staff that will be responsible for implementation of the PA-RGFP has been removed, as this depends solely on the decision of the authorities. The various indicators were expected to be met by December 2012, the date of the first half-yearly PFM review.

*Operational action plan*

**Table 4. Activities Implemented through the Project**

Activity	Goals	Date	Resources
FAD resident advisor responsible for reform management	Prepare for the next review of the PA-RGFP	As of October 2012	1 expert, 18 months
	Improve the PA-RGFP monitoring reports		
	Improve the integration of the PA-RGFP with the action plans of the directorates		
	Establish a database of the activities and the recommendations made by FAD, the short-term experts, and West AFRITAC, and organize the monitoring of performance indicators		
	Organize regular committee meetings		
	Map donor involvement in the PFM area		
	Finalize the costing of PA-RGFP activities		

**IV. IMPLEMENTATION OF THE WAEMU DIRECTIVES**

**A. Main Recommendations of Previous Missions**

34. **The legal and regulatory framework for PFM in Togo must be compliant with the WAEMU Directives.** To that end, the 2010 and 2011 FAD missions recommended the following measures:

- Promptly take the steps necessary for transposition of the new WAEMU directives into national law;
- Develop an action plan to ensure the consistency of the existing legal framework with the provisions in the draft organic law establishing the Transparency Code; and
- Insert transitional provisions in the draft LOLF to incorporate Article 86 of the directive and prepare an implementation schedule for the period 2012–19.

**B. Analysis of the Current Situation**

35. **The Togolese authorities have laid the groundwork for the transposition of the regional directives into national law.** This involves legislation, i.e., the draft LOLF and the draft law establishing the Transparency Code, and four decrees establishing general

regulations on government accounting, the government budget classification (NBE), the government chart of accounts (PCE), and the fiscal reporting table (TOFE).

36. **The legislation was submitted to the National Assembly (NA) but could not be passed during the last session of the NA.** The Finance Committee objected to the provisions in Article 25 of the draft LOLF whereby the Minister of Finance would be able to cancel appropriations because they were no longer applicable or to prevent a budget deficit. The mission urges the authorities to do everything possible to have the NA pass this legislation, for which the national transposition deadline expired at end-2011, while ensuring that the amendments suggested by the previous FAD mission are made. This involves introducing a transitional period for the implementation of some of the most innovative reforms, and authorizing tests in this regard.

37. **Pending the enactment of the new LOLF, the mission suggests that the draft decrees be reviewed, and that the regulations requiring amendment be inventoried.** The mission suggests that the regulations in question be reconsidered, in particular the draft decree establishing the PCE, especially to clarify the accounting treatment of capital transfers and project grants.

38. **The authorities should immediately begin preparing for gradual implementation of the directives.** Although the PA-RGFP mentions the transposition of the directives into national law and their implementation is included in its objectives, actual implementation will require the identification of more detailed activities, with a timetable corresponding to the deadlines mentioned in the regional directives. FAD can provide assistance as part of the project financed by the EUD and thus facilitate revision of the PA-RGFP in 2013.

39. **In addition, the MEF could start the work to implement the new NBE and the new PCE and prepare for changes in the integrated public financial management system (SIGFIP).** The preparation of a new NBE and a new PCE should be preceded by an analytical study of the current budget classification and chart of accounts to identify where they differ from the directives, as well as the changes required to take into account the specific characteristics of PFM in Togo. Bridge tables should be prepared, as well as an implementation timetable. SIGFIP should also be configured. The timing of these changes should be brought forward to make them simultaneous with changes in the organization and in the operational processes.

40. **Training and awareness-raising actions should be carried out to ensure the success of the changes resulting from the new public management methods.** To obtain the support of senior officials of the MEF, sectoral ministries, and parliament, awareness-raising efforts should be undertaken. A communications plan should be devised, along with a coherent training strategy to create a critical mass within the MEF to carry the reforms forward.

### C. Recommendations to be Implemented through the Project

- Prepare a roadmap for gradual implementation of the future legal and regulatory framework resulting from the WAEMU Directives;
- Prepare and implement a PFM change communications plan;
- Organize a high-level workshop on implementation of the new PFM framework.

### D. FAD Support through the Project

#### Project objective and verifiable indicators

41. **The objective of the project is to ensure that budget execution, accounting, control, and execution reports are in compliance with the WAEMU Directives.** This objective seems particularly ambitious considering that implementation of this project ends in June 2015. In fact, transposition of the directives into national law could not be achieved within the timeframe set by the directives (December 31, 2011), which provide longer deadlines for the implementation of the more far-reaching reforms, including the areas covered by the project: January 1, 2017 for the devolution of payment order authorization and the annexes to the budget review law, and January 1, 2019 for general accounting.

#### Expected project outcomes

##### *Description of expected outcomes*

42. **The expected outcome is readiness to implement the WAEMU Directives.** The project gives priority in this context to capacity building for managing implementation by educating the key players, formulating an implementation strategy, and evaluating the impact of the directives on the existing information systems.

##### *Verifiable indicators and deadlines*

43. **No completion date has been set in this area by the project.** The following table gives dates for completion of the outcome expected in this area.

**Table 5. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
2. Regulatory and institutional framework – Readiness to implement the WAEMU Directives	Senior officials of the MEF and the spending ministries are aware of the challenges and the changes resulting from the PFM reform and especially from the WAEMU Directives.	September 2013
	Roadmaps are ready for planning medium-term implementation of the directives in the areas covered by the project.	September 2013
	An assessment has been made of the changes necessary to enable SIGFIP to take account of the new environment created by the WAEMU Directives.	September 2014

*Operational action plan***Table 6. Activities Implemented through the Project**

<b>Activity</b>	<b>Goals</b>	<b>Date</b>	<b>Resources</b>
FAD resident advisor responsible for strengthening budget execution, accounting, and cash management	Inventory the regulations, manuals, and procedures to be amended	As of October 2012	1 expert, 24 months
	Support updating of the regulations, manuals, and procedures		
	Prepare a budget classification consistent with the government chart of accounts, in accordance with the WAEMU Directives		
	Propose a communications plan on PFM reforms		
	Train SP-PRPF staff to manage the reform		
Support implementation of the new LOLF	Prepare the roadmap for implementation of the LOLF	June 2013	1 expert, 2 weeks
Make decision-makers aware of the new PFM framework	Organize a high-level seminar on the new PFM framework and the roadmap for its implementation	September 2013	An FAD mission
List the functional needs of the MEF for changes in SIGFIP	Assess the impacts of the LOLF on the government financial reporting system Develop a three-year plan of changes in the IT system	July 2014	1 expert, 2 weeks

**V. BUDGET EXECUTION AND PUBLIC PROCUREMENT****A. Analysis of the Current Situation****Main recommendations of previous missions**

44. **In the area of budget execution, the mission had noted that the expenditure process had been streamlined, through the elimination of control by the delegated authorizing officer after clearance by Financial Control (FC),** but that delays remained in the preparation of budget execution, the budget control system was still onerous, and the expenditure process remained slow and cumbersome as a result especially of the centralization of FC. The mission's recommendations had been to: (i) issue the appropriations decrees in early January; (ii) review the regulatory system with a view to simplifying and streamlining it; (iii) formulate a strategy for the devolution of payment order authorization and FC; (iv) put in place a data entry platform for use solely by appropriations managers; and (v) finalize the organizational changes required by the process to unify the current and capital expenditure execution processes.

45. **The June 2011 FAD mission had observed a gradual improvement in the operations of the entities responsible for public procurement.** Coordination among the National Directorate of Public Procurement Control (DNCMP), the contracting authorities, and public procurement staff assigned to the contracting authorities improved. However, the

mission noted certain weaknesses that affected budget execution, i.e., limited capacity and delays in PPM and DAO preparation, as well as a relatively low level of public procurement.

46. **The mission therefore recommended:** (i) that PPMs be prepared after submission of the PLF to the NA office and that they be updated in January after publication of the LFI; (ii) that, within the framework of the preparation of estimated cash plans, the type of information recorded in PPMs and PEs be improved and that the time taken to produce and update them be reduced; and (iii) that the PEs be prepared on the basis of the PPMs and regularly harmonized with the cash plan.

## **Budget execution**

### *Analysis of the budget classification*

47. **Improvements to the budget classification are needed to ensure its compliance with the regional rules decreed by the WAEMU in June 2009.** The expenditure execution budget classification in Togo is incomplete. It comprises nine segments (eight, excluding the title, corresponding to economic type), compared with the four (administrative, program-based, functional, and economic) recommended in Directive 8/2009. It is broken down into sections, chapters, subchapters, descriptions, functional codes, articles, paragraphs, and lines. The chapter code ranges between 10 and 15 characters. The structure of the classification promotes a proliferation of budget envelopes. Moreover, the coding using in the economic classification is not consistent with the one in the *2001 Government Finance Statistics Manual (GFSM)*. Finally, it does not include the program-based classification included in the breakdown provided in the new directive.

### *Analysis of budget execution conditions*

48. **Speeding up budget execution remains an obstacle to improving the rate at which appropriations, especially those destined for investments, are used.** A significant effort has been made to produce manuals and various tools to support those working in this area. Several capacity-building workshops have been organized by donors. However, the progress made is not yet sufficient to strengthen execution of the line-item budget. The capacity for budget execution in compliance with the rules remains weak. Reporting on budget execution is still neither reliable nor comprehensive.

49. **The process of improving execution of wage bill is under way.** The civil service survey has been completed, and the results are being processed by a private firm. The mission was informed of problems arising in taking the results already obtained into account. The Finance Directorate (DF) is working closely with the firm in question to clarify the situation.

50. **The capacity to execute domestically financed capital expenditure is very limited.** As of June 30, 2012, only 10 percent of expenditure in this category had been paid.

These problems result especially from: (i) insufficiently selective programming of projects upstream of budgeting, taking into account the financial resources actually available and the capacity for execution; (ii) inaccurate budgeting of investment projects, certain projects being fully budgeted as of their first year even if their implementation is spread over several fiscal years; and (iii) a cumbersome expenditure process and contracts that are difficult to execute during the fiscal year and that are thus affected by the one-year budget rule (*principe d'annualité budgétaire*). In addition, externally financed expenditure is not recorded in the financial information system (SIGFIP), owing to the lack of procedures for the collection of data on donor funded investments.

51. **Delegated authorizing officers and appropriations managers (ACs) should use the tools at their disposal to accelerate expenditure execution.** SIGFIP provides users with all the functionalities necessary for automation of the various stages of expenditure execution and avoiding the manual repetition of tasks, which can result in duplications and delays. Its module for monitoring execution deadlines is a tool that senior officials and managers should use in the performance of their work.

52. **The platform to be used by ACs to input data from expenditure commitment records is not yet operational.** This platform will help accelerate expenditure execution, as ACs will be able to enter commitment record data, which will then be accessible on-line by FC. For the time being, appropriations managers are continuing to submit expenditure commitment records to the financial controller, who verifies their legitimacy and consistency and then enters the approved data into SIGFIP. This platform is expected to become operational as of January 2013. Training should therefore be provided for ACs by end-2012 if start-up as of FY 2013 is desired.

#### *Analysis of the various phases of the expenditure process*

53. **The decree on the distribution of appropriations and the expenditure authorization forms are prepared by the Budget Directorate (DB) following passage of the initial budget law (LFI).** The decree on the distribution of appropriations is the legal instrument on which implementation of the approved budget is based. It is always signed late, as MEF staff members prepare it after the LFI has been passed. To get around this problem, appropriations managers are provided with expenditure authorization forms so that they can begin the steps required for execution of their budgets. Although the reasons for doing this are understandable, the legality of this procedure is unclear so long as the decree on the distribution of appropriations has not been signed. Priority should therefore be given to drafting the decree on the distribution of appropriations as soon as the PLF has been submitted to the National Assembly, as changes to the PLF during the parliamentary debate are generally limited.<sup>1</sup>

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<sup>1</sup> As a result of constitutional provisions limiting the right of members of parliament to amend.



54. **The setting up of FC's office in the sectoral ministries and the devolution of payment order authorization to the sectoral ministries and the regions remains a medium-term objective.** The payment order authorization function is concentrated within the MEF, the Minister of Finance still being the sole senior authorizing officer for the government budget. The Director of Finance is the delegated authorizing officer for operating expenditure, while the Plan Financing and Implementation Monitoring Directorate (DFCEP) remains the delegated authorizing officer for capital expenditure. The only exception is the Ministry of Defense, whose administrative and financial officer is its delegated authorizing officer. The Financial Control Directorate feels that the devolution of the expenditure control function should go hand in hand with devolution of payment order authorization, and that delegated FC should be assigned to authorizing officers (whether senior, delegated, or junior), rather than to the ACs. There are over 500 ACs in Togo, compared with about 20 financial controllers, and FC's oversight responsibilities span the whole country. However, there is nothing to prevent their carrying out FC on an experimental basis at a limited number of ministries for controlling ACs' operations, after SIGFIP has been deployed.

55. **Implementation of the strategy for the gradual setting up of financial control office and the devolution of payment order authorization has not begun.** A February 2012 FAD mission suggested a strategy for the devolution of FC and payment order authorization. The controlled, gradual approach proposed has not yet been implemented. Pending enactment of the LOLF, the reorganization of the ministerial departments (with the creation of DAAFs within them) represents a major step toward making the devolution of payment order authorization a reality. The DAAFs would be ACs for their own appropriations and delegated authorizing officers appointed by their minister. Appropriations managers would continue to prepare their expenditure commitment proposals, while the DAAFs would perform commitment and payment order authorization functions.

56. **There are still two parallel processes for the execution of current expenditure and capital expenditure.** Current expenditure proposals are prepared by the ACs, cleared and entered into SIGFIP by FC, verified by the ACs, validated by the financial controller, authorized for payment by the DF, and paid by the General Pay Office of the Treasury (PGT). Capital expenditure proposals follow the same process, except that the DFCEP is responsible for the payment order authorizations.

### **Public procurement**

57. **Since 2009, the authorities have reformed the legal and regulatory framework for public procurement.** The legislation<sup>2</sup> updating the public procurement system

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<sup>2</sup> Law 2009-013/PR of June 30, 2009 on public procurement and public service delegation; Decree 2009-277/PR of November 11, 2009 establishing the Public Procurement and Public Service Delegation Code; Decree 2009-295/PR of December 30, 2009 describing the mission, powers, organization, and functioning of

demonstrates a willingness to make the public purchasing procedures consistent with international standards and with the WAEMU Directives.<sup>3</sup>

58. **The procedures have improved as a result of the creation of agencies specifically responsible for public procurement.** In November 2011 the Public Procurement Regulatory Authority (ARMP) organized training for staff involved in public procurement, in particular on the preparation of PPMs. The ARMP also prepared model bid documents, which were validated in April 2012, and trained all members of the procurement agencies.

59. **By Decree 2011-059/PR of May 4, 2011, the authorities also updated the public procurement thresholds.**<sup>4</sup> This is a step toward making the expenditure execution procedures more flexible and reducing the cases of multiple smaller contracts being used in order to avoid competitive bidding.

60. **Nevertheless, the PPM validation process remains too slow for processing to start at the beginning of the fiscal year.** For FY 2012, the DNCMP validated 64 PPMs (34 for ministries; 18 for government agencies, institutions, and local governments; and 12 for public corporations). The authorities took steps to educate the sectoral ministries so as to improve the use of appropriations for investment projects by inviting them to submit PPMs for the 2013 LFI in 2012, which would then be updated upon enactment of the LFI. However, as at end-September 2012, no ministry has submitted draft PPMs for FY 2013 to the DNCMP.

61. **PPMs are not yet used as a cash management tool.** The DNCMP should, after receiving them, compile an annual consolidated table before beginning to input the data into the annual estimated PE. Until now, the statement showing the consolidation of the PPMs has been produced at year-end for annual reporting purposes only.

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the National Directorate of Public Procurement Control; Decree 2009-296/PR of December 30, 2009 describing the mission, powers, organization, and functioning of the Public Procurement Regulatory Authority; Decree 2009-297/PR of December 30, 2009 describing the mission, powers, organization, and functioning of entities responsible for contracting and public procurement control; Decree 2008-178/PR of December 19, 2008 amending Decree 94-039/PR of June 10, 1994, setting out limitations on the works, supplies, and services exempt from competitive public bidding procedures.

<sup>3</sup> Directives 04/CM/2005 and 05/2005/CM of December 9, 2005.

<sup>4</sup> The above-mentioned decree sets the thresholds as follows: CFAF 15 million for contracts for works, supplies, or services and CFAF 25 million for contracts for intellectual services for central and devolved government departments, public entities, decentralized local governments and their public entities, agencies, and offices. In the case of public enterprises (public and semi-public corporations) as well as public entities, the thresholds are set at CFAF 25 million for works contracts, CFAF 50 million for supply and services contracts, and CFAF 25 million for intellectual services.

62. **The delays in DAO preparation and their high rejection rate slow down expenditure execution.** During the first half of 2012, the DNCMP validated 194 DAOs out of 543 expected from the forecasts in the PPMs. The DNCMP should reduce the time it takes to issue notices of non-objection to 15 days from receipt of the DAO (delays of from 60 to 90 days were recorded in 2011). In addition, as a result of the persistent difficulties with DAO preparation, the DNCMP rejected 152 at first referral. These rejections and the procedural steps generate delay in the budget execution. It is essential that the ARMP prepare a circular without delay making the use of the model DAOs mandatory.

63. **The DNCMP should play a more proactive role in the monitoring of PPM and DAO production.** It should take greater advantage of the advisory role assigned to it by Article 4 of the decree that created it (Decree 2009-295/PR) to provide technical support to contracting authorities regarding their activities, from PPM and DAO preparation to the eventual acceptance of the work. To that end, the DNCMP should monitor the rate of implementation of PPMs, with a view to reminding contracting authorities about the observance of deadlines. Finally, contracting authorities should be careful when signing contracts to ensure that the execution deadlines leave room for proper budget funding during the year.

### **B. Recommendations to be Implemented through the Project**

- Adapt the budget classification for compliance with the provisions of WAEMU Directive 08/2009;
- Ensure the traceability in the information system of capital expenditure financed by donors;
- Call on the sectoral ministries to submit their estimated PPMs for FY 2013 at the same time as the PLF is being submitted to the NA;
- Before the start of the fiscal year, prepare a consolidated table of PPMs and forward it to the staff responsible for compiling the annual PE.

### **C. FAD Support through the Project**

#### **Project objective and verifiable indicators**

64. **The project pursues two main objectives in the areas of budget execution and public procurement.** The first is to improve budget execution, especially priority capital expenditure and public procurement. The aim is to simplify the expenditure process, and to reduce the time required for execution and the amount of expenditure executed using exceptional procedures. The second objective is to train officials working in these areas to ensure that the new procedures defined in the context of the project are applied properly.

## Expected project outcomes

### *Description of expected outcomes*

65. **The expected outcome is an improvement in the budget execution and expenditure procedures.** Actions by the resident advisors, supported by the short-term experts, will facilitate progress in these areas.

### *Verifiable indicators and deadlines*

66. **The indicator for the strategy for the devolution of payment order authorization and FC has been removed, and the deadlines are set.** The devolution of payment order authorization and FC has already been the subject of a strategy defined by an FAD short-term expert mission in February 2012, and its implementation is covered by the indicator on the testing planned for this area. The completion dates not indicated in the project are set.

**Table 7. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
3.1. Budget execution – Budget execution and expenditure procedures are improved.	The internal and external controls, as well as the diagnostic studies done after updating of the manuals, reflect a broadly acceptable application of the new legal and regulatory framework.	March 2015
	The expenditure process is streamlined and flows more smoothly; in particular: - The time between the date of submission of procurement documentation to the DNCMP and delivery of its non-objection decision is reduced from the current 75-90 days to a maximum of 20 days, compared with the 15 days indicated in the legislation (December 31, 2014); - The length of time that expenditure documentation should stay with the various officials involved in its processing, as established by the decree of April 20, 2011, is specified for each phase and monitored regularly (September 30, 2014).	March 2015
	The devolution of payment order authorization is in place in at least three of the main spending ministries. These ministries are applying the rules contained in the manuals on budget execution and the accounting procedures.	March 2015

*Operational action plan***Table 8. Activities Implemented through the Project**

Activity	Goals	Date	Resources
FAD resident advisor responsible for strengthening budget execution, accounting, and cash management	Support to the mission on the budget execution procedure	As of October 2012	1 expert, 24 months
	Organization of monitoring of the length of that expenditure documentation stays with the various officials involved in the process		
	Development of a table for monitoring processing times in the expenditure process		
	Assistance for implementing suggestions made to improve the expenditure process (including payment delays)		
	Training of MEF personnel in the budget execution procedures and their monitoring		
	Training of DAFs and financial controllers		
FAD resident advisor responsible for managing the reforms	Strengthen the mechanisms for reporting to donors on externally financed investment projects	As of October 2012	1 expert, 18 months
Strengthen the expenditure process	Streamline the expenditure process to shorten budget execution and procurement delays	May 2013	1 expert, 2 weeks
Strengthen budget execution	Prepare for testing of the devolution of payment order authorization and FC	March 2014	1 expert, 2 weeks

**VI. CASH MANAGEMENT AND THE SINGLE TREASURY ACCOUNT****A. Main Recommendations of Previous Missions**

67. **The most recent FAD and West AFRITAC missions recommended establishing a policy framework and introducing active cash management as well as a single treasury account (CUT).** In the policy area, these recommendations were aimed at making the institutional cash management framework operational.

68. **In the area of cash management, the missions proposed:** (i) the preparation of an annual estimated cash plan simultaneously with the PLF, and its submission to parliament at the same time as the PLF; (ii) the preparation, after approval of the PLF, of a rolling quarterly cash plan, with each operational month subdivided into weeks; and (iii) improvement of the quality of disbursement programming through the production of PPMs and PEs.

69. **The recommendations on the establishment of the CUT were aimed at:** (i) ensuring that the accounts of the customs (DGD) and tax (DGI) directorates and of the Receiver-General of the Treasury (RGT) were swept into the ACCT current account more

quickly; and (ii) pursuing ongoing efforts to reduce the number of government bank accounts at commercial banks and streamline the number of accounts maintained at the Central Bank of West African States (BCEAO) by senior government accountants.

## **B. Analysis of the Current Situation**

### **Government cash management framework**

70. **The cash management institutional framework is not fully operational.** The cash management committee (CT), which is the inter-ministerial policy- and decision-making body, is not really active. The CT is supposed to be chaired by the Minister of Finance and to include representatives of the Office of the President of the Republic, the Prime Minister, and the ministries covering the priority sectors, and to hold meetings monthly. The CT has not met since the June 2011 mission, its only meeting having taken place on May 3, 2011.

71. **The cash management technical committee (CTT) does not function optimally.** It is responsible for preparing the annual cash plan, ensuring that it is implemented and updated, and taking any steps necessary for cash management purposes. It does not meet every month; as of end-September 2012, it had not met since June 22, 2012. It is supposed to be chaired by the Minister of Finance and comprise the MEF directors-general and directors as well as senior government accountants and the BCEAO. In fact, the Secretary-General of the Ministry chairs the CTT and the conclusions of CTT meeting are then forwarded to the Minister of Finance. No decisions are communicated back to the CTT by the minister. Practically speaking, expenditure payment decisions take no account of the cash plan and are not the subject of any monitoring.

### **Cash management tools**

72. **The reliability of the cash plan was recently improved.** The headings have been improved as recommended by the previous mission. Initiatives have also been taken to improve the quality of the data in the cash plan. In particular, a draft decree was prepared in June 2012 to establish the framework for production of the necessary data. Tables were forwarded to the data-reporting departments. The cash plan is now accompanied by brief comments and annexes (monthly statement of revenue, by revenue-collecting agency; monthly statement of payments, by major type; expenditure settled for the previous fiscal year).

73. **Despite this progress, the annual estimated cash plan does not yet accompany the PLF.** This deprives the parliament of important information on the sustainability and feasibility of the draft budget. The draft LOLF, which has been sent to parliament, requires that the cash plan be an annex to the PLF.

74. **In addition, the annual estimated cash plan is not yet reliable.** It contains no external financing amounts. A data collection process should be put in place to ensure that

the amounts involved are known, not only the estimates but also the actual numbers. Finally, the cash plan reveals a financing gap over the 12 months of the year; this does not reflect reality but rather a problem with the reliability of the estimates.

**75. Implementation of the cash plan in 2012 reveals significant gaps between the monthly estimates and outturn.** This concerns mainly revenue, which means that there are weaknesses in the intra-year scheduling and updating of the cash plan. The quality of the monthly scheduling of collections leaves room for improvement, and in all cases there is a need for the cash plan data to be continuously revised to reflect actual execution. On the expenditure side, the PPMs and PEs are not used for preparation of the cash plan. Disbursements continue to be programmed on the basis of the disbursements made in the three previous years and changes in GDP, without any account taken of the spending intentions of the ministries.

### **The use of short-term borrowing**

**76. The scheduling of treasury bill issuances is not based on actual needs revealed by the cash plan.** The estimate shows two issuances, for CFAF 30 billion and CFAF 50 billion, respectively, scheduled for January 2012 and June 2012. In reality, CFAF 13 billion in bonds was issued in January and CFAF 30 billion in bonds and CFAF 20 billion in treasury bills, for a total of CFAF 50 billion, in June. The redemption of CFAF 20 billion in June 2012 relates to a 2011 issuance. Meanwhile, the aim of interventions on the market with short-term securities should be to absorb temporary deficits resulting from a mismatch between the pace of revenue collections and expenditures.

### **Establishment of the single treasury account**

**77. As part of the process to establish the CUT, the DGTCP formulated an overall strategy in April 2012 that was submitted to the BCEAO for its opinion.** Four major objectives were identified : definition with the BCEAO of a CUT management mechanism, reduction of the number of accounts maintained at commercial banks, transfer of project accounts to the BCEAO, outreach to donors on the need to open project accounts at the BCEAO in future, along with the actions to be taken for each.

**78. The closing of government accounts with the commercial banks should continue.** As of June 30, 2012, government departments had 165 accounts at commercial banks. Overall, the number of accounts increased by 64 since the last FAD mission (101 accounts in June 2011). Senior government accountants also maintain several accounts at the BCEAO. The closing of the accounts at the commercial banks can be expected to be hampered by the fact that most of them are overdrawn, and the banks first require settlement of the outstanding balances. The DGTCP was unable to provide information on the number of overdrawn accounts or on the amounts of positive balances. The DGTCP should prepare more comprehensive records on the bank accounts, showing the balances, and should contact the banks on the practical procedures to be followed for overdrawn accounts. Finally, the

DGTCP must perform the tasks assigned to it by Decree 142/MEF/SG/DGTCP of May 21, 2010 establishing the conditions for the opening of accounts by government departments at commercial banks. This will involve, in particular, ensuring that the banks submit quarterly lists of the accounts opened by public entities and conducting inspection missions.

79. **Arrangements have not been made for the revenue accounts (DGD and DGI) to be swept into the account of the ACCT daily.** In the absence of such arrangements, a daily sweep in favor of the ACCT cannot take place, and this is apt to hinder the smooth settlement of expenditure, even when cash is available. However, a new mechanism for the centralization of revenue in a single account has been adopted, involving the sweeping of the DGD and DGI accounts into the RGT account daily. This is not yet in effect, and it is unclear whether the RGT account will be systematically swept into the ACCT and, if so, how often.

### **C. Recommendations to be Implemented through the Project**

- Adopt the draft decree on the mechanism for collecting the data needed for the cash plan and on the roles and tasks of those involved in preparing the plan;
- Complete the closing of government accounts still on the books of commercial banks;
- Ensure that the banks submit quarterly lists of the accounts opened by public entities and perform the prescribed inspections;
- Establish a mechanism for sweeping the revenue accounts into the RGT current account daily and for sweeping the RGT account into the ACCT account daily.

### **D. FAD Support through the Project**

#### **Project objective and verifiable indicators**

80. **The project aims to improve cash management and strengthen the CUT, within the framework of improvements to budget execution.**

#### **Expected project outcomes**

##### *Description of expected outcomes*

81. **The expected project outcomes are improved cash management and gradual restoration of the CUT.** These actions depend on a more reliable cash plan and an operational cash management institutional framework, the preparation of PPMs and annual short-term borrowing (Treasury bill) plans, and better data on and reduction in the number of government accounts.



### *Verifiable indicators and deadlines*

82. **The sequencing and information on the cash management indicators are improved, to take account of the limited progress made in this area, and CUT indicators are specified.** In light of the delay in the launch of the project, the indicator on the preparation of cash plans is postponed to end-2013, to facilitate preparations for FY 2014. The indicator on the institutional framework is also postponed, given the above-mentioned institutional constraints. The deadlines for the indicators on the PPMs, short-term borrowing, and CUT are indicated.

**Table 9. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
3.2. Cash management – cash management is improved.	A coherent annual cash management plan with a breakdown by month is routinely prepared.	End-2013
	The cash management institutional framework created by the MEF decrees is operational and produces regular reports at all levels.	As of September 2013
	PPMs containing information on commitments and payments are prepared by the main spending ministries.	End-2013
	An annual plan for short-term borrowing (Treasury bills) consistent with the annual cash management plan is prepared and adopted by the MEF, along with the annual cash management plan.	May 2015
3.3 <i>Single treasury account</i> – the CUT is gradually restored at the central bank.	The inventory of accounts maintained at commercial banks by government entities is updated once every six months.	As of December 2013
	A strategy and an action plan are adopted for establishment of the CUT.	End-2014

### *Operational action plan*

**Table 10. Activities Implemented through the Project**

Activity	Goals	Date	Resources
FAD resident advisor responsible for strengthening budget execution, accounting, and cash management	Support the strengthening of CT activities	As of Oct. 2012	1 expert, 24 months
	Support the formulation of annual, monthly, and weekly estimated cash plans		
	Support the actions taken to close bank accounts		
Improving cash management	Enhance the reliability of the estimated cash plans; Prepare a draft decree on ensuring the proper functioning of the CTT	April 2013	1 expert, 2 weeks
Improving cash management	Continue actions to enhance the reliability of the estimated cash plans	Oct. 2013	1 expert, 2 weeks
Improving cash management	Enhance the reliability of the PPMs; Train staff of the sectoral ministries in the preparation of PPMs	Nov. 2013	1 expert, 2 weeks
Strengthening the CUT	Formulate a new strategy and action plan for strengthening the CUT	Dec. 2013	1 expert, 2 weeks

## VII. FINANCIAL REPORTING

### A. Accounting

#### Main recommendations of previous missions

83. **The FAD and West AFRITAC missions in 2011 had recommended the reorganization and improvement of the revenue accounting.** They had recommended that the installation of accountants in the customs and tax directorates be continued with a view to having the revenue-collecting agencies use double-entry bookkeeping.

84. **The above-mentioned missions made recommendations on the reliability of the consolidated trial balance (BGC) and the consolidation and production of the government accounts.** These recommendations involved, in particular, correcting the shortcomings identified in the BGC in 2010 concerning the opening balance and various accounts whose closing balances could not be substantiated. The missions also recommended: (i) reducing the time required for producing the year-end accounts (*comptes de gestion*) of senior government accountants; and (ii) having the DGTCP prepare all the accounting items to include in the year-end consolidated accounts (CGAF) and attached to the year-end budget law.

85. **Steps should also be taken to prepare for the transition to accrual basis accounting.** The missions had recommended the finalization and adoption of a strategy for the implementation of accrual basis accounting.

#### Analysis of the current situation

86. **Senior government accountants do not have access to all the information necessary for recording government operations in the accounts.** The methods used for the revenue accounts are particularly unsatisfactory, despite the installation of accountants at the revenue-collecting agencies: the previous accounting methods have endured (transmission of monthly collection “statements”), and double-entry bookkeeping is not in use.<sup>5</sup> Data from transaction for the external debt or externally financed expenditure are not systematically posted to the accounts. It is therefore important that the accounting responsibilities of the various ministerial participants be defined in detail, so as to complete and strengthen the existing procedures.

87. **There have been efforts to enhance the reliability of the BGC, but it still shows considerable weaknesses.** Major work has been done by the staffs of the senior government accountants and several anomalies identified during previous West AFRITAC missions have

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<sup>5</sup> It should be noted that the revenue accounting arrangements would need to be reorganized in the event that the Togo revenue authority (*Office togolais des recettes*—OTR) is put into operation soon.

been corrected.<sup>6</sup> Nevertheless, the BGC as at December 31, 2011 still shows a number of deficiencies, including:

- The amounts recorded in the balance show the following anomalies: (i) the opening balance of the budgetary accounts includes credit amounts, whereas all the balances should be zero (accounts 855.1, 856.1, 980, 984, and 99); (ii) operations in execution of the LF are shown in account 99 in an amount that does not correspond to the general budget outturn; it seems that this anomaly can be explained by the existence of payments made without prior payment order authorization and without budgetary coverage that were not reflected in the budget outturn;
- There are discrepancies between the amounts transferred to the accounts of the ACCT and the amounts shown in the monthly statements on revenue collections. Those discrepancies are recorded in accounts 475 “suspense accounts for revenues at the offices of senior government accountants.” These accounts were cleared through account 132, “Cumulative balances of operational transactions,” without any substantiation of that accounting treatment.

88. **Steps must therefore be taken to increase reliability.** The anomalies identified in the 2011 BGC must be investigated. It is also important to establish an internal control system that would allow for systematic verification of accounting flows, both during and at the end of each fiscal year, and to identify potential anomalies as soon as possible.

89. **Considerable efforts have been made to improve financial reporting, but the quality of the data needs to be improved.** Remarkable progress has been made since 2011: the year-end accounts of senior government accountants, the CGAF, and a draft year-end budget law (PLR) were compiled for 2011 by the legally required deadlines. Nevertheless, the quality and consistency of the data reported in these various documents need to be improved. The FY 2011 outturn shown in the different documents is not always the same (the discrepancy is CFAF 73 billion). It can therefore be concluded that: (i) the methods used to calculate the outturn for the fiscal year differ: it seems that cash operations and temporary operations are not covered in the PLR;<sup>7</sup> and (ii) the amount of expenditure in the PLR exceeds that in the CGAF.<sup>8</sup> These anomalies highlight weakness in communications between units, as the PLR is established by the Budget Directorate on the basis of the budget execution account (*compte administratif*), without any reference to the DGTCP. The “Procedures Manual for the Compilation of Government Year-End Accounts” currently being finalized could help resolve these problems, but efforts should be continued to improve

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<sup>6</sup> For example, the balance of account 261, “Acquisitions of domestic equity ” is now substantiated.

<sup>7</sup> They should be recorded in budget operations, as per the 1998 WAEMU Directives and the Framework Law (LO) in effect (Article 8).

<sup>8</sup> The PLR includes CFAF 76 billion in externally financed capital expenditure and CFAF 33 million in current expenditure that not recorded in the accounts.

data quality, comprehensiveness, and consistency.<sup>9</sup> The work done by the MEF directorates should be coordinated, and efforts should be made to perform consistency checks across the various accounting and budget documents, through specific procedures for the closing of accounts and the production of financial data.

90. **The PGT was recently, by decree, given responsibility for all cash operations, including those for which the PGT is not the designated public accountant (revenue operations, in particular).** The three senior government accountants are responsible, respectively, for the revenue accounts (RGT), expenditure accounts (PGT), and centralization of the government accounts (ACCT). However, a decree was issued assigning responsibility for cash operations solely to the PGT. As a result, numerous entries for transfers between the senior government accountants are now used for these operations. It is important to evaluate the impact of this new organizational structure, ensuring that it does not significantly increase payment delays, assess the risks of error related to the transfer entries, and spell out the rules on the liability of the various accountants.

91. **Specific arrangements need to be made for implementation of the WAEMU Directives.** The strategy for the implementation of accrual basis accounting, proposed by the 2011 West AFRITAC mission, should be reactivated. This is, however, dependent on one prerequisite: the reliability of the existing accounting system needs to be enhanced in the various areas discussed above.

**Table 11. Comparison of FY 2011 Outturns in the CGAF and the PLR**

In millions of CFA francs	CGAF	PLR	PLR/CGAF Discrepancy
General budget: revenues	314,499	314,499	-
General budget: expenditure	(354,738)	(438,873)	(84,135)
General budget outturn	(40,239)	(124,374)	(84,135)
SAC: resources	1,831	1,831	-
SAC: expenditure	(820)	(820)	-
SAC outturn	1,011	1,011	-
External resources	101,281	101,281	-
Expenditure on liquidity management operations	(7,157)	No data	7,157
Resources on temporary operations	673	No data	(673)
Expenditure on temporary operations	(3,933)	No data	3,933
Outturn on temporary operations	(3,260)	No data	3,260
<b>2011 budget outturn</b>	<b>51,636</b>	<b>(22,081)</b>	<b>(73,717)</b>

Source: Mission.

<sup>9</sup> And to extend it to other government bodies (local governments, in particular).

92. **In 2011, the CdC began its work of reviewing the year-end accounts of the senior government accountants and the PLR.** The CdC prepared an initial report on execution of the 2007 budget law, the work done in that context having been deemed a “test.”<sup>10</sup> Given the weaknesses identified, the CdC decided to work closely with the MEF to improve the quality of financial reporting and to resume its investigative work only as of FY 2010. Discussions were therefore held on the 2010 PLR and the CdC’s comments were forwarded to the MEF. Nonetheless, skills development and increased resources are still necessary at the CdC, along with support, which is to be provided by the French CdC.

### **Recommendations to be Implemented through the Project**

- Review the procedures and improve the computer systems to make the books and accounts more reliable;
- Pursue the ongoing efforts to improve the reliability of the trial balance, in particular by developing the internal control system;
- Improve the quality of the financial data reported and production of the PLR by improving coordination among the MEF staff and applying a detailed procedure;
- Conduct an impact study on having the PGT take over cash operations and spell out the liability of accountants in legal framework.

### **B. Production of the Fiscal Reporting Table**

#### **Analysis of the current situation**

93. **The institutional mechanism for producing the fiscal reporting table (TOFE) does not cover quality control.** It entrusts TOFE compilation to the Economy Directorate (DE). The DE forwards the TOFE to the SP-PRPF for use, but there is no legislation under which the SP-PRPF is required to monitor the quality of this tool.

94. **The DE does not produce the TOFE on a regular schedule, and the data recorded in the TOFE do not seem reliable.** The last TOFE available for FY 2012 presents the situation as at end-June 2012. As it is three months late, it can play only a marginal role in financial decision-making during the year. An effort should be made to produce it in the six weeks following the end of the month. The mission found that while the DE is responsible for producing the TOFE, it does not maintain a constant dialogue with the DGTCP, the DF, and the Public Debt Directorate to supplement and reconcile the data to be used for compilation of the TOFE. On the revenue side, the DE uses the information reported by the revenue-collecting agencies instead of that contained in the trial balance, and discrepancies between the data from these various sources are not reconciled. On the

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<sup>10</sup> One of the problems experienced by the CdC was the absence of reliable opening balances.

expenditure side, the data shown under some headings in the TOFE are also different from those generated by SIGFIP. This is the case for wage bill, government-financed capital expenditure, transfers, and subsidies. The financing data are not comprehensive, making it impossible to show the net government position, which is not always reported within the required timeframe (45 days after the reference month). To make progress, all the government accounts falling within the scope of general government as defined in the IMF's *GFSM* (2001) should be known by the DGTCP and reported to the BCEAO.

### **Recommendations to be implemented through the project**

- Identify the data sources and the officials responsible for providing data for the TOFE, for communication to the DE;
- Survey and report to the BCEAO all bank accounts falling within the scope of the net government position.

### **C. FAD Support through the Project**

#### **Project objective and verifiable indicators**

95. **The objective of this project is to improve the quality of the budget and accounting data, as well as the reporting process and the capacity of the CdC.** The verifiable indicators in this area are a statement of compliance by the CdC and submission of the PLR to the NA at the same time as the draft LFI.

#### **Expected project outcomes**

##### *Description of expected outcomes*

96. **The expected project outcome is improved reliability and consistency of accounting operations and enhancement of the capacity of the CdC.** The indicators relating to government accounting and budget reporting are detailed below, and the indicator for the CdC is postponed slightly to take account of the fact that the project started later than anticipated.

*Verifiable indicators and deadlines***Table 12. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
5.1 Government accounting and budget reporting – the reliability and consistency of accounting operations are improved.	The 2012 final accounts are closed and submitted to the CdC by end-July 2013.	July 2013
	The 2013 final accounts are closed and submitted to the CdC in 2014 in accordance with the deadlines set in the LOLF.	July 2014
	A consolidated trial balance for the government is compiled monthly.	May 2015
5.2 CdC – the capacity of the CdC is improved.	The CdC has participated in training sessions on budget execution and accounting provided through the project.	As of March 2013

*Operational action plan***Table 13. Activities Implemented through the Project**

Activity	Goals	Date	Resources
FAD resident advisor responsible for managing the reforms	Facilitate and structure the flow of information among staff for production of the TOFE	As of October 2012	1 expert, 18 months
	Improve the quarterly budget execution reports		
FAD resident advisor responsible for strengthening budget execution, accounting, and cash management	Prepare an accounting instruction on the monitoring (tables, summaries, etc.) and recording of revenues (detailed chart of accounts, templates for the recording of operations, etc.)	As of October 2012	1 expert, 24 months
	Assist in the introduction of double-entry bookkeeping in the revenue-collecting agencies		
	Update the chart of accounts		
	Establish detailed procedures for production of the year-end revenue and expenditure accounts, the CGAF, and the PLR: staff involved, respective roles, timetable, etc.		
	Support the formulation of a strategy for the implementation of accrual basis accounting: timetable and phases		
Improve the reliability of the trial balance	Prepare for the closing of the 2012 accounts Train staff of the DGTCP on closing procedures	December 2012	1 expert, 2 weeks
Improve the reliability of the trial balance	Provide support for the closing of the 2013 accounts	February 2014	1 expert, 2 weeks
Improve the reliability of the trial balance	Develop an internal control mechanism and procedures	November 2014	1 expert, 2 weeks
Implement the new government chart of accounts	Compare the 2008 chart of accounts with the WAEMU chart of accounts Align the chart of accounts with the Directives Develop an implementation strategy	March 2015	1 expert, 2 weeks

## VIII. MODERNIZATION OF THE MINISTRY OF FINANCE

### A. Training

#### Main recommendations of previous missions

97. **The July 2011 mission had stressed the need to train ACs in the sectoral ministries to make the expenditure process operate more smoothly.** It had therefore recommended preparing a training plan and procedures manuals or guides to improve the skills of the ACs.

98. **The June 2011 FAD mission had noted that the preparations for the reform should be supported by an effort to train all staff involved in PFM.** It had identified training needs, especially at the DGTCP, for the internal and external audit teams, as well as for the SP-PRPF and the focal points in the sectoral ministries.

#### Analysis of the current situation

99. **The MEF made efforts in 2012 to improve its PFM training.** Terms of reference were prepared for a number of training modules on the implementation of the PA-RGFP, and these were to be submitted to donors for funding.

100. **This encouraging initial progress should be supported by a more systematic approach with a greater focus on PFM.** Some of the training topics, however useful they may otherwise be, fall more in the category of general administrative training than training in PFM reform (administrative memoranda, drafting of legislation, etc.). Furthermore, implementation of the WAEMU Directives should inspire the MEF to prepare a training strategy and plan that cover all of the public reforms as well as the sectoral ministries and that give preference to a module-based approach, grouped by career area (budget, accounting, appropriations manager, auditor, etc.). In a first phase, careful attention should be paid to general PFM training, which is needed to ensure a better understanding by all those involved in the expenditure process of the PFM issues and mechanisms.

#### Recommendations to be implemented through the project

- Develop a training strategy and plan for implementation of the PA-RGFP and preparation for the gradual implementation of the new legal framework resulting from the WAEMU Directives;
- Train staff involved in the expenditure process in the fundamentals of PFM.



## B. Organizational Structure of the Ministry

### Main recommendations of previous missions

101. **The June 2011 mission had noted the desire of the Togolese authorities to undertake institutional reforms.** This involved, in particular, the strengthening of financial control and the IGF and reorganization of the DGTCP, with the installation of three senior government accountants.

102. **The recommendations made earlier on the organizational structure of the MEF were aimed primarily at:** (i) integrating and merging the current and capital budget preparation functions; (ii) creating and implementing the internal audit and control functions within the MEF; (iii) restructuring the DGTCP and installing the senior government accountants; and (iv) establishing a network of government accountants within the financial administrations.

### Analysis of the current situation

103. **The organization of the ministerial departments was changed by a decree of March 7, 2012, and the new structure will facilitate unified budget management.**<sup>11</sup> The decree clears the way for the conversion of the Budget Directorate (DB) into a Budget General Directorate (DGB), leading to a merger of the current and capital expenditure budget preparation functions and unification of execution of the two budgets.

104. **The mission reviewed a draft decree on the organizational structure of the MEF.** This draft decree seeks to detail and provide further clarifications on the March 7, 2012 decree. Some of its provisions represent positive developments, in particular bringing together the existing IT functions in an information systems directorate, which should strengthen management of the changes to SIGFIP and other applications.

105. **Within the framework of this draft decree, the mission recommends combining all internal audit functions in the IGF.** The creation of an internal audit unit reporting directly to the Minister would lead to a needless duplication of functions, in a context where the IGF has limited human resources. This new function would enable the IGF to ensure the quality of the internal control systems to be put into place.

106. **Some of the new tasks of the DGB could be better performed by other directorates.** The creation of an expenditure control directorate seems unwarranted, since this function is already carried out by the Financial Control General Directorate. The debt management function is inappropriately entrusted to the DGB. According to the 2009 WAEMU Directives, debt management is a financing operation rather than a budgeting

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<sup>11</sup> Decree 2012-006/PR of March 7, 2012 on the organization of the ministerial departments.

operation. Operational management of the debt should fall within the competence of the DGTCP and the DPPE, which is responsible for the debt strategy. Implementation of poverty reduction programs should also come under the authority of the DPPE.

107. **The financial reporting arrangements should be clarified.** Reporting on execution of the budget law remains with the DGB, which has neither the tools nor the capacity to perform this function. Compilation of the TOFE, which is entrusted to the DGTCP in the draft decree, could instead remain assigned to the DPPE, with support from the SP-PRPF.

108. **The function of financial oversight of the public and parapublic sector seems to be scattered among too many general directorates.** The decree being drafted gives FC the mission of supervising the nationalized enterprises, public corporations, semi-public corporations, and all other public entities subject to private sector-type management, which is inconsistent with the public finance control mission entrusted to the FC. The function of financial oversight is shared in the draft decree among the DGB, the DGCTP, and the new general directorate of government assets, without any details about their respective tasks. Considering that other new parapublic structures (Togolese Revenue Office, AGEROUTE) are being created, the MEF should be given a dedicated unit responsible for financial oversight.

### **Recommendations to be implemented through the project**

- Combine the internal audit staff and functions within the IGF;
- Reclassify the debt management functions within the DGTCP, and poverty reduction functions within the DPPE;
- Eliminate the provisions in the decree making FC responsible for the control of public entities subject to private sector-type management, and unify the financial oversight of the public sector.

## **C. FAD Support through the Project**

### **Project objective and verifiable indicators**

109. **The project objectives are capacity-building and implementation of the ministry reorganization.** For this, the MEF should have a training strategy and trained staff, as well as an organization chart that clearly defines the responsibilities of all units and the profiles required of their senior officials.

## Expected project outcomes

### *Description of expected outcomes*

110. The expected outcome is the production of the training strategy and the organization chart of the ministry. The deadlines for the related indicators, on which no information is provided in the draft, are given below. The indicator on the reorganization is provided, with the project also playing a role in finalization of the decree.

### *Verifiable indicators and deadlines*

**Table 14. Project Outcomes and Indicators**

Description of Outcomes	Verifiable Indicators	Deadline
4. Training - the MEF implements a training strategy linked to the implementation of the PA-RGFP.	A strategy and related action plan for building the capacity of the various staff members involved in PFM, including at the spending ministries, are approved. The staff concerned (by each topic covered by the project) at the MEF and spending ministries have been trained by means of workshops and seminars in the areas covered by the project	March 2013  As of September 2013
6. New decree on the organizational structure of the MEF	The MEF has a draft decree and an organization chart.	March 2013
	The MEF has a training strategy that takes account of the developments necessary for institutionalizing the changes related to the WAEMU Directives.	March 2013

### *Operational action plan*

**Table 15. Activities Implemented through the Project**

Activity	Goals	Date	Resources
Reorganization of the MEF	Finalize the draft decree on the organizational structure of the MEF	January 2013	1 expert, 2 weeks
FAD resident advisor responsible for managing the reforms	Support implementation of the recommendations resulting from the organizational audit of the MEF	As of October 2012	1 expert, 18 months
FAD resident advisor responsible for strengthening budget execution, accounting, and cash management	Support implementation of the recommendations resulting from the organizational audit of the MEF	As of October 2012	1 expert, 24 months
Capacity-building	Formulate a training strategy and plan, incorporating the reforms resulting from the WAEMU Directives and drawing on the training modules prepared by the WAEMU Commission	January 2013	1 expert, 2 weeks
FAD resident advisor responsible for managing the reforms	Implement the training strategy and the training plan;	As of October 2012	1 expert, 18 months
	Hold training sessions on the PFM framework		

**ANNEX 1. DRAFT TERMS OF REFERENCE FOR MR. MAKIADI**

**INTERNATIONAL MONETARY FUND  
FISCAL AFFAIRS DEPARTMENT**

**PROJECT FINANCED BY THE EUROPEAN UNION**

**REPUBLIC TO TOGO**

**Strengthening Public Financial Management  
(FAD\_TGO\_2012-3)**

**Activity Code: 13FAZS700**

**Terms of Reference for Mr. Ephrem Ghonda Makiadi  
(October 3, 2012 – March 2014)  
Advisor to the Minister of Economy and Finance**

November 16, 2012

In response to a request from the Minister of Economy and Finance of the Republic to Togo (MEF), the European Union Delegation (EUD) in Togo and the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) signed an agreement for a technical assistance (TA) project at the MEF to last until May 2015.

Mr. Ephrem Ghonda Makiadi's mission will consist primarily of helping the authorities manage and monitor the public finance management (PFM) reforms, and coordinating with the donors in this area. It falls within the framework of the priority PFM reform action plan (PA-RGFP) for the period 2012–14.

This activity is financed by the EU and undertaken in the context of the following project: Strengthening Public Financial Management, FAD\_TGO\_2012-3.

**CONTEXT**

Since 2006, numerous FAD and West AFRITAC TA missions have supported the authorities in their efforts to modernize public finances. An FAD TA mission in June 2009 made recommendations and proposed an action plan for modernizing and strengthening PFM, and the accounting system in particular.

During the same period, the WAEMU adopted new PFM directives that would require major

changes in the public financial management of member states. The directives, which cover the medium or long term (implementation is staggered over the period January 1, 2012 to January 1, 2019), call for the devolution of payment order authorization, the introduction of program-based performance budgets, and the adoption of accrual basis accounting.

An FAD follow-up mission in July 2010 helped the authorities complete its strategy for PFM reform, which was to be staggered over 10 years, as well as the first three-year priority action plan (PA-RGFP) covering the period 2010–12. The mission's recommendations were incorporated into the PA-RGFP.

The objective of the PA-RGFP is to significantly improve the PFM system, so as to: (1) increase domestic budget resources; (2) improve the macroeconomic framework; (3) control public expenditure, including public procurement; (4) strengthen internal and external controls; and (5) improve the budget preparation process, government accounting, and financial reporting.

In June 2011, an FAD TA mission carried out jointly with the regional hub of the UNDP in Dakar assessed progress made with improving PFM. The mission noted, in particular, that the draft laws transposing the six WAEMU Directives into national law had been prepared and were in the process of being approved by the authorities.

Based on the findings and recommendations of the June 2011 mission, the EUD and FAD signed an agreement to provide TA to the Togolese government in the context of the second institutional support program (ISP2), for the second phase of which FAD is executing agency. This agreement will cover the funding of FAD TA through May 2015, in particular for two resident advisors to work with the Minister of Finance. FAD has recruited Mr. Ephrem Ghonda Makiadi to help the authorities implement the PA-RGFP, maintain a dialogue with the donors, and provide local coordination for the assistance being provided in the context of the joint EUD-FAD project. These terms of reference cover the 18 months of the assignment of the resident advisor in Lomé.

#### **MISSION OBJECTIVES AND EXPECTED OUTCOMES**

The objective of the advisor's mission is to assist and support the authorities in the following areas (these areas do not correspond to the PA-RGFP, as the resident advisor is supporting the implementation of all components of the PA-RGFP covered by the project):

- management of the PFM reform;
- PFM coordination with the donors; and
- improvement of fiscal reporting.

The advisor's activities in these various areas and the expected outcomes are listed below.

**(1) Management of the reform**

<b>Objective</b>	<b>Advisor Activities</b>	<b>Outcomes</b>
<b>Revitalize the reform monitoring committee</b>	<ul style="list-style-type: none"> <li>• Prepare for the next review of the PA-RGFP (fall 2012)</li> <li>• Improve the PA-RGFP monitoring reports</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed report on implementation of the PA-RGFP and PA-RGFP [sic]</li> <li>• Regular PA-RGFP monitoring reports</li> </ul>
<b>Make the PA-RGFP a reform management tool</b>	<ul style="list-style-type: none"> <li>• Improve the integration of the PA-RGFP with the action plans of the directorates</li> <li>• Establish a database of the activities and recommendations of FAD, the short-term experts, and West AFRITAC, and arrange for monitoring of the performance indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidated PA-RGFP and action plans</li> <li>• Database established (with the support of an IT specialist from the MEF)</li> </ul>
<b>Support the reform</b>	<ul style="list-style-type: none"> <li>• Suggest a plan for communications on the PFM reform</li> <li>• Train SP-PRPF staff in reform management</li> </ul>	<ul style="list-style-type: none"> <li>• Communications plan finalized</li> <li>• Training sessions held</li> </ul>
<b>Capacity-building in support of the reform</b>	<ul style="list-style-type: none"> <li>• Implement the training strategy and plan</li> <li>• Hold training sessions on the PFM framework</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the training plan during the period covered by the terms of reference</li> <li>• Training sessions held</li> </ul>
<b>1.3: Adopt and implement the new decree on the organizational structure of the MEF</b>	<ul style="list-style-type: none"> <li>• Support implementation of the recommendations resulting from the organizational audit of the MEF</li> </ul>	<ul style="list-style-type: none"> <li>• Decree adopted</li> </ul>

**(2) Coordination with donors**

Objective	Activities of the Advisor	Outcomes
<b>Step up the dialogue in the context of the inter-agency donor committee</b>	<ul style="list-style-type: none"> <li>Organize regular meetings of the committee</li> <li>Map the involvement of donors in the PFM area</li> </ul>	<ul style="list-style-type: none"> <li>Organization of meetings over the period covered by the terms of reference</li> <li>Mapping done</li> </ul>
<b>Structure donor support</b>	<ul style="list-style-type: none"> <li>Finalize the costing of PA-RGFP activities</li> <li>Establish a common budget support matrix and joint review mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Costing done</li> <li>Matrix and review mechanisms established</li> </ul>
<b>Strengthen the monitoring of donor-funded projects</b>	<ul style="list-style-type: none"> <li>Strengthen the mechanisms for reporting to donors on externally financed investment projects</li> </ul>	<ul style="list-style-type: none"> <li>Mechanisms defined</li> </ul>

**(3) Improvement of reporting on public finance**

Objective	Activities of the Advisor	Outcomes
<b>Improve the production of the TOFE</b>	<ul style="list-style-type: none"> <li>Facilitate and structure the flow of information among units</li> </ul>	<ul style="list-style-type: none"> <li>Flow of information clarified and established</li> </ul>
<b>Improve the budget execution reports</b>	<ul style="list-style-type: none"> <li>Improve the quarterly budget execution reports</li> </ul>	<ul style="list-style-type: none"> <li>Production of reliable reports</li> </ul>

**OTHER COMMENTS****Positioning of the advisor**

Mr. Ephrem Ghonda Makiadi will perform the functions of advisor to the Minister of Finance.

Mr. Ephrem Ghonda Makiadi will work closely with the advisors to the Minister of Finance and with the staffs of the Permanent Secretary, the Secretary-General, and all the general directorates and directorates of the MEF. As needed and keeping the minister informed, he will make contact with the other ministries and the CdC.

**Remuneration and physical resources to be provided**

The IMF will pay Mr. Ephrem Ghonda Makiadi with funds provided by the EU.

The MEF will provide the advisor with a workspace, office supplies, and telephone resources appropriate for the exercise of his functions.

In addition, Mr. Ephrem Ghonda Makiadi must have access to the budgetary and accounting applications (SIGFIP in particular).

### **Duration of his assignment**

Mr. Ephrem Ghonda Makiadi's assignment will last from October 3, 2012 to September 15, 2013 and may be extended for six months.

### **Quality control**

Quality control over the activities of the advisor will be performed by the project manager in the Public Financial Management Division 2 (M2) of the IMF's Fiscal Affairs Department (Mr. Queyranne as of October 2, 2012).

One month after taking up his functions and then quarterly, Mr. Ephrem Ghonda Makiadi will submit to the Division Chief (Mr. Mueller as of November 16, 2012), with copy to the project manager, reports written in French, each preceded by an executive summary in English, describing his activities and the outcomes achieved. These reports will also be sent, for information, to the project manager at the EUD in Togo (Ms. Gosparini as of November 16, 2012).

The advisor may at any time seek technical support from the IMF's Fiscal Affairs Department.

A mission from IMF headquarters will review the outcomes achieved throughout the project in 2013.

### **Link with other project activities and with other IMF technical assistance projects in the areas of public financial management and statistics**

A tentative plan showing the uses to be made of the short-term experts by the project is presented in the preface to the report on the mission carried out to launch the project.

In this context, Mr. Ephrem Ghonda Makiadi will participate in the preparation of draft terms of reference for the short-term experts, together with Mr. Blaise Yehouenou for the latter's areas of work. He will submit those terms of reference to the authorities for their agreement and to FAD for validation. He will organize their visits and participate in them, as needed and depending on his availability, and will monitor implementation of their recommendations.



The short-term experts will be either staff from IMF headquarters or consultants. Taking into account the type of expenditure planned by the project and in agreement with the minister, the advisor may make any suggestion for changing the use of the experts to FAD, which will inform the EU, where applicable.

The advisor may express the need for additional technical assistance. He will, in particular, be involved in the scheduling and implementation of the activities of FAD and West AFRITAC projects in the area of public expenditure management.

The advisor will be informed by the office of the IMF Resident Representative in Togo (Mr. Werner Keller) of any other TA providers from the IMF on mission in Lomé or posted there, and will make contact with them, if necessary.

**ANNEX 2. DRAFT TERMS OF REFERENCE FOR MR. YEHOUEYOU****INTERNATIONAL MONETARY FUND  
FISCAL AFFAIRS DEPARTMENT****PROJECT FINANCED BY THE EUROPEAN UNION****REPUBLIC TO TOGO****Strengthening Public Financial Management  
(FAD\_TGO\_2012-3)****Activity Code: 13FAZS600****Terms of Reference for Mr. Blaise Yehouenou  
(October 3, 2012 – September 15, 2013)  
Advisor to the Minister of Economy and Finance**

November 16, 2012

In response to a request from the Minister of Economy and Finance of the Republic to Togo (MEF), the European Union Delegation (EUD) in Togo and the Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF) signed an agreement for a technical assistance (TA) project at the MEF to last until end-May 2015.

Mr. Blaise Yehouenou's mission will consist primarily of helping and supporting the authorities in strengthening budget execution, cash management, and accounting. It falls within the framework of the implementation of the PFM priority action plan for the period 2012–14.

This activity is financed by the EU and undertaken in the context of the following project: Strengthening Public Financial Management FAD\_TGO\_2012-3.

**CONTEXT**

Since 2006, numerous FAD and West AFRITAC TA missions have supported the authorities in their efforts to modernize PFM. An FAD TA mission in June 2009 made recommendations and proposed an action plan for modernizing and strengthening PFM, and the accounting system in particular.

During the same period, the WAEMU adopted new PFM directives that would require major

changes in the public financial management of member states. The directives, which cover the medium or long term (implementation is staggered over the period January 1, 2012 to January 1, 2019), call for the devolution of payment order authorization, the introduction of program-based performance budgets, and the adoption of accrual basis accounting.

An FAD follow-up mission in July 2010 helped the authorities complete its strategy for PFM reform, which was to be staggered over 10 years, as well as the first three-year priority action plan (PA-RGFP) covering the period 2010–12.

The objective of the PA-RGFP is to significantly improve the PFM system, so as to: (1) increase domestic budget resources; (2) improve the macroeconomic framework; (3) control public expenditure, including public procurement; (4) strengthen internal and external controls; and (5) improve the budget preparation process, government accounting, and financial reporting.

In June 2011, an FAD TA mission carried out jointly with the regional hub of the UNDP in Dakar assessed progress made with improving PFM. The mission noted, in particular, that the draft laws transposing the six WAEMU Directives into national law had been prepared and were in the process of being approved by the authorities.

Based on the findings and recommendations of the June 2011 mission, the EUD and FAD signed an agreement to provide TA to the Togolese government in the context of the second institutional support program (ISP2), for the second phase of which FAD is executing agency. This agreement will cover the funding of FAD TA through May 2015, in particular for two resident advisors to work with the Minister of Finance. FAD has recruited Mr. Blaise Yehouenou to help the authorities in the areas of budget execution, cash management, and accounting.

These terms of reference cover the first year of assignment of the resident advisor and include, for information, the activities for the second year of his assignment.

#### **MISSION OBJECTIVES AND EXPECTED OUTCOMES**

The mission of the advisor is to help and support the authorities in the implementation of the ministry reforms, within the framework of several programs covered by the PA-SRFP:

- PA-RGFP Program 1: Legal framework for PFM;
- PA-RGFP Program 2: Improvement of the mobilization of resources;
- PA-RGFP Program 3: Forecasting, programming, and budget execution;
- PA-RGFP Program 8: Improvement of the government accounting system and the reporting of budget execution data.

The activities of the advisor and the expected outcomes are listed below.

**(1) PA-RGFP Program 1: Legal framework for public finance**

PA-SRPF Action	Activities of the Advisor	Outcomes
<b>1.2: Draft and apply PFM implementing regulations for the WAEMU Directives</b>	<p><i>First year of assignment:</i></p> <ul style="list-style-type: none"> <li>• Establish a budget classification linked to the government chart of accounts</li> </ul> <p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Inventory the regulations, manuals, and procedures</li> <li>• Assist with the updating of the regulations, manuals, and procedures</li> </ul>	<p><i>First year of assignment:</i></p> <ul style="list-style-type: none"> <li>• Classification done</li> </ul> <p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Legislation, manuals, and implementation procedures prepared</li> </ul>
<b>1.3: Adopt and implement the new decree on organizational structure of the MEF</b>	<p><i>First year of assignment:</i></p> <ul style="list-style-type: none"> <li>• Assist with the implementation of the recommendations resulting from the organizational audit of the MEF in the budgetary and accounting areas</li> </ul>	<p><i>First year of assignment:</i></p> <ul style="list-style-type: none"> <li>• Decree adopted</li> </ul>
<b>1.12: Prepare an instruction for use by the officials concerned describing the legal framework, the electronic process for commitment, payment order authorization, and payment, and the tasks for which each official is responsible under the-general and specific procedures.</b>	<p><i>First year of assignment:</i></p> <ul style="list-style-type: none"> <li>• Support the mission on budget execution procedures</li> <li>• Organize monitoring of the length of time expenditure documentation stays with the various officials involved in the process.</li> </ul> <p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Establish a table for monitoring delays in the expenditure process</li> <li>• Training of ministry personnel</li> </ul>	<ul style="list-style-type: none"> <li>• Indicators prepared for the monitoring of processing times</li> </ul> <p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Tables compiled and updated regularly</li> <li>• Training done</li> </ul>
<b>1.15 and 1.16: (i) Support the financial controllers who will be placed at pilot ministries; and (ii) expand the process of devolution of financial control and of payment order authorization to include other ministerial departments.</b>	<p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Training of DAFs and financial controllers</li> </ul>	<p><i>Second year of assignment (if applicable):</i></p> <ul style="list-style-type: none"> <li>• Training done</li> </ul>

(2) **PA-RGFP Program 2: Improvement in the mobilization of resources**

PA-SRPF Action	Activities of the Advisor	Results
<b>2.1.6 and 2.1.10:</b> <b>(i) Introduce double-entry bookkeeping for tax (DGI) and customs (DGD) revenue, as defined in the government chart of accounts; and (ii) monitor the revenues collected by units</b>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>Prepare an accounting instruction on the monitoring (tables, summaries, etc.) and recording of revenues (detailed chart of accounts, templates for the recording of operations, etc.)</li> <li>Assist with the introduction of double-entry bookkeeping in the revenue-collecting agencies</li> </ul>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>Instruction prepared</li> <li>Double-entry bookkeeping used in the revenue-collecting agencies</li> </ul>

(3) **PA-RGFP Program 3: Forecasting, programming, and budget execution**

PA-SRPF Action	Activities of the Advisor	Results
<b>3.4.1: Introduce a cash flow forecasting system</b>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>Support the strengthening of the activity of the cash committee</li> </ul> <p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>Support the preparation of annual, monthly, and weekly estimated cash plans</li> </ul>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>Monthly reports of the cash committee</li> </ul> <p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>Reliable estimated cash plans prepared annually, monthly, and weekly</li> </ul>
<b>Streamline the expenditure process</b>	<p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>Implement the proposals for improvements in the expenditure process (including payment delays)</li> </ul>	<p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>Reduction of payment delays</li> </ul>
<b>Introduce the CUT</b>	<p><u>First year of assignment and second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>Support actions to close government bank accounts</li> </ul>	<p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>CUT in effect</li> </ul>

**(4) PA-RGFP Program 8: Improvement of the government accounting system and the reporting of budget execution data**

<b>PA-SRPF Action</b>	<b>Activities of the Advisor</b>	<b>Results</b>
<b>Improve the reliability of the financial data</b>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>• Update the chart of accounts</li> <li>• Establish detailed procedures for the production of year-end accounts, the CGAF, and the PLR: staff involved, respective roles, timetable, etc.</li> <li>• Training</li> </ul> <p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>• Support the implementation of an internal control system</li> <li>• Training</li> </ul>	<p><u>First year of assignment:</u></p> <ul style="list-style-type: none"> <li>• Chart of accounts updated</li> <li>• Procedure established and reliability of the 2013 financial data improved: PLR and CGAF consistent with each other</li> </ul> <p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>• Implementation of the internal control system</li> <li>• 2014 financial data validated by the CdC</li> </ul>
<b>Prepare for conversion to accrual basis accounting (WAEMU Directive)</b>	<p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>• Assist with the development of an implementation strategy: timetable and phases</li> </ul>	<p><u>Second year of assignment (if applicable):</u></p> <ul style="list-style-type: none"> <li>• Strategy formulated</li> </ul>

The advisor's objectives and expected outcomes may be revised in light of constraints experienced by the advisor and progress made by the MEF staff.

**OTHER COMMENTS**

**Positioning of the advisor**

Mr. Blaise Yehouenou will perform the functions of advisor to the Minister of Finance.

He will work closely with the advisors to the Minister and the staffs of the Permanent Secretary, the Secretary-General, and all the MEF general directorates and directorates. As needed and keeping the minister informed, he will make contact with the other ministries and the CdC.

**Remuneration and physical resources to be provided**

The IMF will pay Mr. Blaise Yehouenou with funds provided by the EU.

The MEF will provide the advisor with a workspace, office supplies, and telephone resources appropriate for the exercise of his functions.

In addition, Mr. Blaise Yehouenou must have access to the accounting applications (SIGFIP, in particular) and the operational applications in the MEF general directorates and directorates, if necessary.

**Duration of his assignment**

Mr. Blaise Yehouenou's assignment will last from October 3, 2012 to September 15, 2013 and may be extended for a year.

**Quality control**

Quality control over the activities of the advisor will be performed by the project manager in the Public Financial Management Division 2 (M2) of the IMF's Fiscal Affairs Department (Mr. Queyranne as of November 16, 2012).

One month after taking up his functions and then quarterly, Mr. Blaise Yehouenou will submit to the Division Chief (Mr. Mueller as of October 2, 2012), with copy to the project manager, reports written in French, each preceded by an executive summary in English, describing his activities and the outcomes achieved. These reports will also be sent, for information, to the project manager at the European Union Delegation in Togo (Ms. Gosparini as of October 2, 2012).

The advisor may at any time seek technical support from the Fiscal Affairs Department of the IMF.

A mission from IMF headquarters will review the outcomes achieved throughout the project in 2013.

**Link with other project activities and with other IMF technical assistance projects in the areas of public financial management and statistics**

A tentative plan showing the uses to be made of short-term experts by the project in the areas of activity of the advisor is presented in the introduction to the report.

In this context, Mr. Blaise Yehouenou will collaborate with Mr. Ephrem Ghonda Makiadi on

the preparation of draft terms of reference for the short-term experts. He will take part, as needed and depending on his availability, and will monitor the application of their suggestions in his areas of input.

The short-term experts will be either staff from IMF headquarters or consultants. Taking into account the type of expenditure planned by the project and in agreement with the minister, the advisor may make any suggestion for changing the use of these experts to FAD, which will inform the EU, as applicable.

The advisor may express the need for additional technical assistance. He will, in particular, be involved in the scheduling and implementation of the activities of the FAD and West AFRITAC projects in the area of public expenditure management.

The advisor will be informed by the office of the IMF Resident Representative in Togo (Mr. Werner Keller) of any other TA providers from the IMF on mission in Lomé or posted there, and will make contact with them, if necessary.



### ANNEX 3. DRAFT SCHEDULE OF PROJECT OUTCOMES

In agreement with the EUD, an updated version of the verifiable indicators and related deadlines is proposed below. The implementation of the joint EU-IMF project will be assessed periodically on the basis of this table.

Description of Outcomes	Verifiable Indicators	Completion Date
1.1. <i>PA-RGFP</i> – The government of Togo has a realistic roadmap for implementing the adopted PFM strategy.	<ul style="list-style-type: none"> <li>• A detailed roadmap with a monitoring system (indicators and targets) for implementation of the PA-RGFP is finalized by the MEF.</li> <li>• The PA-RGFP is supported by a performance monitoring system.</li> <li>• The costs of implementing the PA-RGFP are assessed for at least a three-year period.</li> <li>• An annual action plan highlighting the priority measures and expected outcomes for the year is prepared at regular intervals.</li> </ul>	<p>September 2013</p> <p>June 2013 March 2013 As of December 2012</p>
1.2. <i>PA-RGFP</i> – The institutional framework for managing the implementation of the PA-RGFP is operational.	<ul style="list-style-type: none"> <li>• The units and persons responsible for the implementation and monitoring of the reform regularly submit the results of their work in the sectoral committee.</li> <li>• The staff responsible for monitoring the reform and for preparing periodic reports are trained.</li> <li>• Working groups for each program in the PFM reform strategy are fully operational.</li> <li>• Quarterly reports are prepared by each working group on implementation of the program.</li> <li>• Joint sectoral reviews of the progress made in implementing the PA-RGFP are conducted once every six months in the context of the inter-agency donor group, on the basis of the annual plans and the monitoring system.</li> </ul>	As of December 2012
2. <i>Regulatory and institutional framework</i> – Preparation for implementation of the WAEMU Directives.	<ul style="list-style-type: none"> <li>• Senior officials of the MEF and the spending ministries are aware of the challenges and the changes introduced by the PFM reform and, in particular, by the WAEMU Directives.</li> <li>• Roadmaps are ready for medium-term planning of the implementation of the Directives in the areas covered by the project.</li> <li>• An assessment of the changes needed to enable SIGFIP to take account of the new environment created by the WAEMU Directives is done.</li> </ul>	<p>September 2013</p> <p>September 2013</p> <p>September 2014</p>
3.1. <i>Budget execution</i> – The procedures concerning budget execution and the expenditure process are improved.	<ul style="list-style-type: none"> <li>• Internal and external controls as well as the diagnostic studies carried out after the updating of the manuals show a broadly acceptable application of the new legal and regulatory framework.</li> <li>• The expenditure process is streamlined and flows more smoothly; in particular: <ul style="list-style-type: none"> <li>○ The time between the date of submission of procurement documentation to the DNCMP and delivery of its non-objection decision is reduced from the current 75-90 days to a maximum of 20 days, compared with the 15 days indicated in the legislation (December 31, 2014);</li> <li>○ The length of time that expenditure documentation should stay with the various officials involved in its processing, as established by the decree of April 20, 2011, is specified for each phase and monitored regularly.</li> </ul> </li> <li>• Payment order authorization has been devolved in at least three of the main spending ministries. These ministries are applying the rules contained in the manuals on budget execution and accounting procedures.</li> </ul>	<p>March 2015</p> <p>March 2015</p> <p>March 2015</p>

Description of Outcomes	Verifiable Indicators	Completion Date
3.2. <i>Cash management</i> – Cash management is improved.	<ul style="list-style-type: none"> <li>• A coherent annual cash management plan with a breakdown by month is compiled regularly.</li> <li>• The cash management institutional framework created by the MEF decrees is operational and produces regular reports at all levels.</li> <li>• PPMs, together with information on commitments and payments, are compiled by the main spending ministries.</li> <li>• An annual plan for short-term borrowing (treasury bills and bonds), consistent with the annual cash management plan, is prepared and adopted by the MEF, along with the annual cash management plan.</li> </ul>	<p>End-2013</p> <p>As of September 2013</p> <p>End-2013</p> <p>May 2015</p>
3.3 <i>Single treasury account</i> – The CUT is gradually restored at the central bank.	<ul style="list-style-type: none"> <li>• The inventory of accounts maintained at commercial banks by government entities is updated once every six months.</li> <li>• A strategy and an action plan are adopted for the establishment of the CUT.</li> </ul>	<p>As of December 2013</p> <p>End-2014</p>
4. <i>Training</i> – The MEF implements a training strategy linked to the implementation of the PA-RGFP.	<ul style="list-style-type: none"> <li>• A strategy and related action plan for building the capacity of the various officials involved in PFM, including at the spending ministries, are approved.</li> <li>• The staff involved (with the topics covered by the project) at the MEF and at the spending ministries have been trained by means of workshops and seminars in the areas covered by the project</li> </ul>	<p>March 2013</p> <p>As of September 2013</p>
5.1 <i>Government accounting and budget reporting</i> – The reliability and consistency of accounting operations are improved.	<ul style="list-style-type: none"> <li>• The 2012 final accounts are closed and submitted to the CdC in 2013, by end-June 2013.</li> <li>• The 2013 final accounts are closed and submitted to the CdC in 2014, in accordance with the deadlines established by the LOLF.</li> <li>• A consolidated balance of the government accounts is prepared on a monthly basis.</li> </ul>	<p>July 2013</p> <p>June 2014</p> <p>May 2015</p>
5.2 <i>Audit Office</i> – The capacity of the CdC is enhanced.	<ul style="list-style-type: none"> <li>• CdC staff have participated in training sessions on budget execution and accounting provided in the context of the project.</li> </ul>	<p>As of March 2013</p>
6. <i>New decree on organization of the MEF</i>	<ul style="list-style-type: none"> <li>• The MEF has a draft decree and an organization chart.</li> <li>• The MEF has a training strategy that takes account of the developments necessary for institutionalizing the changes related to the WAEMU Directives.</li> </ul>	<p>March 2013</p> <p>March 2013</p>