Republic of Senegal
Country Financial Accountability Assessment

November 2003

Africa Region
Operational Quality & Knowledge Services Unit
Financial Management

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A Collaborative Exercise By the Republic of Senegal and a Multi-donor Task-Team

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ACRONYMS

ADB African Development Bank
AGETIP Agence de Gestion d’Equipement et de Travaux d’Infrastructure Publics/Urban Public Works Management Agency
AMD Agency for Municipal Development
BCI Banque Centrale des Etats d’Afrique de l’Ouest/Central Bank of West African States
BCEAOCentre Africain d’Etudes Supérieures en Gestion/African Center for Higher Management Studies
CNDCL Conseil National pour le Développement des Collectivités Locales/National Council for Local Government Development
CVCCEP Commission de Vérification et de Contrôle des Comptes des Entreprises Publiques/Commission for Verification and Audit of Public Enterprises
CF Contrôle Financier/Financial Comptroller
CFAA Country Financial Accountability Assessment
FCFA Francs de la Communauté Financière d’Afrique/ Francs of African Financial Community
CGE Centre de Grandes Entreprises/Large Enterprises Center
CCPÉ Cellule de Gestion et de Contrôle du Portefeuille de l’Etat/Portfolio Review Unit
COP Contrôleur des Opérations Financières
CREA Centre de Recherches Economiques Appliquées/Center for Applied Economic Research
DACE Direction de l’Administration Générale et de l’Equipement/Administration and Equipment Department
DB Direction du Budget/Budget Department
DPF Direction de la Coopération Economique et Financière/Economic and Financial Cooperation Department
DDI Direction de la Dette et de l’Investissement/Public Debt and Investment Department
DGCTP Direction Générale de la Comptabilité Publique et du Trésor/Public Accounting and Treasury Directorate
DGD Direction Générale des Douanes/Customs Directorate
DGF Direction Générale des Finances/Finance Directorate
DGID Direction Générale des Impôts et des Domaines/Tax and Lands Directorate
DIE Direction de l’Informatique de l’Etat/State Information Technology Department (President’s Office)
DPS Direction de la Prédiction et des Statistiques/Forecasting and Statistics Department
DSPRV Direction de la Solde, des Pensions et des Rentes Viagères/Payroll, Pension and Annuities Department
DTCI Direction du Traitement Automatique de l’Information/Information Technology Systems Department
DFF Fond de Dotation de la Décentralisation/Decentralization Fund
FECL Fond d’Equipement des Collectivités Locales/Local Government Infrastructure Fund
HIPC Highly Indebted Poor Countries
IFAC International Federation of Accountants
IGE Inspection Générale d’Etat/State Inspector General’s Office
IGF Inspection Générale des Finances/Finance Inspector General’s Office
INTOSAI International Organization of Supreme Audit Institutions
MDSSN Ministère de Développement Social et Solidarité Nationale/Ministry of Social Development and National Solidarity
MEF Ministère de l’Economie et des Finances/Ministry of Finance and Economy
MTFF Medium Term expenditure framework
NIF Numéro d’Identification Fiscal/Fiscal Identification Number
OHADA Organisation pour l’Harmonisation du Droit des Affaires en Afrique/ Organization for Harmonization of Commercial Law in Africa
ONECCA Ordre National des Experts Comptables & Comptables Agrées/National Accounting Association
PDPF Programme Décentral de l’Education et de la Formation/Ten-year Program for Education and Training
PDIS Programme de Développement Intégré de la Santé/Integrated Health Development Program
PTG Paieerie Générale du Trésor/Treasury Paymaster
PTIP Programme Triennal d’Investissements Publics/Triennial Public Investment Program
RGF Recette Générale du Trésor/Treasury Revenue Office
SYSCOA Système Comptable Ouest Africain/West African Accounting System
TOFE Tableau des Opérations Financières de l’Etat/Government financial Statements
UEMOA Union Economique et Monétaire Ouest Africaine/West African Economic and Monetary Union

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PREFACE

The main objective of this assessment of public financial management and of accounting practices in the Republic of Senegal, the Country Financial Accountability Assessment (CFAA), is to describe the arrangements for financial management in the public and private sectors. The CFAA is a diagnostic tool and not an audit. On the basis of an examination and evaluation of existing procedures and practices, the CFAA presents an indication of the financial risks to public funds that such procedures and practices may entail. It provides no assurance concerning the final use to which public resources are put. Through its recommendations, the CFAA facilitates the development of an action plan to reinforce Government's reforms for public financial management systems.

This CFAA for Senegal examined arrangements for preparation of budget estimates; the conditions for budget execution and analyzed arrangements for internal control and external control and audit of the public sector budget. This CFAA also examined the financial information system and staffing of the Ministry of Economy and Finance (MEF), along with the mechanisms for Government supervision of spending by public and parapublic enterprises and by Non-Governmental Organizations (NGOs) that receive public funds. This CFAA also assessed accounting practices in the private sector and the Government's plan for improving public financial management. Lastly, in response to the request of the Minister of Finance, the CFAA broadened its scope to examine the financial aspects of administrative decentralization and the operations of the land administration services within the Internal Revenue Department (services des Domaines et de la Conservation foncière, Direction Générale des Impôts et des Domaines - DGID).

The CFAA for Senegal contributes to the Country Assistance Strategy (CAS) framework which is now being jointly developed by the Government and the World Bank (WB), with the support of Senegal's Technical and Financial Partners, who support implementation of economic and financial reforms. This assessment also contributes to the monitoring of Senegal's participation in the Highly Indebted Poor Countries initiative (HIPC).

Risk evaluation is a major concern of the CFAA. The risks examined concern both public sector authorities (budget planning, preparation, execution, and monitoring) and the Partners in their role as funders of development and poverty reduction operations. The objective is to evaluate the probability that:

(i) the budget does not cover all government activities;
(ii) public funds are not spent in accordance with the objectives presented in the budget estimates or that they are not used for the public good;
(iii) accounting information relating to budget execution are not accurate, complete, or provided in a timely manner.

The risks identified underline the probability that, during past or future fiscal years, errors, omissions, or misuses of public funds will have or are likely to occur. For this reason, it is essential that all partners provide Government with the necessary support to implement an action plan that translate the recommendations of this report into action. Standards proposed by the European Union (EU) complement those applied in this CFAA, in the sense that they provide concrete examples in the areas where either (i) the strengths of the financial management system

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1 The analysis of the final use of funds comes under the scope of the Public Expenditure Review (PER), another analytic instrument of the WB.
have successfully compensated for the inherent risks, or (ii) the risks identified have resulted in deviations or have had a negative impact on the reliability of accounting operations or financial reporting.

The CFAA for Senegal was launched and conducted jointly by the Government, the African Development Bank (ADB), the WB, and other Partners in Senegal. The assessment was carried out in close coordination with the Country Procurement Assessment for Senegal and responds to Government’s desire to improve public financial management and to create the conditions required for more efficient use of public funds, in particular, those directed towards the reduction of poverty. Coordination between the CFAA and CPAR took the form of joint missions and meetings, as well as close consultations between the CFAA and CPAR team members on their findings and conclusions.

The CFAA team worked in close collaboration with all participants in this assessment of public financial management and coordinated the work and the drafting of the report. The team members were Abdoulaye Coulibaly (ADB), Iraj Talai, Anne Mondoloni, Emile Finatou, Fily Sissoko, Mamadou Yaro (BM), Françoise André (EU), Lydia Montalti et Philippe Laparre (Netherlands), Jean-Pierre Foirry, Yvan Huart et Michel Huyghe (French bilateral aid), Esther Palacio (UN Development Programme). Mrs. Elisabeth Herczeg (WB) provided administrative support and formatted the report. Quality control was ensured through collaboration with the National Technical Group of the Government of Senegal described in the next paragraph, through internal meetings at the WB, and by WB Financial Management Anchor David Shand (OPCFM) and peer reviewers Nancy Benjamin (AFTP4), Nezam Motabar, Pierre Messali (MNA), et Dominique Bouley (IMF-FAD).

The Ministry of Economy and Finance (MEF) has led the CFAA work from its inception until the production of this final report. For this purpose, the ministry created a national team, called the National Technical Group, led by Mamadou Dème, technical advisor (CT/MEF), and composed of François Collin, Inspector General’s Office/Secretariat of the Office of the President of Senegal (SOPS); Assane Yade, Financial Manager (SOPS); M. Niane, Judge of the Court of Audit; Mme Gnagna Diop Sow (CT/MEF), Youssou Diop (CT/MEF), Amadou Diallo, Inspector General’s Office; Sidy Ben Amar Gueye, Office of Public Sector Accounting and Treasury; Serigne M. Sougou, Internal Revenue Service and Land Office; Ameth Faye, Office of Economic and Financial Cooperation; Sakhaly Ndiaye et Mamadou Ba, Office of External Debt and Investment; Mor Sall, Budget Director and Mme Khady Ndao Niane, Budget Office; Mme Koura Kane-Wane, Office of Automated Information System; Mme Wade, M. Alioune B. Diagne et M. Alphousseynou Niang, Office of Civil Service Payroll, Pensions and Annuities; and Cheikh Wague, Comptroller.

The preparation of this CFAA also benefited from the support of Country Director John McIntire, Regional Financial Management Manager Anthony Hegarty, and Country Economist, Mrs Nancy Benjamin.

The CFAA team wishes to thank the Minister of Economy and Finance of Senegal and his entire organization for their support and readiness to make themselves available throughout the period of preparation of the CFAA. The team’s thanks are echoed by all donors working in Senegal who conveyed their observations to the team during the exercise, and especially those Technical and Financial Partners who participated most actively in the work by financing specialist consultants or direct staff participation: France, the Netherlands, the European Union and the UN Development Program.
The CFAA report consists of two volumes. The first volume, translate in English, contains the main report and the second, the report's annexes only in a French version. The main report describes and analyzes public financial management in Senegal and the private sector accounting profession and Non-Governmental Organizations. These report concludes with an analysis of governance and of anti-corruption measures in Senegal. Each topic addressed by the CFAA concludes with Government's Action Plan. Key priority areas requiring improvement from the Action Plan are described in the executive summary.
EXECUTIVE SUMMARY

The system of public financial management currently in use in the Republic of Senegal is based on French law governing public revenue, budget, and expenditure that was established in Senegal prior to the country's independence in 1960. The underlying legislation predates independence and was revised a number of times over the ensuing three decades. Since the mid-1990s, major changes have been made to the system in response to a new institutional structure flowing from the 2001 Constitution and to financial directives adopted by the West African Economic and Monetary Union (UEMOA) since 1996.

The Government of Senegal has made a concerted effort to adapt the legal framework governing public financial management to the new institutional structure. Important reforms have been made, such as reform of customs and tax systems (modernization of customs services, creation of a Center for Large Enterprises), and the creation of a Supreme Audit Institution (Court of Audit). Other reforms are still underway, in particular regarding the monitoring and supervision of budget execution (introduction of a new type of internal audit) and the modernization of the financial information system.

At the time of preparation of this CFAA, further urgent improvements and adjustments are urgently needed, not only to maintain past achievements, but also to overcome obstacles encountered in Government’s efforts to improve public financial management and to accelerate the implementation of reform measures. Overall improvements in public sector financial management will become visible once urgently needed improvements and adjustments have been carried out in five important areas:
- external audit
- budget preparation and execution and internal control
- public sector accounting and reporting
- Treasury and cash management
- civil service payroll management

This CFAA found evidence of important shortcomings in the external control function exercised by the National Assembly (legislative oversight) and by the Court of Audit on the public finances. The National Assembly receives draft budget review acts far too late to give its views on budget execution; the Court, recently established, does not receive public accounts in time to examine them.

The National Assembly lacks sufficient capacity and expertise to assess the draft budget acts, which in any case are difficult to understand and to access. The delegates receive the draft budgets very late in the budget cycle, which leads them to adopt them without having received proper information on budget execution results for the previous years. These shortcomings hinder their ability to exercise legislative oversight over the executive on behalf of their constituents.

The Court of Audit, while now being strengthened, still lacks the capacity to examine the full range of public accounts in sufficient depth. Furthermore, the final accounts are not submitted within the requisite six months after the closing of the fiscal year, but with major delays. The Court has so far managed to carry out only one jurisdictional audit of the Government’s accounts through simple verification of line items for years preceding 1998. It would appear difficult to expect achievement of the UEMOA goal of eliminating the backlog and updating the budget review acts by December 31, 2003.
Budget preparation and execution are deficient. The preparation of the budget act allows publication of the budget but the estimates do not reflect any medium-term plan and do not cover all expenditure categories. Budget execution procedures appear complex and time-consuming, internal control is weak, and exceptional procedures are overused.

The annual budget act is prepared without full knowledge of outturns from the previous year’s exercise, and expenditure allocations do not fully take into account expenditures made by externally financed projects and programs. The sector ministries receive no budget guidelines from the Ministry of Finance that would allow them to better frame their budget. The preparation of annual budget requires expenditure and revenue projections for a longer time period that are directly linked to the medium-term objectives of the Government’s economic and development policies.

Budget authority is centralized at the Ministry of Finance, which prevents the spending ministries from taking ownership of their own budgets. Furthermore, the rules and regulations assigning responsibility to the various actors in the spending cycle are not yet clearly defined.

The spending process is encumbered by some procedures that do not add value, and the accounting phase does not include sufficient independent checks and controls. In order to bypass this system, budget authorities tend to overuse exceptional procedures (advance payments and imprest accounts). These practices create a high financial risk and a perception of lack of transparency.

Public sector accounting does not cover all budget transactions. The accounting function also does not provide budget execution information within the timeframe required in the legal framework.

Public sector accounting is not comprehensive in two respects: public sector accounts do not include externally financed investment expenditures, and public sector accounting does not include certain opening balances, which impairs the accuracy of public accounts. Furthermore, major delays in the submission of final accounts to the Court of Audit impair the reporting function; in effect, government accounts have not been reviewed by the Court of Audit since 1996 and the last one prepared was for the 1999 fiscal year. Overall, these practices lead to a lack of effective oversight over public financial management and create a risk of major deviations in the execution of annual budget acts.

The treasury function represents a major challenge for public financial management. It is carried out without full information on the availability of funds in the various bank accounts held by public entities. Cash management is not based on forecasts that take into account the information supplied by the revenue and spending offices. The absence of monitoring of these offices creates a perception of lack of transparency and risk of underreporting of revenue collections and of unjustified payments.

The civil service payroll system, last of the five areas in need of improvement, appears to be obsolete from the point of view of both operations and oversight. The system would have suffered serious problems without heroic efforts on the part of the entities responsible. Computer systems are archaic and the mechanisms for certifying the list of civil servants are weak. The current likelihood of computer system failure and the inaccuracy of the payroll are so serious that even the current level of heroic efforts to keep the system going and track paylist accuracy may no longer be enough to reduce the risks to an acceptable level.
A sixth crosscutting area of concern, equally important as the main five listed above, involves the disparity and fragmentation of financial information systems, which are inadequate to ensure due diligence or an adequate level of security required for financial operations. Multiple computer-based systems have been developed with no regard for government-wide integration or coordination. An integrated financial information system that made use of currently available technology would improve coordination of entities responsible for revenue collection and would allow capture of data to constitute a tax roll for domestic taxpayers and those paying customs duties. Such a system would also simplify expenditure procedures, reduce the risk of inaccurate data entry, and at the same time, produce financial data within the required timeframes.

Archival storage of financial documents is handled in an archaic manner by the offices of the Finance Ministry, who have neither clear instructions about archiving nor the staff or equipment required to do the job. In the absence of systematic filing and conservation of data and supporting documentation, it is not possible to carry out an objective external audit.

In each of the six key areas, this CFAA proposes recommendations and specific actions to be undertaken. Priority recommendations are presented in the matrix at the end of this summary; their implementation, which will require capacity building for both staff and equipment, is the responsibility of the Government of Senegal. Most actions also concern the Technical and Financial Partners (donors), in particular for the management of funds during implementation of investment projects that they finance. This CFAA also highlights the need for better coordination among donors, in order to harmonize and refocus their assistance so that external investment funding can be integrated into the budget and the regular public expenditure process, and to increase of level of donor support to public sector budget and to Sector-Wide Approaches (SWAps).

This CFAA also includes an assessment of the financial management risk to funds flowing through the public financial management system in Senegal. The risk assessment does not relate to overall performance for each aspect of public financial management listed in the table below, but rather to the financial consequences of observed weaknesses resulting from the presence or absence of specific practices in that area. The potential risk is assessed as follows in Senegal:

**Table 1 : Financial Management Risk Assessment**

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Level of Risk</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget formulation: Expenditures</td>
<td>Moderate</td>
<td>Although expenditure estimates do not fully cover all government activities and are not entirely realistic, the financial risk resulting from these practices remains moderate.</td>
</tr>
<tr>
<td>Budget formulation: Revenue</td>
<td>Substantial to High</td>
<td>Revenue services lack comprehensive knowledge of the potential tax base and the visibility of expected revenue collections is thereby reduced. The resulting risk of revenue shortfall is substantial to high.</td>
</tr>
<tr>
<td>Budget execution: Commitment, verification, payment order (administrative phase)</td>
<td>Moderate</td>
<td>Although procedures are time-consuming and checks sometimes redundant, the procedures in place are complete and reduce the financial risk to a moderate level. Nonetheless, the absence of monitoring of expenditure performance presents the risk that government is not obtaining good value for money.</td>
</tr>
<tr>
<td>Budget execution: Payment (accounting phase)</td>
<td>High</td>
<td>The financial risk of this phase of the budget cycle is inherently high. Internal controls to reduce this risk are not in place.</td>
</tr>
<tr>
<td>Payroll execution</td>
<td>High</td>
<td>Heroic efforts expended by the payroll office to ensure regular paychecks for civil servants despite obsolete computer systems cannot guarantee the reliability of government payroll expenditures. The recurrent risk relating to payroll management thus appears to be high.</td>
</tr>
<tr>
<td>Revenue administration</td>
<td>Substantial</td>
<td>The financial risk is inherent and is not offset by internal control within the offices responsible for tax billing and collection. The risk of revenue shortfalls thus appears substantial.</td>
</tr>
<tr>
<td>Exceptional expenditure procedures</td>
<td>High</td>
<td>Although legislative and regulatory mechanisms for exceptional expenditure procedures appear to be in order, overuse of these procedures (advance payment and imprest accounts) creates a high financial risk.</td>
</tr>
<tr>
<td>Public Accounting</td>
<td>High</td>
<td>Time-consuming preparation of monthly statements, due essentially to the use of manual processing methods, creates a high risk to management of public funds</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>High</td>
<td>The combined impact of a lack of internal control mechanisms and long delays in the preparation of final accounts create a high financial risk that errors and inappropriate use of funds will not be detected.</td>
</tr>
<tr>
<td>Treasury and cash management</td>
<td>Very high</td>
<td>The inherent financial risk is high due to the absence of independent internal controls in the services responsible for handling of public funds. Delays in the reconciliation of accounts create a high risk in the management of public funds.</td>
</tr>
<tr>
<td>Debt management</td>
<td>Low</td>
<td>Lack of oversight of public sector debt at the Treasury does not appear to create significant risk in this area.</td>
</tr>
<tr>
<td>State-owned enterprises and parastatal entities</td>
<td>Very high</td>
<td>Lack of coordination in supervision of state enterprises, the absence of any effective systematic monitoring represents a major financial risk in the use of public funds.</td>
</tr>
</tbody>
</table>

The actions proposed in the matrix on the next pages consolidate the recommendations made throughout the main report concerning institutional, organizational and procedure measures. They do not constitute new activities but rather constitute an integrated plan whose implementation requires coordinated and comprehensive planning. This action plan contains the specific activities required to implement the high-priority recommendations presented in the CFAA and as such, need to be taken in consideration in the preparation of the government action plan (table 21).
In support of this process, the Minister of Economy and Finance is planning to create a specific body to monitor the implementation of this action plan and to be responsible for coordinating the reforms to be undertaken. The first task of this body will be to prepare technical worksheets detailed task descriptions and defining the critical path for fulfilling each recommendation and ensuring a logical and consistent sequence of steps leading to the efficient achievement of the desired objective or outcome. Preparation of these technical worksheets, certain of which may require outside expertise, will include identification of performance indicators relating to each recommendation. Table 21 indicates where these technical worksheets are required and which entity is responsible for drafting them.
### Table 2: Summary of High-Priority Recommendations

<table>
<thead>
<tr>
<th>KEY ISSUES</th>
<th>HIGH-PRIORITY RECOMMENDATIONS</th>
<th>Responsible entity</th>
<th>Level of support required</th>
<th>Timetable</th>
</tr>
</thead>
</table>
| 1. The scope of external oversight and audit performed by the National Assembly and the Court of Audit is narrow and superficial. Delays in the preparation of draft budget review acts and of public accounts hamper effective review. | a. Strengthen capacity of the National Assembly’s Finance Commission to carry out economic and financial analysis.  
 b. Accelerate the pace of modernization and capacity building for the Court of Audit.  
 c. Enforce the legal penalties provided for late delivery of accounts. | Finance Committee | Low: X  
 Medium: X  
 High: X | Urgent: X  
 Medium term: X  
 2003: X  
 2004-2006: X |
| 2. Budget preparation is deficient: The expenditure process is too centralized, internal control of revenue and expenditure is not adequate; exceptional procedures are overused. | a. Define and implement a strategy for introducing performance-based budgeting (Medium Term Expenditure Framework).  
 b. Include budget guidelines in the annual budget act.  
 c. Incorporate all government activities in the national budget document.  
 d. Develop a strategy for administrative decentralization and pilot its introduction in key ministries. Deconcentration would apply to all administrative phases for expenditure (commitment, verification, payment order "ordonnancement") leaving a priori control with MEF.  
 e. Establish effective internal control units within DGID, DGD and DGCP.  
 f. Simplify expenditure procedures and clearly define responsibilities of all actors.  
 g. Limit the use of exceptional procedures. | MEF  
 DB  
 DB + PTF  
 MEF | Low: X  
 Medium: X  
 High: X | Urgent: X  
 Medium term: X  
 2003: X  
 2004-2006: X |
<table>
<thead>
<tr>
<th>KEY ISSUES</th>
<th>HIGH-PRIORITY RECOMMENDATIONS</th>
<th>Responsible entity</th>
<th>Level of support required</th>
<th>Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Budget outturns are not prepared within the legally required timeframe and are not made available.</td>
<td>Set and implement a timetable for preparing final accounts in accordance with UEMOA directives.</td>
<td>DDCPT</td>
<td>X</td>
<td>Urgent 2003, Medium term 2004-2006</td>
</tr>
<tr>
<td>4. Cash management procedures lack transparency.</td>
<td>a. Produce provisional treasury position in a timely manner, at least once every quarter.</td>
<td>DGCPT</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>b. Inventory existing public sector bank accounts and monitor account transactions.</td>
<td>DGCPT</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5. The Government payroll system is archaic; processing and verification procedures are incomplete.</td>
<td>Launch a technical and financial audit of civil service payroll management. Modernize the system for issuing salary payments to civil servants (organization, control, financial information system).</td>
<td>MEF</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>6. Information technology systems are fragmented and uncoordinated; document filing and storage arrangements are archaic.</td>
<td>a. Develop and implement a financial management information system master plan for MEF.</td>
<td>DTAI and MEF Court of Audit</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>b. Conduct a comprehensive study to define requirements for a documents storage and archiving system for the MEF and Court of Audit.</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
1. THE PUBLIC SECTOR

1.1 LEGAL AND INSTITUTIONAL FRAMEWORK

1.1.1 Legal Foundation for Public Financial Management

Internally, the management of Senegal's public finances is based on a body of laws that derive from provisions in the country's Constitution, which refers in its preamble to the principles of (i) transparency in the conduct of government's affairs, (ii) of good governance and (iii) of access by all citizens to the exercise of power.

The Constitution, revised in 2001, assigns to Government the responsibility for management of public finances, which it assumes in executing the annual budget act prepared by its staff. The National Assembly is responsible for approving the budget law and the Constitution recognizes the Assembly's right to amend the budget law. The Assembly must exercise its right to vote on the budget law within 60 days after it receives the draft budget act; in the absence of a vote prior to the January 1 start of the new budget year, the President of the Republic is authorized to extend by decree spending authorization based on the previous year's budget act. The Constitution also provides for a Court of Audit to assist the executive and legislative authorities in the oversight of budget execution.

Externally, as a member state of the West African Economic and Monetary Union (UEMOA), Senegal must also ensure that its management of public finance is in accordance with UEMOA's directives, which set out a framework of regulations to be followed. These directives in turn refer to the principles stated in the French law of 1959.

1.1.2 The legal framework of the annual Budget Act

Senegalese budget law is based on the organic law of October 15, 2001 (No. 2001-09), adapted from the provisions of the UEMOA Directive of December 16, 1997 (No. 05/97/CM/UEMOA). The organic law sets out the financial resources and responsibilities of the State and specifies that expenditure lines opened by the annual budget acts are assigned to a specific office and grouped by chapter specifying their nature or function. Revenues in the budget are classified by nature.

The 2001 organic law also sets out the general procedures for recording accounting transactions on cash basis for revenues and accrual for expenditures, prohibiting offsetting of revenue and expenditures, and limiting assignment of revenue use to certain expenditures. This law has been supplemented by financial regulations, in particular by a decree of November 7, 2001, which incorporates the provisions of the UEMOA Directive (No. 04/98/CM/UEMOA) for budget nomenclature. The new budget categories were first used for the 2002 budget for Senegal.

In 2003, the Government of Senegal further reinforced the legal framework through three decrees signed March 13 and 28 that incorporate three other UEMOA directives and resulted in the adoption of Public Sector Accounting Regulations, a public sector Chart of Accounts, and a public sector Government Financial Statements (Tableau des Opérations Financières de l'Etat or TOFE).

The 2001 organic law designates the Minister of Finance as the sole expenditure authorizing body and establishes under him a Financial Comptroller (Contrôleur des Opérations Financières or COF). The law (1) requires the Minister to provide Parliament with all information required for them to carry out
their oversight responsibilities, (2) requires the Government to report on its management of the budget by submitting the draft final accounts prior to the end of the following budget year, and (3) simplifies the legislative budget approval process by providing for a single vote for the income section of the main budget, and a single vote for the expenditure side of each ministry’s budget; new programs are voted on one title at a time within each ministry. The law also provides for modification to the annual budget during the fiscal year through passage of an amended budget act.

1.1.3 Analysis of Legal Framework for Budget

Although an analysis of the UEMOA framework falls outside the scope of this report, the CFAA team notes that the UEMOA framework is not completely up to date regarding current public sector financial management practice, which recommends use of medium-term budgeting framework and results-based budgeting. Annex 4, in the second volume, presents the structural weaknesses of the UEMOA framework that currently constrain the scope of public financial management in Senegal.

The legal framework for budget preparation and execution in Senegal is now complete, though it is only recently that the Government of Senegal actually put into effect the three UEMOA directives for public sector accounting regulations: the Chart of Accounts and Government Financial Statements—four years after UEMOA issued the relevant directives. This delay is partly due to the absence of a mechanism for monitoring the implementation of the UEMOA directives. Senegal’s Ministry of Economy and Finance (MEF) has just established a sector assessment and monitoring committee for UEMOA directives, and this committee should be stepping up the pace of its activities to ensure that the necessary implementing regulations are put into effect.

Table 3: Senegal: Dates of adoption of UEMOA budget and accounting directives.

<table>
<thead>
<tr>
<th>UEMOA Directives</th>
<th>Senegalese law</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 05/97 of November 16, 1997, on annual budget laws</td>
<td>Law No. 2001-09 of October 15, 2001</td>
</tr>
<tr>
<td>No. 05/98 of December 22, 1998, on public sector Chart of Accounts</td>
<td>Decree No. 2002-162 of March 28, 2003</td>
</tr>
</tbody>
</table>

1.1.4 Institutional Framework

The framework established by the 2001 organic law involves Parliament, the Court of Audit, and the executive branch of Government. Concerning legislative authority, Parliament has two specialized commissions: the Legal Commission, which examines all legal aspects of financial text, and the Finance Commission, charged with reviewing Government’s financial proposals and the budget expenditure reports. The Court of Audit represents the judicial branch and is responsible for audit of budget execution and for producing a report for Parliament (see section 1.6).

2 The decrees putting these directives into effect in Senegal were published in No. 6094 of the Official Bulletin on March 29, 2003.
Because the MEF represents the executive in its role as sole authorizing body for the budget, the CFAA focuses primarily on its functions. MEF's institutional structure is aligned with the provisions of the decree regulating its organization that has been in effect since 1995. This ministry's primary functions are the preparation and execution of annual budget acts and providing the revenue to finance Government's operations. In order to carry out these functions, MEF is composed of four main directorates, 21 departments, 45 offices, about 20 divisions and a dozen specialized units.

1.1.5 Analysis of Institutional Framework

The institutional framework for public financial management is weakened by the shortage of human and financial resources, which hinders its capacity to perform. Although in the last few years, MEF has instituted specific reform measures intended to strengthen financial performance (in particular, within the Customs Directorate, DGD), a number of organizational gaps constitute real handicaps in the effort to exercise efficient and transparent management of public finance.

With the notable exception of the Customs Directorate (DGD), The Treasury and Accounting Directorate (DGCTP), and the Tax and Lands Directorate (DGID), certain of MEF's administrative entities are operating with no legal provision for their missions. The missions of these entities also suffered from the instability of government reorganization. The 1995 decree that set out the structure of MEF was never followed up with administrative implementation orders (arrêtés) and has not been subject to comprehensive review and revision, despite numerous internal reassignments of authority. As a result the relevant orders covering the organizational structure of the departments and divisions have never been drafted. MEF staff must refer simultaneously to the orders issued in 1980 and 1982, adjusting the old organization chart to reflect assignment of functions specified in the 1995 decree and subsequent regulatory and technological changes.

Again with the exception of the revenue directorates (DGD, DGCTP, DGID), the many current conflicts in the assignment of responsibilities within MEF, the fragmentation of functions and task assignments, the duplication of structures, and the unsystematic naming of organizational units have a negative impact on the quality of governance. For example, the many new small units (cellules) are in effect administrative substitutes created in response to specific immediate problems. Their creation has often stemmed from a realization that existing entities would not be able to deal adequately with new circumstances. Whatever form they take and whatever the justification, the creation of such ad hoc units runs the risk of duplicating functions already assigned to regular structures and consequently demoralizing them. Very often, the new units are created with no consideration of whether they should be permanent, or rather eventually transferred to an existing part of the ministry, and if so, which part.

The structure of the Tax and Lands Directorate (DGID) reflects MEF's concerns regarding fiscal resource mobilization, the registration of private land and the management of state lands. However, DGID's organization fails to consider the gap between the importance of these concerns and the resources allocated to achieve the desired objectives; it also reveals a fragmentation of activities that is accentuated by inadequate information and communication systems.

The performance of the Treasury and Accounting Directorate (DGTCP) is fundamentally handicapped by over centralization of authority not subject to efficient external oversight and the absence of procedures manuals and a lack of operational documentation.

Last but not least, the administrative structures of review and audit of public finance continue to be characterized by poorly defined functions, frequent duplication in areas of responsibility, multiplicity of actors, frequent reassignments, insufficient autonomy of action, and a lack of human and material resources (see section 1.6)
1.2  BUDGET PREPARATION

Senegal’s fiscal year runs from January 1 to December 31. Budget preparation begins in February and is carried out by central and deconcentrate entities.

1.2.1  Budget Preparation

The preparation of the budget is coordinated by the Budget Department, with a staff of 83, of which 15 are top management (A-level civil servants) and 12 are middle management and professionals (B-level). The income division and expenditure division have six staff each, and 44 staff work in the nine regional offices.

Schedule and procedures

Budget preparation follows the schedule shown below.

Table 4: Budget preparation schedule

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>Revenue forecasts set (DGF)</td>
</tr>
<tr>
<td>November</td>
<td>Budget conference meetings (expenditures)</td>
</tr>
<tr>
<td>December</td>
<td>End of arbitration (MEF-PM)</td>
</tr>
<tr>
<td>January</td>
<td>Beginning of budget arbitration (DGF)</td>
</tr>
<tr>
<td>February</td>
<td>Draft budget act adopted by Council of Ministers</td>
</tr>
<tr>
<td>March</td>
<td>Note on the economic situation and government financial requirements</td>
</tr>
<tr>
<td>April</td>
<td>MEF memo to sectoral ministries (expenditures)</td>
</tr>
<tr>
<td>May</td>
<td>Launch of work to prepare draft budget act (revenue)</td>
</tr>
<tr>
<td>June</td>
<td>Vote on Budget Act</td>
</tr>
<tr>
<td>July</td>
<td>Submission of draft budget act to Parliament</td>
</tr>
</tbody>
</table>

Analysis of budget schedule and procedures

The budget preparation schedule is based on arrangements spelled out in the Constitution and is intended to allow time for the Government to examine the draft budget and adopt an annual budget act
prior to the start of the fiscal year. Nonetheless, the more than two months allowed for DGF to complete arbitrations of budget content prior to the adoption of the draft budget act by the Cabinet of Ministers (from mid-August to the second half of October) appears to impinge on the time Parliament has left for review and the quality of their review. In 2002, due to delays stemming from the crisis following the sinking of the Joola, the draft budget was submitted to Parliament only in early November, which forced a rapid review that compromised the proper exercise of legislative oversight. This lack of time for proper budget review is one of the reasons that members of Parliament have lost interest and simply failed to be present for budget review meetings.\footnote{Letter of December 28 from Senegal’s National Organization of Civil Rights.}

MEF communications concerning budget preparation do not inform the sector ministries about overall budget limits. Whatever the justification, the absence of budget guidelines creates three kinds of problems:

(i) since the ministries lack a sense of the financial context, their budget proposals are not realistic and this leads to difficult budget meetings;
(ii) despite free interaction between the sector ministries and the MEF during these meetings, no real debate takes place concerning overall allocation or tradeoffs among sectors because the Budget Department insists on maintaining previously fixed sector spending limits;
(iii) as a result, the sector ministries do not fully engage in the budget estimates exercise, which they consider to be beyond their scope of influence.

Finally, the preparation of budget estimates is of little concern to the deconcentrated (regional and local) offices of the sector ministries, which are in fact in the best position to set out budget proposals that correspond to the needs of the communities they serve. Should the deconcentrated offices be given a role in budget preparation, the sector ministries would also need to be able to present realistic overall spending levels, and would need to strengthen their own capacity for program analysis. Otherwise the focus remains on spending rather than on service delivery.

Recommendation:

> Include a requirement for budget guidelines as part of the process for preparing draft budget estimates.

Budget Presentation

The draft budget is presented in the form of documents that include government income, operating expenses and capital (investment) expenditures. The operating budget is presented in great detail and is voluminous. The new budget classification system, first used for the 2002 budget, is one reason for this level of detail. The investment budget is detailed by project and within each project, by type of expenditure according to the source of financing (whether internal or external), by subvention, or by borrowing. The annual public debt payment is taken into account in the operating budget.

Analysis of budget presentation

The voluminous form of the budget document, due in large part to a very detailed budget classification system, does not make it easily accessible and makes it difficult to read. This lack of accessibility (i) has a negative impact on the quality of legislative oversight by members of Parliament, who are often not very familiar with the technicalities of public finance; (ii) does not provide sufficient transparency concerning Government’s actions\textit{ vis-à-vis} the interested external parties, such as citizen watchdog
organizations and international technical and financial partners; and (iii) fails to clearly lay out Government’s objectives in priority areas.

Budget documents are not distributed widely enough, either to the people who need to use them in their work or to external parties, in particular to the Senegalese public. The CFAA team recommends that the budget be presented in more easily readable form and that it be made more widely accessible, by making it available on MEF’s website: www.minfinances.sn.

**Budgeting by objective in two pilot ministries**

MEF has prepared pilot objective-based budgets for two ministries, Health and National Education. The two pilot budgets take distinctly different approaches. The Ministry of Health budget is based on the Integrated Health Development Program negotiated with external technical and financial partners (PDIS 1998-2002). Annual objective-based budget programming is meant to be on a rolling multi-year basis, but since the PDIS comes to an end in 2002, the pilot objective-based budget for 2003 was not prepared under a medium-term expenditure framework.

The pilot objective-based budget for the Education Ministry is based on a Ten-Year Program for Education and Training (PDEF 1998-2008) prepared by the Center for Research and Applied Economics (CREA), part of the University of Dakar, which made use of custom software that rearranged program expenses according to government budget classification categories.

**Analysis of budget implementation for objective-based budgets**

The pilot effort to introduce objective-based budgeting in the public sector is in a very early stage and its influence on the management of the health and education sectors has been very limited. The fact that these pilot budgets were produced by MEF and not by the concerned ministries is a clear indication of their ad hoc character and of their lack of linkage with the internal planning processes used within these ministries. The Health Ministry, for example, attaches great importance to the annual review of the PDIS, organized with the program’s donors, during which activities for the coming year are agreed.

Moreover, these pilot documents cover just one year and thus are not conceived within a dynamic medium-term, multi-year rolling framework. It is also clear that the hierarchy of objectives needs some refinement. The indicators included in this first exercise reflect a blend of quantifiable outputs (or targets), less quantifiable ambitions or outcomes, and required actions.

Despite the weakness of these pilot objective-based budgets, the exercise itself has had promising results. Certainly it is clear that there is a growing desire and the beginnings of a culture for management by objectives and results, and that that these ministries are seeking to develop an overall vision of the financial position for public service delivery within their sectors. The Health Ministry has begun producing an annual report on the use of financial resources from all sources (central government, private patients, local government, and external donors).

Still, the implementation of such an overall vision runs counter to the tradition of financial management based on detailed oversight of data entry and consolidated cash management (unité de caisse). The next step in developing along these lines will require confronting the constraints imposed by the current

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4 Twenty-three (23) donors are financing about 30 percent of a total five-year program cost of CFAF 229 billion.
5 For the 2003 budget draft, CREA presented the objective-based budget document two days prior to the budget conference for the Ministry of Education. Its contract with the ministry expired on December 31, 2002.
system of financial management. Without fundamental reform of the current system, the benefits of objective-based budgeting will remain very limited.

Meanwhile, the two ministries will need to take another look at the program-related structure proposed in the two budget documents, along with the definition of program monitoring indicators, which will give them at least the benefits that a rigorously logical framework can offer.

**Recommendation:**

- Define and implement a strategy for putting into practice results-based budget within a medium-term expenditure framework (MTEF).

### 1.2.2 Revenue Estimates

Revenue estimates in the annual budget act are based on forecasts of growth in the tax base and anticipated improvements in tax recovery performance. These forecasts are provided by the Forecasting and Statistics Department (DPS), with the support of the Budget Department and the various revenue authorities (DGID, DGD, DGCPT). DPS has assembled an Excel database that can be regularly updated to yield a national macroeconomic spreadsheet.

Tax revenues amounted to CFAF 576.8 billion in 2001 (equivalent to US$825 million at CFAF 700 to the dollar), or 95.7 percent of total revenues. Income from non-tax sources is less predictable, mostly because of the variability of dividends coming from national public enterprises and of income derived from fishing agreements with the European Union. The amounts of such income are relatively small, amounting to CFAF 25.9 billion in 2001, or about 5 percent of total revenues.

Actual revenue collections are quite close to initial forecasts, as shown in table 5.

**Table 5: Actual percentage of estimated revenue, 1998-2001.**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax revenue</td>
<td>98.9%</td>
<td>103.1%</td>
<td>101.7%</td>
<td>97.4%</td>
</tr>
<tr>
<td>Non-tax income</td>
<td>124.7%</td>
<td>100%</td>
<td>116.8%</td>
<td>141.5%</td>
</tr>
<tr>
<td>Total revenue (excluding loans and grants)</td>
<td>99.8%</td>
<td>103%</td>
<td>102.3%</td>
<td>98.7%</td>
</tr>
</tbody>
</table>

Source: MEF

DPS relies on its staff of 115 to produce these revenue estimates and forecasts, which are presented in timely manner for inclusion in the annual budget estimates, along with the cover memorandum that accompanies the draft budget act.

**Analysis of revenue estimates**

The accuracy of revenue forecasts reflects the transparency of the methodology used to calculate them but also raises questions regarding their reliability, since one would normally expect at least some variation over a period of several years. The consistency of estimates and actual receipts could suggest that the tax recovery operations have some elbow room or potential for improving collections performance.

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6 Experience with revenue forecasts shows that over a period of four or five years, actual collections will normally differ significantly from estimates on occasion due to unpredictable exogenous (poor harvests, bad weather) or endogenous events (political and social unrest).
The CFAA team learned that the discussions on revenue forecasts focused on the overall annual levels without any prior definition of hypotheses. The result is that there are difficult arbitration decisions among the different revenue authorities.

The revenue directorates lack sufficient human and material resources to undertake field surveys or prepare professional monographs on the main sectors of economic activity in Senegal. These constraints (1) lead to real difficulties in grasping the extent of fiscal potential, (2) mask the actual current performance of tax collection services, and (3) maintain the existing tax burden, which falls primarily on a few business enterprises. 

There continues to be a problem with the transparency of revenue forecasts as presented in the information provided in the statement of objectives (exposé des motifs) that introduces the annual budget act. For example, the statement mentions, “the consolidation and reinforcement of the efficiency of tax and customs administration,” and “the approach of closing dates for certain [external] loans.” But members of Parliament need more specific information in order to understand the differences in revenue due to underlying gradual growth in the number or income of taxpayers, versus those due to action taken by tax authorities (higher rates, new categories). Better information on such fundamental tax issues would improve both the transparency of public policy vis-à-vis the civil society and Government’s credibility.

DPS staff are quite well trained and well equipped, in particular with a good computer system that is adapted to their needs, networked, and connected to the Internet. DPS’ statistical output is posted to the MEF website, and DPS is currently working with Afristat under bilateral financing to launch their own website during 2003. However, DPS is not linked to other MEF departments or with the BCEAO, with whom DPS compiles the macroeconomic forecast. The computer system is also vulnerable to serious virus problems that threaten the security of their worksheets. Furthermore, although DPS macroeconomic forecasts are summarized in spreadsheet format, they are not automatically calculated using customized software but rather based on hypotheses derived from national accounts forecasts for the main components of growth for the forthcoming year (consumption, investment, trade, inflation).

1.2.3 Expenditure Estimates

Equipment expenditures

Estimates of operating expenditures for the coming fiscal year are prepared by the sector ministries and assembled by the Budget Department, which has two divisions of six staff each, one each for revenue and expenditures. Its estimates are presented in the annual budget act under budget lines carried over from the previous year and new expenditure items.

Personnel expenditures

The Payroll, Pension and Annuities Department (DSPRV) is responsible for estimates and management of personnel expenditure, except for personnel paid through project budgets and equipment purchases. This department reviews and presents its views on draft legislation and regulation that impact Government’s payroll and handles payroll and pension disputes. DSPRV works from a computerized personnel list that it checks and verifies but which is actually maintained by DTAI. Its staff levels have

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7 The disproportionately large share of tax paid by large firms has recently been accentuated by the creation of specific units for the billing and recovery of taxes from large firms.
fallen by 20 percent over the last five years to 96 total staff, of which only four at the professional level (see section 1.8 on computerized payroll database).

Personnel expenditures estimate in the annual budget act are based on budget lines that must be created prior to funds allocation. The Budget Department, where only four staff are responsible for all estimates and monitoring of personnel expenditures—though these expenditures account for around a quarter of the entire budget—also is asked to review and present its views on all decisions affecting payroll expenditures. Requests for new staff positions originate with the ministries and staffing limits are set by the Staff and Payroll Monitoring Unit, which reports directly to the Minister of Finance; the final decision rests with the Prime Minister.

Since 1998, actual personnel expenditures (for permanent civil servants and contract staff, excluding retirement benefits) have normally been 98 percent of estimated levels. For 2002, personnel expenditures were projected to be CFAF 198 billion, 11.7 percent higher than for 2001. Since staff levels have been stable at around 66,000 for the last ten years or so, and salary and contract labor payments amount to 30.7 percent of tax revenue, well below the 35 percent convergence criteria threshold indicated by UEMOA, they do not raise any specific issues for public financial management.

Investment expenditure framework

In principle, the Triennial Public Investment Program (PTIP) is based on project proposals presented by the sector ministries to the Economic and Financial Cooperation Department (DCEF) in the framework of the national planning system. DCEF, which has a staff of 34 including 24 professional operational staff, reproduces the first year of the PTIP to form the annual Consolidated Investment Budget (BCI)

Analysis of expenditure estimates

The preparation of expenditure estimates is based on the availability of resources and not on desired outcomes, with the emphasis on the level of spending rather than on objectives. For this reason, the expenditure estimates are subject to rigidities that interfere with a modern and dynamic approach to public financial management. Nor does the automatic carryover of funding levels from year to year facilitate new initiatives from the sector ministries or the definition of sector policy.

Table 6: Annual budget estimates by expenditure category. (CFAF billions)

<table>
<thead>
<tr>
<th>Nature of expenditure</th>
<th>2001 amount</th>
<th>2001 %</th>
<th>2002 amount</th>
<th>2002 %</th>
<th>2003 amount</th>
<th>2003 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>186</td>
<td>20%</td>
<td>198</td>
<td>20%</td>
<td>207.4</td>
<td>18%</td>
</tr>
<tr>
<td>Purchase of goods and services</td>
<td>240.3</td>
<td>25%</td>
<td>110.2</td>
<td>12%</td>
<td>129.9</td>
<td>11%</td>
</tr>
<tr>
<td>Transfers</td>
<td>56.8</td>
<td>6%</td>
<td>111.5</td>
<td>12%</td>
<td>301.8</td>
<td>26%</td>
</tr>
<tr>
<td>Debt interest</td>
<td>39.6</td>
<td>4%</td>
<td>40.1</td>
<td>4%</td>
<td>36.6</td>
<td>3%</td>
</tr>
<tr>
<td>S/Total operating exp.</td>
<td>522.7</td>
<td>55%</td>
<td>459.8</td>
<td>48%</td>
<td>675.7</td>
<td>58%</td>
</tr>
<tr>
<td>Investments :</td>
<td>376.9</td>
<td>40%</td>
<td>392.7</td>
<td>41%</td>
<td>418.6</td>
<td>36%</td>
</tr>
<tr>
<td>- internally financed</td>
<td>135.8</td>
<td>14%</td>
<td>142.3</td>
<td>15%</td>
<td>169.4</td>
<td>14%</td>
</tr>
<tr>
<td>- externally financed</td>
<td>241.1</td>
<td>26%</td>
<td>250.4</td>
<td>26%</td>
<td>249.2</td>
<td>22%</td>
</tr>
<tr>
<td>Debt payments</td>
<td>44.4</td>
<td>5%</td>
<td>104.2</td>
<td>11%</td>
<td>80.6</td>
<td>7%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>944</td>
<td>100%</td>
<td>956.7</td>
<td>100%</td>
<td>1174.9</td>
<td>100%</td>
</tr>
</tbody>
</table>
Overall, the budget execution rate (ratio of actual to estimated expenditure) during the 1998-2001 period was over 95 percent. The execution rate fell to 90 percent in 2001 because of a lower level of debt payments than planned. Equipment expenditure estimates have been the least accurate, with an overall execution rate over the four-year period that exceeds 100 percent, which corresponds to expenditure overruns. Still, there has been a steady reduction in the equipment execution rate from 111.6 percent in 1998 to 97.5 percent in 2001.

<table>
<thead>
<tr>
<th>Execution rate for total expenditures</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>- personnel</td>
<td>-</td>
<td>98%</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>- equipment &amp; supplies</td>
<td>111.6%</td>
<td>102.8%</td>
<td>101.8%</td>
<td>97.5%</td>
</tr>
<tr>
<td>- investments</td>
<td>NC</td>
<td>NC</td>
<td>NC</td>
<td>87.5%</td>
</tr>
<tr>
<td>- public debt</td>
<td>93.2%</td>
<td>104.6%</td>
<td>75%</td>
<td></td>
</tr>
</tbody>
</table>

Source: MEF. NC = Not Communicated.

Personnel expenditures have remained remarkably stable during the four-year period and seem to be under control. They represent about 30 percent of tax revenue, the lowest share of any UEMOA member state. An study on WAEMU countries carried out by Principal Economist M. Lubin Doe, indicates that this share averaged 58 percent during the 1980-93 period, ranging from 51 to 64 percent. The figure for 1980 was 53 percent and in 1993, 60 percent. This share has thus fallen dramatically over the last ten years and it would be worthwhile to update the study.

The DSPRV does not manage the entirety of Government personnel expenditures; it does not handle personnel costs covered by equipment purchases, which run contrary to the principle of budget specificity (each budget entry must specify the nature of the expenditure). The CFNA team found that personnel expenditures in the 2002 budget that were included under equipment purchases by the University of Dakar had substantially increased—nearly doubled, in fact—which introduces a misleading presentation for this category of expenditure.

Because they are based on data entries and output from the Civil Service Ministry's database, the Payroll and Budget Departments' tools for framing personnel expenditure estimates are rudimentary. The staff available in these departments is insufficient to carry out forecasting exercises or comparative studies of civil service salary spending. These departments are far from being able to anticipate how payroll spending may change in the future or to propose a medium-term strategy for civil service employment.

Concerning investment expenditures, the only available figure indicates an exceptionally high execution rate of 87.5 percent. This figure is very different from the overall rate of execution of externally financed investments in sub-Saharan Africa generally (22 percent) and even more so from the implementation rate of WB-financed projects in Senegal (9 percent). Lacking information to the contrary, implementation of internally financed investments must be unusually efficient in Senegal.

The sector ministries are minimally involved in the preparation of investment expenditure estimates because they have little capacity to identify, assess, and monitor public projects and programs. Their capacity is limited because of the abolition of all sector planning offices within the sector ministries during the 1990s. The DCEF has few effective tools for project assessment, selection, or programming.

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The CFAA team recommends strengthening of project and program planning capacity within the sector ministries and the DCEF.

Moreover, the ministries do not include all externally financed projects in their budget estimates, which violates the budget principle of universality and limits the comprehensiveness and transparency of the investment budget.

**Recommendations:**

- Strengthen project and program planning capacity within the sector ministries and the DCEF.
- Require all ministries to include all externally financed projects and programs in their budget estimates in order to achieve comprehensive coverage of the annual budget act.

### 1.2.4 Relationship of MEF with sector ministries

The preparation of the annual draft budget act is officially the responsibility of the Minister of Finance and the current exercise of this responsibility allows the MEF to produce the draft budget in a timely fashion so that Parliament can review it. In order to achieve this result, MEF sends out a memorandum to the sector ministries directing them to submit their estimates and attend the budget conference meetings. This circular however, as already mentioned, does not provide any overall financial orientation to the ministries that would guide them in preparing realistic budget estimates.

### Analysis of MEF-Ministry relations

While this procedure allows MEF to produce the draft budget act within the desired timeframe, the institutional architecture relies on MEF having sole responsibility and everything takes place within a centralized system. This setup, which stems from a concern to maintain financial discipline, does not favor deconcentration of responsibility for budget preparation that would allow the sector ministries to participate, and leaves them little room for them to take the initiative. This applies equally to the Health and Education Ministries, whose budget meetings are no different from those of other ministries, despite the pilot use of objective-based budgeting in these two ministries (see section 1.2.1) The result is that they have little interest in the budget preparation process.

### 1.3 BUDGET EXECUTION

#### 1.3.1 Overview

The minister of finance, who is the sole authorizing body for government funds, is responsible for the execution of the budget. The first step in the execution of the budget is the allocation decree that notifies government offices of the funds made available to them according to the budget act as voted. This decree, which indicates the funds allocated to each ministry, signals the opening of allocated funds. The ministries may then initiate spending according to the procedures for the use of public funds (see details in section 1.3.3).

The organic budget law provides two procedures to be followed for reallocating funds during the budget year, one through legislation, the other through regulatory decree, both under MEF supervision. The legislative procedure involves passing a supplementary budget act that authorizes adjustments in
the estimates for revenue and expenditure, and in the closing balance. The regulatory procedure is more flexible and allows for transfers and reallocation (virement) of funds from one budget head to another but does not allow introduction of new items.⁹

Funds transfers can also be authorized by an order (arrêté) of the Ministry of Finance, which can change the spending entity without changing the nature of the expenditure. In contrast, a reallocation (virement) changes the nature of the expenditure but is allowed only within the same budget head (chapitre) of a ministry and may not exceed a tenth of the total allocation to that head. A reallocation requires a decree (décret) unless it involves a shift of funds within the same budget line (article), in which case a ministerial order is sufficient.

Table 8: Timetable for budget execution.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds allocation decree signed</td>
<td>End January, Year N</td>
</tr>
<tr>
<td>Supplemental period begins</td>
<td>Two months after Jan. 1 of Year N+1</td>
</tr>
<tr>
<td>Fiscal year ends</td>
<td>December 31, Year N</td>
</tr>
<tr>
<td>Spending begins in sectoral ministries</td>
<td>(Year N)</td>
</tr>
<tr>
<td>Deadline for public accountants to submit final accounts</td>
<td>May 31, Year N+1</td>
</tr>
<tr>
<td>Analysis of budget execution overview</td>
<td></td>
</tr>
</tbody>
</table>

The current setup for budget execution in Senegal, involving a single authorizing body, is not the most effective one for public financial management. This centralized setup concentrates all authority for managing the Government’s budget in the hands of the minister of finance, and results in a rigid system where procedures can easily become stalled.

Moreover, despite the issuing of the allocation decree in the first month of the budget year, budget execution tends to get a slow start. The sector ministries interviewed by the CFAA team said that the actual delivery of the decree to them is often delayed, a situation the CFAA team finds worrisome, as it

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⁹ The 2002 operating budget was subject to 64 transfers and 84 reallocations (amounts not specified).
effectively delays the startup of budget execution until April or May.\textsuperscript{10} The slow startup leads to a bunching of commitments at the end of the fiscal year, and the financial units are overloaded with work from November (commitment deadline) to February of the next year (supplementary period or journée complémentaire\textsuperscript{11}), when most of the spending actually takes place. This bunching has a negative effect on the budget execution rate and reduces absorptive capacity.

Supplementary budget acts were voted in 1999 and 2001 to authorize spending of unusually high revenues from Senegal’s participation in the Highly Indebted Poor Countries (HIPC) initiative and from privatization of public sector enterprises; there was no supplementary budget act in 2002.

**Recommendation:**

- Develop a strategy for deconcentrating budget execution authority and test its implementation in a few key ministries by shifting authority for all administrative stages of the expenditure process (commitment, verification, and processing and issuing of payment orders) to the sector ministries, while leaving oversight authority with MEF.

### 1.3.2 Revenue Administration

**Procedures for revenue administration**

Three directorates within MEF handle government revenues:

- DGID is in charge of tax rolls and billing and of the land registry and state lands management;
- DGD collects customs fees and indirect taxes; and
- DGCPT collects fiscal and non-fiscal revenue.

Accounting for both central and local government revenues is cash based, that is, the fund transactions are not recorded until the funds are received. Revenue collected in the Dakar region is deposited in a Treasury revenue account (Recette Générale du Trésor or RGT), and those collected in the other regions are deposited in regional Treasury accounts; all revenue deposits are registered in the Central Bank (BCEAO) account managed by the Treasury.

DGID is the only MEF department with a properly equipped training center. A-level top management staff in DGD, DGCPT, and DGID are trained in a specialized section of the National School of Administration; B-level middle management and professional staff are trained at the Customs School (l’Ecole des Douanes). DGID employs 452 staff, of which 150 are A-level and 90 B-level; 90 percent of DGID’s A- and B-level staff work in the Dakar region. DGD employs 1,617 staff, of which 113 are A-level and 185 B-level; 98 percent of A- and B-level DGD staff work in the Dakar region. DGD has a human resources management system that provides for internal transfers every three years. It is facing major attrition problems because of the large number of staff approaching retirement age: average age of DGD staff is 45 and retirement is at 52.

\textsuperscript{10} At the beginning of the CFAA validation mission (February 7, 2003) the Administration and Equipment Departments (DAGE) of the sectoral ministries interviewed by the CFAA team had yet to receive authorization of funds for the 2003 fiscal year.

\textsuperscript{11} The supplementary period runs from January 1 to February 28 following the end of the budget year, and in practice simply extends the end of the budget year from December 31.
Revenue statistics submitted by Senegal to UEMOA indicate a stable relationship between fiscal revenue and GDP over the last three years for which data are available.

**Table 9: Government revenue, 1999-2001.**

(CFAF billion)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001 (prel.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal revenue</td>
<td>492.1</td>
<td>537.3</td>
<td>592.1</td>
</tr>
<tr>
<td>Non-fiscal revenue</td>
<td>15.6</td>
<td>25.0</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>506.8</strong></td>
<td><strong>562.3</strong></td>
<td><strong>610.4</strong></td>
</tr>
<tr>
<td><strong>Fiscal rev./GDP</strong></td>
<td><strong>16.8%</strong></td>
<td><strong>17.3%</strong></td>
<td><strong>17.1%</strong></td>
</tr>
</tbody>
</table>

(Source: UEMOA, December 2002)

**Analysis of revenue administration**

The revenue administration process in Senegal is in line with the UEMOA guidelines which recommend separation of responsibility for billing and collections. However, for those few taxes not collected on the basis of rolls, as for example the value added tax, DGID does in fact handle both the administration and the collections. This joint function runs contrary to the principle of separation of functions and increases the risk of collusion that the principle of separation seeks to avoid. The risk could be minimized through introduction of strict internal audit within DGID, reinforced through the use of a Tax Identification Number (NIF) for each taxpayer that could be used for all transactions with government (taxes, customs, Treasury, budget).

DGID also manages the Large Enterprises Center (CGE), which administers tax cases by enterprise (and not by type of tax as previously). The CGE, located in Dakar, facilitates relations between the Government’s tax administration and the largest taxpayers, intended to foster the development of the private sector. CGE has played a major role in the collection of indirect taxes, achieving a recovery rate of 82 percent, or CFAF 169.3 billion of a total of 206.1 billion.12

The CFAA team found that DGID staff have not carried out research or published any monographs analyzing the tax potential of different sectors, and recommends that such studies be launched. The CFAA team also finds that the focus on the largest industrial and commercial taxpayers has had the unfortunate result of drawing staff and other resources away from the majority of taxpayers, which is contrary to the principle of tax equity.

Delays in the completion of tax rolls disrupt the rest of the revenue collection process and impact on the level of funds collected and available for use. The resulting lag in availability of funds is aggravated by the fact that there is no provision for cash advances for local governments, except for the payment of mandatory expenditures (salaries). For example, in the county (commune) of Thiès, one of the more prosperous counties (communes), lags in the issuing of tax rolls holds up revenue collection to the point where county spending is limited to only 70 percent of the voted budget, limiting the scope of local officials’ actions.13

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12 DGID data.
13 During their visit to Thiès, the CFAA team found that tax rolls dated May 31, 2002, were received by the officer responsible for tax collection on August 7, 2002. Taxpayers could no longer be charged the 10 percent surcharge for late payment (since it was not their fault that tax bills arrived well after the due date), and late payment notices can take more than two months to be delivered, so the county tax collector pragmatically (or tactfully) allowed taxpayers three months after receipt of the late bills to pay.
None of the tax authorities has an internal audit cadre to monitor adherence to rules and procedures. Furthermore, although tax department heads attend meetings chaired by the Finance Minister’s staff, there is no interdepartmental coordination at the regional level. This lack of collaboration impacts negatively on overall recovery performance, because the problems underlying the late delivery of tax rolls, identification of taxpayers, and information exchange can only be dealt with through regularly scheduled working meetings among DGID, DGD, and DGCPT staff. Close coordination is all the more necessary since existing computer network connections between the three tax authorities do not work properly, and in any case exclude local government and regional offices of the sector ministries.

The very stability of the revenue figures from year to year is evidence of a lack of initiative on the part of revenue authorities. The fact that the ratio of revenue to GDP has remained static over the last few years points to a need to examine the reasons why it has not progressed.

**Recommendation:**

- Carry out an in-depth study with a view to the reform of tax administration.

**Land administration**

The Minister of Finance requested that the CFAA team assess the activities of the land registry and state lands management offices within DGID. The team accepted this request since it felt that property and land taxes held a strong fiscal potential (see table 10 below) and because of the importance of land management policy for private sector economic activity.

Land rights in Senegal have a complex legal history. In 1960, land ownership was subject to three parallel sets of rules: customary tenure, the Civil Code voted by Parliament, and the mortgage registration system. The first major reform in land rights was embodied in the law on public lands of June 17, 1964, which laid the foundation for land rights in Senegal. The law of July 2, 1976 (State Lands Code) covered both public and private land rights. Within DGID, two offices administer the provisions of these laws: the Land Registry, with a staff of 104 (23 A-level and 42 B-level), and the State Lands Office, with 64 (20 A-level and 15 B-level). State Lands staff in the regional offices are also involved in tax administration.

Senegalese law recognizes three types of land: (i) private property, (ii) state lands, and (iii) public land, consisting of untitiled land managed mostly by rural communities. Senegalese law governing private property is similar to that in OECD member countries. Only private property and state lands are surveyed and registered.

Procedures for leasing, occupying, and alienating state or public land are lengthy and involve many stages. Hearings before the Lands Commission are required for any transaction involving state lands. Procedures for alienation of public lands (transfer to private ownership) involve a registration period lasting at least four months and a decree is required to effect the transfer.

The records of the land registry system for recording title and property rights are in need of updating to ensure the legal validity of real estate transactions and mortgage arrangements. The proper functioning of land administration is crucial to ensuring the legality of land transactions and fostering investment in residential and commercial property and infrastructure.

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14 The weekly revenue update meetings at TOFE are not a substitute for regular working level meetings.
Analysis of land administration

Despite efforts to make the system work, no statistics of any kind are available regarding the size nor number of registered properties, nor the extent of the backlog of requests for registration, leases, or other land transactions. Thus it is not known where the land administration offices stand with regard to their workload. Requests for permission to subdivide are handled not in the order received but rather in response to who is on duty when the request is submitted, or to “intervention” by the interested parties. It is not rare to find subdivision requests filed in 1996 still waiting to be processed in January 2003. The backlog in processing title requests then holds up the work of the land registry, which cannot record the deed until the property has been surveyed and titled. By the same token, the Government is unable to collect fees on unprocessed property transactions. The CFAA team recommends organizing a major catch-up operation to mop up the accumulated backlog and bring records up to date.

The current massive backlog has forced land officers to carry out provisional registrations. The validity of the title records is seriously weakened because changes in ownership are not entered in the land registry.

Land revenues over the last few years are shown in table 10.

Table 10: Land revenues, 2000 – 2002

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental of state buildings</td>
<td>453.2</td>
<td>758.9</td>
<td>884.8</td>
</tr>
<tr>
<td>Concessions on public land</td>
<td>34.3</td>
<td>253.6</td>
<td>74.3</td>
</tr>
<tr>
<td>Sale of state buildings</td>
<td>499.9</td>
<td>495.5</td>
<td>1,490.0</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>987.4</td>
<td>1,508</td>
<td>2,449.1</td>
</tr>
<tr>
<td>Sale of moveable property</td>
<td>165.9</td>
<td>60.6</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,153.4</td>
<td>1,568.6</td>
<td>2,449.4</td>
</tr>
</tbody>
</table>

(Source: State Land Office)

Due to the unreliability of land records and lack of supervision and oversight of the land administration offices, the CFAA team is unable to comment on the quality of the data in table 10 nor on the performance of the Land Registry or the State Lands Office. Nonetheless, the growth in land revenues over the 2000-02 period suggests that there is a potential for revenue development that should be explored. It would be worthwhile to support these offices with substantial technical assistance and to plan for their reorganization and modernization.

The State Lands Office lacks any real-time operational monitoring information on land revenues at the national level, and this is a tool that the CFAA team would recommend developing. There is also no systematic monitoring of collection of state land use fees. The absence of any kind of computerized database must be seen as a major handicap in tracking performance and collections and an obstacle to the introduction of realistic revenue estimates.

The two land administration offices conduct their work with little relation to economic realities. The rents and lease charges for state lands remain set at the levels established in 1988, a far cry from those found in today’s real estate market, especially in the Dakar area. But the lack of any kind of computerized digital mapping makes it very difficult to propose a new set of charges. Although the Land Registry has a procedural guide that describes the analytic basis for the work, without performance indicators, the land administration offices cannot know their real costs nor effectively manage their work. And neither office has any specialized software.
Overall, the shortcomings in land administration significantly weaken the Government’s ability to collect land-related fees and taxes and this loss of revenue certainly contributes to the budget deficit.

**Recommendations:**

- Carry out an in-depth assessment of the Land Registry and State Lands Offices with a view to their restructuring and to introducing computerized databases and mapping capability.
- Create a computerized inventory of state lands and establish a comprehensive cadastral numbering system.

1.3.3 **Budget execution**

Expenditures are handled differently depending on the source of funds, whether domestic or from external financing.

**Budget execution: Domestic funds**

Public spending for equipment and investment that is financed from internal resources is carried out according to a common set of procedures for public expenditure; personnel expenditures are subject to another specific procedure. The common procedure involves an administrative phase covering commitment, verification, and payment order, and an accounting phase involving the actual payment. As in other francophone countries, there is a dual control over commitments: administrative control via the line ministry and financial control by the Ministry of Finance, as shown in table 11.15 The administrative phase is handled by the spending ministry’s authorizing officer and by MEF staff within the office of the Financial Comptroller (COF) and the Finance Directorate (DGF). The accounting phase is handled by the accounting officer and MEF’s Budget Department (Direction du Budget or DB) for equipment expenditures, and by MEF’s Debt and Investment Department (Direction de la Dette et de l’Investissement or DDI) for investment expenditures.

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15 See pp. 36-40 and Table 2, *Guidelines for Public Expenditure Management*, by Barry Potter and Jack Diamond (IMF, 1999).
Table 11: Phases, steps, and actions of the expenditure process for equipment and investment financed with domestic funds.

<table>
<thead>
<tr>
<th></th>
<th>ACTORS</th>
<th>ACTIONS</th>
</tr>
</thead>
</table>
| 1 | Spending ministry’s Funds Administrator (Administrateur de credits) | Prepares commitment voucher (bon d’engagement or BE) in the supplier’s name and transmits BE to COF, along with written justification for the expenditure, contained in a commitment file.  
MEF/COF Mail Room | Receives and registers the commitment file and forwards to Computer Input Room. |
| 2 | MEF/COF Computer Input Room | Inputs the BE information into the computer system, which reserves funds for this use; forwards the file to the COF Verifying officer. |
| 3 | MEF/COF Verifying Officer (Vérificateur) | Verifies that the expenditure is in accordance with the budget (régularité et légalité de la dépense) and forwards file to CF. |
| 4 | MEF/Financial Comptroller | Signs the BE and forwards the file to the Budget officer in the MEF’s Finance Directorate (DGF).  
MEF/DGF Budget officer (Agent d’édition) | Prepares the letter of credit (Titre de Créance or TC) and the expenditure certification (Certification or C).  
Returns the TC and C to COF for distribution to (a) the supplier and (b) the Funds administrator in the spending ministry. |
| 5 | MEF/Financial Comptroller | Checks that the authorization is in accordance with the budget and that the equipment has been received in compliance with the terms and conditions in the contract (régularité et légalité de la liquidation) and forwards the file to CF.  
MEF/Financial Comptroller | Signs the TC and C and forwards the file to the authorizing officer (ordonnateur). |

16 This procedure is in accordance with the procurement rules analyzed in the Country Procurement Assessment Report (CPAR) for Senegal (DATE ?)
The 2001 organic budget law provides for the legislative approval and execution of operating expenditures on a strictly annual basis; in principle, unused funds expire at the end of the budget year. It also provides for investment expenditures to be managed by program authorizations (autorisation de programme) lasting a maximum of six years through annual payment funds (crédit de paiement). Program authorizations allow investments to be planned over several years in order to complete a phase of civil works independently from the annual budget framework. In contrast, the annual payment funds are included in the annual budget in order to cover the costs of that year’s work program.

In order for this system for financing multi-year investment programs to work, it relies on the mechanism of selective carrying forward of unused funds. The 2001 budget included CFAF 8.7 billion in such funds carried forward from the 2000 budget, the equivalent of about 1 percent of the 2000 budget; the 2002 budget included funds equivalent to about 3 percent of the 2001 budget, primarily due to the carrying forward of HIPC expenditures.

Analysis of Budget execution with domestic funds

Notwithstanding the problems of centralizing expenditure authority in MEF discussed above, the expenditure process in Senegal does clearly separate the functions of payment authorization
(ordonnateur) and actual release of funds (comptable). Nonetheless, as indicated in table 11, the administrative phase of budget execution requires 14 steps, including multiple independent verifications by MEF staff of the actions of the sector ministry staff. The accounting phase requires four steps within DGCPT in order to finalize internal documents (OP and AC) with no internal audit oversight. The process thus suffers from two major defects: (i) the administrative phase is too long and (ii) there is no internal audit of the accounting phase.

The excessive length of the administrative phase leads to a loss of efficiency and slowness in the execution of the budget. The CFAA team carried out tests to assess the length of processing time and found that it takes on average four months from the initial commitment voucher to the final release of funds. The amount of time required is partly due to redundant steps, in particular in the back-and-forth of paperwork between the DB/DDI and the COF. There is some question as to whether some of the forms are really relevant or necessary (TC, C).

The problems during the accounting phase relate to transparency and reliability in the absence of any internal audit function and of timely information. As covered in the audit section of this report (see section 1.6), the external audit function in Senegal is not very effective and as far as the CFAA team could determine, the internal audit function is not carried out at all during the accounting phase of budget execution. Moreover, the internal audit function is also lacking within Treasury and there is no oversight of Treasury operations in the absence of any unit assigned to carry it out.

The CFAA mission was informed by PGT that the accounting phase lasted about a week or two; the mission examined a few expenditure files but was not given access to a broader sample. Thus its review cannot be considered conclusive, particularly since the payments being issued during the extended budget year when the mission was in Senegal (January-February 2003) were dated December 31, 2002. The CFAA team considers that the risk in this area is very high, but is not in a position to confirm if the risk results in errors, omissions, or weak management. Since the CFAA is not an audit, such a judgment falls outside its scope.

In any case, no legal or regulatory requirement binds the Government of Senegal to pay money owed to suppliers within a given time period nor to pay interest if payment is late, except in the case of a public procurement contract.

Overall, the CFAA team finds that despite the principle of separation of payment authorization and funds transfer and the many verifications that are required, the long and complicated expenditure process does not reduce the financial risk during budget execution.

Recommendations:

- Simplify the expenditure process and clearly define the specific responsibilities of each actor in the process.
- Set a fixed timetable for the payment of invoices not covered by procurement contracts and require interest penalties on overdue payments.

The European Union proposes that the compliance test should seek to determine the length of the accounting phase and the appropriateness/relevance of the payments.
Payroll and Pensions

At the beginning of the year, the Payroll, Pension, and Annuities Department (DSPRV), to which MEF delegates authority for payments to individuals, establishes funding for these payments and tracks them on a monthly basis. Other personnel expenditures that are not identified as such in the Government Financial Statements (TOFE), are funded under investment expenditure categories and are not listed separately. DSPRV is also responsible for managing the National Pension Fund, the largest of the Special Treasury Accounts.

Analysis of Payroll and Pension Expenditures

While DSPRV succeeds in avoiding any delays in the payment of civil servant salaries through heroic efforts to ensure their timely payment, government payroll administration is subject to two serious constraints that jeopardize its operations: (i) staff departures over the last several years have weakened DSPRV’s ability to handle payroll functions, (ii) DSPRV lacks any kind of effective tools for tracking and oversight of personnel expenditures, since most of its activity is carried out using manual procedures; the computer equipment and software that it does have is out of date and constantly subject to breakdown and failure.

The only computer connection that DSPRV has is to the IT Department (DTAI) which maintains the payroll database. DSPRV has no links with PGT which actually makes the payroll payments, nor with the employing ministries, nor even with the Civil Service Ministry which maintains personnel records and manages personnel. Overall, payroll execution is carried out using procedures that appear not to be very secure and that present a risk of inaccuracies, with no way of carrying out any kind of reasonable cross-check.

The inherent risk associated with any payroll operation requires regular technical and financial audit. In Senegal, the weakness of audit functions and the awareness on the part of financial staff of the system’s weaknesses underline the need for such regular audits. An audit of payroll management was carried out in 1994, but its recommendations were never put into practice.

Recommendation:

> Launch a technical and financial audit of civil service payroll management, and modernize the system for salary and pension payments (organization, audit, and computer systems).

Budget execution: external funds

Externally financed investment expenditures, which represent on average 70 percent of the total investment budget, are executed by project directors following an extra-budgetary procedure, under DDI’s supervision. DDI is involved as the entity to which MEF has delegated spending authority and also as the disbursement authority for project accounts that receive fund advances from certain donors seeking a faster disbursement procedure for their projects.

The expenditure process in this case is simplified: payments are made from a special bank account held by DDI without entering Government accounts. DDI checks for continuity (régularité) and payability (exigibilité) by checking the expenditure file submitted by the project directors. Monitoring of physical results is not DDI’s responsibility but rather that of the audit entities such as the Inspector General (IGE) and Finance Inspector General (IGF). The accounts are kept by the project directors and DDI, which also oversees the fund advances from donors.
Prior to the end of the month following the close of each quarter, DDI sends DCEF, DPS, and DGCPT the statistics on project funds withdrawn. The balances are integrated into the TOFE by DGCPT.

**Analysis of budget execution for external funds**

The procedures for execution of investment expenditures financed with external resources do not always follow the principle of separating authority for payment authorization from the authority for paying out funds. The Debt and Investment Department (DDI) is responsible for both commitment/authorization of project expenditures, and for the release of funds for projects that use a commercial bank account for payments. This arrangement results in a high financial risk.

The CFAA team also found that there are important deficiencies in the execution of investment expenditures that are externally financed:

(i) there is no systematic oversight of the *materiality of the expense* prior to payment authorization, which makes it impossible to know whether the goods and services purchased were actually received; still, the donors who provide the funds have established their own monitoring systems which offset this shortcoming to some extent;

(ii) information on payments made directly by the donors are not always received by DDI in a timely fashion, which prevents accurate tracking of public debt;

(iii) the consolidated accounts do not include such payments;

(iv) accounts maintained by project leaders and by DDI are not subject to regular reconciliation, which brings into question the reliability of these accounts;

(v) payments made out special project accounts are not entered in the Treasury's accounts, which prevents DGCPT from producing a comprehensive cash balance for public funds.

The reliability of DDI statistics is weakened by their reliance on manual methods. Its oversight function is weakened by lack of sufficient staff and inadequate technical capacity, mainly in computer capability. MEF needs to give special attention to strengthening human and technical resources for DDI.

**Recommendation:**

- Establish a single standard institutional framework for Public Investment Projects (legal, financial, and accounting).
Development Projects in Senegal

Despite the simplification of procedures established specifically for development projects, the portfolio of development projects in Senegal is characterized by a low level of absorption of the resources available to them. To give one example, the disbursement ratio for projects funded by the World Bank (WB) is 9 percent, compared to 22 percent for WB projects in sub-Saharan Africa as a whole. In comparison, the rate of execution of investment expenditures financed by internal resources is given as 87.5 percent (see section 1.2.3).

Thus it would appear that the simplification of procedures is not justified, since the increased risks have not been offset by faster disbursement, which was the goal of the special procedures. In sum, the CFAA team found no justification for continuing the parallel procedure.

Furthermore, many development projects are carried out by a project unit and not by the sector ministry. The conditions under which these units are set up, organized, and operate pose a number of problems:
- they have no standardized legal status;
- their staff lacks the necessary familiarity with procedures for procurement, financial management, and disbursement, despite the specific training they have received and considerable expense invested for this purpose;
- the slow pace of mobilization of counterpart funding for investment projects has slowed the pace of project implementation;
- finally, the absence of a standard set of rules and regulations across the project units of the different donors creates a major obstacle when it comes to accounting and financial reporting.

For all these reasons, it is time to begin progressively strengthening public financial management to integrate externally financed activities into the national budget. The CFAA team recommends a progressive dismantling of the existing separate financial system for externally financed projects.

Exceptional expenditure procedures

Financial regulations in Senegal allow for certain public expenditures to be paid following exceptional procedures that waive the requirement for prior authorization (advanced payment and imprest accounts – régies d’avance –). Such payments, which may occur for operating or investment expenses, are carried out without Treasury authorization of an expenditure based on a Budget Department or DDI commitment voucher. They normally cover priority expenditures of a specific and urgent nature, such as certain kinds of social and educational expenditures (scholarship funds) but also other kinds of less well-established urgent expenditures, such as those funded as Decentralization Grants.

Imprest account payments are in principle intended to facilitate minor incidental expenditures.

Analysis of exceptional procedures

The legal framework (organic budget law, public sector accounting regulations) contains rules that are well structured to ensure proper management and oversight of these exceptional procedures. However, the use of these procedures has become so frequent and the amounts so large—between 20 and 25 percent of total budget expenditures—that it has created a major structural problem. Limitation of their use would constitute a positive signal of intent to return to more conventional expenditure management practices.
In 2001, there were 1,353 of these advance payments, or five for every working day totaling CFAF 107 billion; while the number remained stable between 1999 and 2001, the amount so authorized increased substantially, by 22 percent. The amounts authorized through advance payment represented 23 percent of total budget expenditures in 1999 and 17 percent in 2001.

The picture is the same for imprest account payments, meant in principle to be used for minor expenses. During the execution of the 2001 budget, the amount of imprest account payments was CFAF 18.4 billions and on September 30, 2002, 339 imprest account payments had been made. Again, the number is stable between 1999 and 2002, but the amounts increased by 23 percent during these two years. In 2002, such payments amounted to around 3 percent of total budget expenditures; 28.5 percent of imprest account payments through the month of July 2002 had not been registered in the books by November 21, 2002.

Payments made through such exceptional procedures should be booked no later than by the close of the budget year. The authorities in Senegal did confirm that they had taken care of the entry of all such advances by the end of the 2001 fiscal year. For the 2002 fiscal year, the amounts of such advances remaining unbooked as at September 30, 2002, totaled CFAF 48 billion.

The delays in booking these charges renders any audit of these expenditures meaningless and make it more difficult to produce final accounts based on accounting officers’ records. Finally, the ministerial letter authorizing such advances (lettre ministérielle d’octroi) sets no deadline for booking them; the CFAA team recommends adding this specification to the authorizing letter.

**Recommendation:**

- Restrict the use of exceptional procedures for advance payments and imprest account payments.

### 1.3.4 Special Treasury Accounts

The legal basis for special Treasury accounts is provided for in the 2001 Budget Law, which covers seven categories of accounts: for special allocations, for commercial operations, for payments to foreign governments, for foreign exchange operations, for loans, for advances, and for guarantees and endorsements. The law specifies that funds to cover expenditures carried out through special accounts must be specifically identified, with Government budget funds being allowed to cover no more than 20 percent of such expenditures.

For the 2003 budget, 20 special Treasury accounts were opened for a total of CFAF 42.3 billion amounting to nearly 4 percent of the total budget. The books for these accounts are updated manually but no opening balance has been made since 2001. The two most important special Treasury accounts are the National Pension Fund and the account for payment of advances to individuals (compte d’avances aux particuliers).

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18 In 1999, 1,315 advance payments were made for a total of 87.76 billion; the number was 3 percent higher in 2001 (1,353) but the amount rose 22 percent to 106.95 billion.
19 In 1999, imprest account payments totaled CFAF 15 billion and during the 2000 budget year, 352 such payments were made.
20 Observed practice in many other countries indicates that imprest account payments do not exceed one percent of total budget expenditures.
21 The compliance test of the European Union should allow for verification of the standing of these balances.
The National Pension Fund is specifically charged with reporting the payment of pensions to civil servants and retired military personnel. This special account is financed by deductions from civil servants’ salaries and by Government contributions. The account ran a surplus in 2002 following the introduction of reform measures that changed the legal retirement age from 55 to 60, increase the contribution base, and revise the formulae for calculating pension benefits.

**Table 12: Funding of National Pension Fund.**

(CFAF billion)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001 (a)</th>
<th>2002 (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>0.2</td>
<td>2.3</td>
<td>-1.6</td>
<td>-5.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>24.4</td>
<td>19.8</td>
<td>20.9</td>
<td>NA</td>
<td>NA</td>
<td>35.4</td>
</tr>
<tr>
<td>Expenditure</td>
<td>22.3</td>
<td>23.7</td>
<td>24.8</td>
<td>NA</td>
<td>NA</td>
<td>31.7</td>
</tr>
<tr>
<td>Closing balance</td>
<td>2.3</td>
<td>-1.6</td>
<td>-5.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PGT.

(a) CST opening balances have not been entered since the 2001 fiscal year.

The account for payment of advances to individuals is mainly used to fund the CFAF 50,000 advance to civil servants for the traditional Tabaski Celebration; it is to be paid back within eight months.

1.3.5 **Analysis of special Treasury accounts**

Although the specific legal and accounting basis for special Treasury accounts adequately provides for their monitoring and for a monthly description of their financial position to be included in the consolidated Treasury balance, the manual bookkeeping methods used with no trial balance reduces the transparency of their management and throws doubt on their validity. Moreover, the current lack of revision from opening balances for these accounts constitutes a major failure that should be corrected as soon as possible, before proceeding to the modernization of accounting procedures for them, which should be integrated into the computerized expenditure information system.

Despite the reduction in their numbers over the last three years, following an IMF study, the existence of certain special Treasury accounts remains questionable, in particular the one for auditing parastatals and wholly or partially state-owned companies, which in fact should be treated as a normal current expenditure.

**Recommendation:**

➢ Continue to reduce the number of special Treasury accounts, in particular for special purpose allocations.

1.4 **CASH PLANNING AND DEBT MANAGEMENT**

1.4.1 **Cash Planning**

Under Senegal’s regulations, DGCPT is responsible for Government treasury functions for both central and local governments and for the Single Treasury Account, held by the Central Bank (BCEAO). The regulations allocate duties as follows:
• DGCPT’s Accounting Division develops operating procedures;
• Its Division of Economic Studies and Statistics ensures short- and medium-term oversight of cash position by preparing provisional cash accounts that incorporate all Treasury financing requirements;
• The Treasury consolidates all public sector banking transactions (including postal accounts) through the network of public accounting officers for which accounts are “zeroed” daily in its favor; Treasury manages the Treasury account at BCEAO and develops a statement of reconciliation of its own accounting position with that of the BCEAO Treasury account.

1.4.2 Analysis of Cash Planning

In practice, the preliminary cash position assembled at the central level is not worked out prior to the execution of cash transactions, but rather afterwards. Under these conditions, there is no direct link between the preliminary position and TG’s daily cash balances. Furthermore, the TG’s reconciliation of balances does not constitute the principal reference for funds availability at Treasury, which is based rather on the account position prepared daily by the Central Bank.

The cash management system reveals a disconnect within the Treasury where the cash table is prepared independently of cash management operations. Communications between the offices involved are not well established and the lack of coordination detracts from the usefulness of the preliminary cash balance. As presently carried out by DGCPT, this exercise in cash management appears purely pro forma.

Treasury does not itself carry out monthly cash programming, though it is the central entity that records incoming and outgoing funds and has sight of funds flows. By the same token, PFT does not prepare any monthly plan for settling incoming payment orders (bordereaux de mandats), which would provide greater transparency in the execution of public expenditures. Preparation of such a monthly cash plan would appear all the more necessary because the CFAM team was unable to verify that the expenditure amounts were actually transferred to the proper payee, in the absence of any specific oversight arrangements.

The principle of a single Treasury account (unité de caisse), reiterated in the UEMOA directive that requires centralization of all public funds in the Treasury, is violated due to numerous exceptions resulting from accounts held in prime commercial banks. While there are specific investment projects (Road Fund, Urban Public Works Fund or AGETIP) that have opened special deposit accounts in the Treasury, most other [externally financed] projects, including the largest ones such as the Integrated Health Program (PDIS) and the Ten-Year Program for Education and Training (PDEF), work directly from cash accounts in the private banking system.

Moreover, under an agreement with MEF, imprest administrators are permitted to deposit substantial sums of money in commercial bank accounts to cover payments—CFAF 15 billion in 1999. DGCPT

22 The CFAM validation mission of January 27-February 7, 2003, was able to determine that the preliminary (prévisionelle) cash position for the first quarter of 2003 had not yet been assembled. The preliminary position for December 2002 was provided to the CFAM team on February 5, 2003.
23 The compliance test of the European Union should allow for verification of the standing of these transfers.
24 A 2000 study (Cauneau Report) found 352 such accounts. The CFAM mission requested an updated inventory of these accounts.
25 The CFAM team was not able to obtain quantitative information on the amounts held in investment project accounts in the private banks.
has little capacity to oversee these advance payments and this creates a major problem regarding security of funds.

The current system of cash management is subject to notable exceptions to the principle of single Treasury account, which creates obstacles to comprehensive knowledge of cash position and leads to risk in the transparency of public financial operation. These exceptions are harmful to the conduct of public financial management.

Regarding the issue of security of payments, the assignment of Fiscal Identification Numbers (mentioned in section 1.3.2 in connection with revenue management) should be adopted to ensure that payments are made to the proper payee. The use of the same number by the authorizing officers in the Budget Department and spending ministries and the Treasury accounting officers would go a long way to bringing transparency to cash operations.

Recommendations:

➢ Prepare provisional Treasury position in a timely fashion and in any case on a quarterly basis.
➢ Prepare an inventory of all accounts in commercial banks where public funds are being held and monitor transactions in these accounts.

1.4.3 Debt Management

DDI is in charge of managing external debt in Senegal, and it shares with DCEF the responsibility for obtaining financing for investment projects carried out within the framework of the national planning system. Investment projects are prepared and assessed first by the sector ministries, which then submit them to MEF’s Planning Department. MEF’s Planning Department checks for duplication and overlap and then forwards proposals to DCEF, which records them in the Consolidated Investment Budget (BCI) and seeks loan or grant financing for them. Any loans must fall within the annual envelope approved by Parliament.

No loan may be accepted by the Government of Senegal unless at least 35 percent of the amount comes in grant form. The loan agreements are reviewed by the High Administrative Court (Conseil d’État) which verifies that they are in compliance with Senegalese law and regulations. Parastatals and public enterprises are allowed to borrow directly from the commercial banks and may also receive Government loans.

The level of external public debt is high (61.7 percent of GDP in 2002). Senegal’s eligibility for HIPC funds should make this level of debt sustainable since two-thirds of it is owed to multilateral institutions (CFAF 1.426 billion as at June 30, 2002). Outstanding amounts owed to the WB and IMF represent 68 percent and 11 percent respectively of multilateral debt. Nonetheless, since more than half of the outstanding debt is in the form of Special Drawing Rights (DTS) and 11 percent in USD, fluctuations in the CFAF exchange rate have a major impact on the level of debt. The current high level of debt is expected to decrease to less than 60 percent of GDP in 2003, thanks to HIPC and the current strengthening of the Euro, to which the CFAF is tied.
Table 13: Senegal’s external debt

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding debt (CFAF billion)</td>
<td>2.085.6</td>
<td>2.158</td>
<td>2.200.2</td>
<td>2.237</td>
</tr>
<tr>
<td>Ratio of outstanding/GDP</td>
<td>71.3%</td>
<td>69.3%</td>
<td>65.1%</td>
<td>61.7%</td>
</tr>
<tr>
<td>Ratio debt service/exports</td>
<td>10.3%</td>
<td>10.9%</td>
<td>8.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Ratio debt service/Total revenue (net of grants)</td>
<td>17.7%</td>
<td>18.6%</td>
<td>14.6%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

(Source: UEMOA Commission, December 2002)

Analysis of public sector debt management

DDI enters loan agreement information into a computer database using dedicated software. On the other hand, loan withdrawals are made by project directors as needed, under DDI supervision. Nonetheless, DDI still inputs the withdrawal information manual and the recording of payment authorizations in the accounts (comptabilité des ordonnancements) is not done by computer. As a result, the only status report on loans and subventions received is prepared by DDI in statistical form and distributed to DCEF, DPS, the Budget Director, and DGCPT, in order to be reflected in the Government Financial Statements (TOFE).

DDI is also responsible for authorizing debt payments to external creditors. On each due date, DDI issues a payment order and forwards it to Treasury, which delivers the funds through the Treasury account at the Central Bank (BCEAO). Treasury then notifies DDI that the payment has been made. As a result, DDI does not have an adequate picture of the composition of external public debt because it has no access to the schedule of withdrawals made by the project directors.

Furthermore, while DGCPT is responsible for recording debt transactions in the public accounts (class 1) as they take place, DGCPT has no access to the debt files and thus is unable to track these transactions. Lacking this information, DGCPT cannot effect the required oversight of debt payment, nor a fortiori of the payment orders it receives from DDI.

Despite past training efforts, the DDI’s position remains weak due to the lack of appropriate technical training for its staff, and because it is one of the Government departments most affected by the program of voluntary early retirement for civil servants. DDI staff have not had procedural manuals, and the CFPA team strongly encourages the completion of the manuals now being developed for execution of public investment expenditures and management of public debt.26

Recommendations:

- Introduce a shared information system for public debt for use by DDI and DGCPT;
- Reorganize arrangements for management of loan withdrawals to provide for automatic transfer of withdrawal data to the public debt database.

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26 The financing of a number of procedural manuals is in principle being ensured by the European Union.
The HIPC Initiative in Senegal

Senegal became eligible for the Highly Indebted Poor Countries (HIPC) Initiative on June 22, 2000, and should receive funds amounting to CFAF 400 billion over a ten-year period. The first use of HIPC funds was through a budget amendment adding CFAF 23.4 billion to the 2001 budget.

HIPC funds are authorized by DDI and the Budget Department following the usual procedures for budget funds. Social investment expenditures take priority in allocating the resulting savings in repayment of external debt.

On December 31, 2002, the implementation of HIPC was as follows:
- funds received: CFAF 38.65 billion
- funds paid out: CFAF 14.48 billion

The share of HIPC funds paid out is low because arrangements for administrative and financial monitoring were recently finalized and were not yet operational at the time of the preparation of the report. Furthermore, there were no eligible projects in the targeted social sectors, and the ministerial order setting out the role and functioning of the HIPC monitoring committee within MEF was also not yet in force. Finally, the software designed to support the monitoring of HIPC funds was still in the final stages of development within DDI’s IT unit.

Recommendation:

➢ Establish an integrated mechanism for programming, auditing, and monitoring the use of HIPC resources.

1.5 ACCOUNTING AND REPORTING

1.5.1 Accounting System

Senegal’s current public sector accounting system is inspired by the French model and governed by Decree No. 2003-162 of March 28, 2003, which includes the Chart of Accounts for central and local governments. This new chart of accounts is based on the UEMOA Directive 05/98/CM/UEMOA of December 22, 1998, which in turn is based on the West African Accounting System (Système Comptable Ouest Africain or SYSCOA). It will be put to the test during the 2003 budget year and will become fully operational from January 2004.

Key elements of the new system are that
(i) It uses double-entry bookkeeping;
(ii) It is accrual-based for expenditures and cash-based for revenues;
(iii) It requires patrimonial (accrual) accounting: the government chart of accounts includes a category (9) reflecting the daily status of budget execution, whereas the details of transactions are recorded in auxiliary ledgers (sub-accounts), but these are not sufficient to allow for asset accounting.
The closing and centralization of accounts is carried out on a monthly basis by the network of accounting officers to allow the Treasury to produce the consolidated Treasury accounts. According to the records that the Treasury staff provided to the CFAA team, the consolidated monthly balance is produced about 45 days after the closing date. It is incomplete because it does not incorporate all opening balances.

Table 14: Monthly centralization of Treasury accounts and production of the consolidated balance of Treasury accounts.

| Monthly closing of accounts by subordinate accounting clerks | 15 days |
| Regional centralization of accounts by Regional Treasuries | 10 days |
| National centralization of accounts by Treasury | 20 days |
| Preparation of consolidated balance by Treasury |

Treasury accountants are allowed a supplementary period (journée complémentaire) or extension of two months to close the annual accounts before the preparation and submission of consolidated final accounts to the Court of Audit, which must receive them within five months after the close of the budget year. According to the organic budget law, the consolidated final accounts for each year must be produced within five months after the close of the year, or latest May 31 of the next year. The CFAA team found that no consolidated annual balance had been produced nor submitted to the Court of Audit since the 2000 fiscal year.

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27 This balance does not include operational or investment operations carried out under externally financed projects.
Table 15: Submission of final accounts by Treasury accountants to the Court of Audit

<table>
<thead>
<tr>
<th>Annual accounts produced</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. based on line item entries</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>2. based on documentation</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Analysis of accounting system

The chart of accounts used in Senegal, like that of UEMOA, is complicated to use because it includes a category for analytic accounting (group 9), whose use is no longer justified because it duplicates the ancillary Treasury accounts, which are sufficient for monitoring budget execution. Suppression of group 9 would allow:

- a. recording in real time of budget operations regarding assets (groups 1 and 2) and the revenue and expenditure statements (groups 6 and 7);
- b. identification of the items that increase or diminish national net worth, classified by nature;
- c. to establish the public sector income statement and a statement of its assets and financial transactions.

Furthermore, the use of a cash accounting basis for revenue accounting does not allow revenue officers to track overdue taxes in their accounts. When following a cash accounting basis, the accountant does not record taxes due at the time he receives the tax rolls from the Tax Department, but only at the time they are actually paid in by the taxpayer (debiting the financial account and reediting the budget account). Follow-up of overdue/outstanding taxes is handled outside the accounting system (extra-comptable), since the actual issuing and follow-up of the tax bills is handled by tax collection staff outside the accounting system. The outstanding balance figures they produce are of a statistical nature and are not reliable from an accounting perspective.

The recording of financial information in the consolidated Treasury balance is neither comprehensive nor sufficiently reliable.

- The consolidated balance does not incorporate expenditures under externally financed investment projects;
- It describes debt payments but not commitments;
- It leaves substantial sums in suspense accounts due to budget operations that have not been regularized (especially on the expenditure side), which prevents the closing of accounts and contributes to the delay in submission of the final accounts to the Court of Audit.

Despite Treasury’s obsolete computerized accounting system, which in any case offers only partial coverage (see 1.8 above), Treasury staff does manage to produce consolidated monthly balances for Treasury accounts within 45 days. The delay could be reduced to less than 30 days by shortening the accounting phase at the central and regional levels, primarily by making it possible to handle all procedures and the centralization of accounts using computer systems.

28 The general account balance shows as opening balance a debit for miscellaneous expenditures to be regularized (expenditure account 471-09) of CFAF 10.6 billion. During the 2002 budget year, provisional debit charges—which correspond to spending made without prior authorization—are responsible for adding more than CFAF 5 billion to the deficit, which as of August 31, 2002, stood at CFAF 16 billion.
The two-month supplementary period for completing accounting operations (journée comptable complémentaire) creates real problems because it again serves to delay the preparation of the final accounts. The length of this extension period should be progressively reduced and ultimately eliminated.

The production of the annual consolidated balance of Treasury accounts involves a more important problem: at the end of January 2003, no consolidated balances for the 2000 and 2001 fiscal years had yet been closed, much less forwarded to the Court of Audit, mostly because of a failure to settle outstanding suspense accounts. Thus it is clear that accounting balances may be subject to modification for some considerable period following the end of the fiscal year. In order to avoid this kind of dysfunction, the CFAA team recommends that the lag in producing the final consolidated Treasury account be reduced.

Furthermore, this still leaves the problem of the faithful representation of the consolidated accounting balance, since not all opening balances are based on meaningful closing balances for the previous year (see also 1.3.4 above concerning the Special Treasury Accounts for which entry balances have not been based on the previous years accounts since 2001).

This situation leads to questioning the reliability of Treasury accounts and creates opportunity to hide errors and improper charges. When combined with the absence of any final accounts with Parliamentary approval since 1996, it reveals a complete failure of external audit of public spending.

Preparation of final accounts by Treasury accountants for the Court of Audit is very laborious. The long delays in their submission are a serious matter, since they prevents any effective external audit, on which assessment and improvement of service delivery must be based. The Court of Audit and MEF present quite different explanations for these delays. Whatever the reason, it is time now to get to the bottom of whatever is holding things up, which tarnishes the reputation of all parties involved and damages the overall credibility of public financial management in Senegal.

Overall, the budgetary outturns are not made available within a reasonable timeframe to the economic and social actors who are involved and this situation damages the transparency of public accounts.

Recommendations:

- The legal deadlines for closing budget expenditure accounts (December 31) and for preparing final accounts (end of February) should be respected.
- Establish a time-bound plan for eliminating the backlog in the production of final accounts, in accordance with UEMOA directives.
- Publish the annual budgetary outturns every year.
- Incorporate into Treasury operations all financial operations that are not handled by public accounting officers.

1.5.2 Network of public accounting officers

Public accounting operations are carried out by a network of public accounting officers under the authority of DGCPT. This department has its own specialized office charged with coordinating accounting administration and the computerized accounting system with other offices that handle studies, regulations, and with defining public accounting rules and procedures. DGCPT is also responsible for oversight of spending by local government and state institutions, and for advances payments and revenue holding accounts.
DGCPT is also involved in the production of financial and economic statistics for the TOFE and in the preparation of budget forecasts and the macroeconomic guidelines for the annual budget act. It is in charge of monitoring public cash availability, both its planning and execution, and of state financial programs. DGCPT has its own continuing education and training center (Centre de Perfectionnement et de Formation Professionnelle).

The network of public accounting officers is run by of 12 principal accountants who head PGT, RGT, the Treasury, and the nine regional treasuries, coming under the jurisdiction of the Court of Audit. To these 12 report subordinate accounting clerks, also under the Court's jurisdiction, who handle accounts for the local governments. DGCPT itself employs 371 agents, of which 74 work at the central office and the remaining 297 in the regions; 60 percent of these staff are concentrated in the Dakar region, which includes the central office. Supervision of this staff on occupies 40 percent of its managerial and professional staff, which consists of 63 A-Level and 82 B-Level staff. The accounting staff proper is often supported by other staff assigned to accounting work by the local governments.

**Analysis of network of public accountants**

The public sector accounting officers do not generally get any guidelines or procedural memoranda from DGCPT. Each head accounting officer manages independently whatever partial or incomplete documentation is under his authority. The CFAA team invites the DGCPT to assemble a compilation of all accounting guidelines into a Procedural Manual that would be distributed to all Treasury accounting offices.

Many regional accounting officers carry out their work under difficult physical conditions and MEF should make an effort to improve working conditions by a program to renovate the regional Treasury offices. Moreover, staff are often provided and paid by the mayor's office, which weakens accounting heads' authority to manage them and can affect their degree of independence in oversight functions. The proportion of staff coming from outside the Treasury is sometimes so great that it gives rise to the question as to whether indeed they are part of the Treasury network at all.

Despite the existence of software specially designed for local government financial management (COLLOC), Treasury staff continue to post entries manually and then enter these figures in the computerized system so they may be centralized on a monthly basis (see 1.8 above on computerized accounting within DGCPT).

**1.5.3 Goods and Asset Accounting**

MEF's Equipment Department (DMTA) handles purchasing of equipment, in particular office equipment, furniture for the ministry offices and official lodgings, vehicles and for clearing such State-owned items (but not computer hardware) through customs, transporting, and storing them.

As in any administrative setting, DMTA's goods receiving commission is made up of the goods administrator, the DMTA supplies office head, the goods accountant, plus a COF representative. The commission meets to receive any shipment valued at CFAF 300,000 or over. The delivery slips and minutes of the commission meetings are recorded by the goods accountant in the daily and general ledgers.

29 During its visit to Thiès, regional prefecture seat, the CFAA team found the poor physical condition of the office where the Treasury staff must work, which is not physically secure and is poorly suited to carrying out work at modern financial management standards.

30 Eighty percent of staff working in the regional treasury office in Thiès is paid by the local mayor's office, 93 percent in Kaolack, and 97.5 percent in the Dakar regional office.
Goods dispatch follows a different procedure: the goods administrator, the goods accountant and the receiving authority (l’ayant droit) co-sign a requisition order made out by the goods administrator to the receiving authority. A stock card or inventory form is then filled out by the goods accountant, who records the dispatch in the daily and general ledgers. At the end of the fiscal year, the goods accountant closes the general ledger, carries out a physical inventory of goods under his authority and issues a memorandum and inventory list.

DMTA is planning to acquire goods management software for its already networked computers, and is drafting an administrative and accounting procedures manual. DMTA has large-capacity warehouses for storing administrative equipment and supplies and has made them available to other government departments for archives storage.

Analysis of goods accounting

Goods accounting information is not centralized and the law does not provide for the transmission of the goods accounts to the Court of Audit. In effect, no physical inventory is carried out at the regional or local government level, so this information is not available for consolidation into the accounts. Moreover, many ministries procure supplies and materials without informing DMTA. And finally, the accounting of goods receipt and dispatch is still done manually.

These shortcomings are due to the lack of the following elements, which need to be provided:
- regulation on the centralization of accounting information and of the procedure for submitting goods memoranda to the Court of Audit;
- training and refresher training in goods and computer hardware management;
- specialized software for goods accounting and management;
- a document management and archives plan.

Recommendations:

- Introduce computerized systems for tracking public assets (furniture and buildings);
- Update the legislation covering goods accounting.

1.5.4 Budget Review Act

Budget review acts are not being regularly produced in Senegal. The budget review act for the 1997 fiscal year was still being reviewed by the Court of Audit as of August 2003.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Final audited accounts</strong></td>
<td>1996</td>
<td>1997</td>
<td>1998</td>
<td>1999</td>
<td>2000</td>
</tr>
<tr>
<td>Budget review act dated</td>
<td>Yes</td>
<td>Pending</td>
<td>Pending</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Note : final accounts</strong></td>
<td>01/09/2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>submitted to Court of</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Entry data only</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

31 The March 8, 1988, General Instructions does not mention centralization of goods accounts.
The 2001 organic budget law expresses a strong resolve to increase the executive branch’s diligence in carrying out its obligation to account for the execution of budget allocations; the law requires the submission and distribution of the draft budget review act no later than the end of the following fiscal year. The draft must be accompanied by a report from the Court of Audit and the Court’s general declaration of agreement between the final accounts kept by public accounting officers and the administrative accounts kept by the authorizing officers on behalf of the Minister of Finance in his capacity as central disbursement authority for government funds.

In order to allow the executive authority to catch up with the backlog, the Parliament has deferred until December 31, 2003, the submission of final audited accounts prior to the 2002 budget year. This provision, specified in the next-to-last article of the 2002 Finance Law, in practice grants the Minister of Finance a grace period until December 31, 2003, to submit these final accounts.

**Analysis of Budget Review Acts**

As of February 7, 2002, the end of the validation mission for this CFAA, the Government of Senegal confirmed that no arrangements had been made by the financial authorities to enable work to be completed by the December 31, 2003, deadline. Given the absence of consolidated Treasury accounts and of the final accounts from the public accounting officers, and the limited extent of human and material resources at the disposition of the Court of Audit, there is a concern that an exceptional measure of global adoption of the past budget execution reports be sought solely in order to comply with the requirements of the law and with international commitments to UEMOA and the IMF. However, such a shortcut would deprive the Court of the ability to carry out its jurisdictional audit mission.

**1.6 INTERNAL AND EXTERNAL AUDIT**

Budget execution is subject to a triple audit administrative (internal audit), jurisdictional and legislative (external audit). Internal audit is carried out administratively either prior to payment or afterwards. External audit is carried out by the Court of Audit (jurisdictional) and by Parliament (legislative oversight).

**1.6.1 Administrative audit**

Administrative audit is carried out prior to payment by the Financial Comptroller, the authorizing officer (*ordonnateur*), and the public sector accounting officer, whose functions have been presented in section 1.3. There is an additional internal audit carried out after payment by Internal Audit (*Contrôle Financier* or CF), the Inspector General (*Inspection Générale d’État* or IGE), and by the internal auditors within the ministries, in particular the Finance Inspector General within MEF (*Inspection Générale des Finances* or IGF). A description of administrative audit procedures is presented in annex 8 in the second volume.

**Analysis of administrative audit**

The IGE, IGF and CF carry out their work independently and with no formal coordination, which does not allow for consistent and effective oversight. All three agencies have authority to audit the same entities with the same objectives, the only difference being that IGE and CF report to the President and IGF reports to the Minister of Finance. A mechanism for joint coordination of these various audit activities should be formally established. The way these agencies are now organized does not allow for an overall analysis of risk levels and results in a lack of transparency in a posteriori audit of public
Moreover, the reports issued by these three agencies are classified as confidential, even for members of Parliament.

Overseeing transfers of authority within public entities is an important responsibility of IGE and IGF in 2000 and 2001 due to the change of government. Such activities, required when new heads of public bodies, including parastatals take up their posts, accounted for two-thirds of IGE/IGF workload in 2000 and 2001. Apart from transfer activities, statistics show that the number of other assignments completed by IGE and IGF is low, about a dozen a year between 1999 and 2001. As a result, a significant number of entities subject to public audit can go several years between audits. The consequent financial risk is very high.

Table 17: IGE and IGF activities, 1999-2001.

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IGE</td>
<td>IGF</td>
<td>Total</td>
</tr>
<tr>
<td>Audits</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Surveys</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Transfers of authority</td>
<td>4</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Other (monitoring of administrative order application, other activities)</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>19</td>
<td>50</td>
</tr>
</tbody>
</table>

NC = Information not provided.

Operational oversight of public services, such as organizational audits and audits of efficiency and service delivery performance, are not carried out in sufficient number by the audit agencies. Such work, when properly carried out, has a strong positive impact on public financial management.

There is no specific mechanism in place for ensuring a posteriori audit of expenditures financed by external resources. As a result, certain entities that manage these resources may not be audited either by Senegalese audit agencies nor by those of the private sector. For externally financed projects that are audited by private sector auditors, the resulting reports are not systematically reviewed nor are their recommendations taken into consideration by central authorities. Government has made no formal arrangements to make sure they receive nor to analyze project audit reports. When such analysis does take place, it happens within the concerned sectoral ministry or department which may not necessarily have the required expertise and in any case has little incentive to follow through on recommendations.

Human resources available for internal audit work are notably scarce. Entry-level auditors receive no training to help them master auditing techniques. The few refresher training courses offered fall far short of what is needed.

Some administrative audit staff lack any kind of methodological guidelines. As a result, verification standards are not consistently applied. To rectify this situation, staff should be provided with tools and documentation in line with international standards and their technical capacity should be strengthened. Most audit assignments are carried out using procedures that fail to conform to independence and
ethical principles required by international standards. Finally, the revenue-collecting bodies (Treasury, Tax Department, Customs) lack any internal audit function.

**Recommendations:**

- Rationalize the assignment of tasks among the various administrative and judicial bodies, following a study of current practices;
- Reestablish formal coordination among the various audit bodies;
- Establish internal management audit units within DGID, DGD, and DGCPT;
- Formalize the organization and audit objectives of COF;
- Consolidate human and material capacities of the various audit bodies;
- Strengthen the capacity to audit performance or results of both internally and externally financed expenditures by the sector ministries;
- Require distribution of external audit reports to Parliament and to Court of Account judges.

### 1.6.2 Jurisdictional audit

Jurisdictional audit is carried out by the Court of Audit, which was created in 1999. It is composed of three permanent chambers, a non-permanent chamber of financial discipline, and a Commission of Verification and Audit of Public Enterprises (CVCCEP).

The Court of Audit exercises jurisdictional audit of government accounts and of those of local governments and of public enterprises. To be precise, every year it is supposed to examine 470 sets of public accounts: 12 prepared by the principal accountants (Treasury, RGT, PGT and nine regional Treasuries), 10 regional accounts, 424 communal accounts, and 24 public enterprises. Public sector procurement is not normally audited by the Court.

The Constitution also charges the Court to assist Parliament in financial matters. The Parliament or the executive can also request the Court to carry out investigations, and the Court may accept or decline these requests. One of the Courts specific institutional prerogatives is to transform CVCCEP recommendations into Presidential directives.

In its capacity as a public institution, the Court of Audit receives its own budget. In 2000, its budget amounted to CFAF 239.6 million, of which CFAF 115.8 for personnel and CFAF 123.8 million for operations.

Court of Account magistrates are covered by a specific statute that provides penalties for failure to maintain the ethical rules that apply to them. For example, the Court's 1999-2000 annual report indicates that "any magistrate is required prior to his swearing-in to declare in writing and under oath all personal property and real estate that he, his wife, and his children own."

Magistrates are recruited through a rigorous competitive procedure. The official maximum number of magistrates is 60 and the actual number in post is 32, of which nine conseillers, nine conseillers référendaires, and a single conseiller maître. The Court otherwise relies on audit staff composed of verification commissioners, private reporters who advise when outside expertise is required, and verification assistants. The level of pay falls in the upper half of civil service salary levels.

As for the fight against corruption, the Court has stronger ties with the Ministry of Justice than with the court system. The Court may in effect refer any illicit behavior it detects to the Ministry of Justice and if necessary request a response. While they consider that they have standing to participate in the fight
against corruption, the Court authorities feel that they lack sufficient means to do so. For this reason, the Court is not active in this area.

**Analysis of jurisdictional audit**

Senegal’s Court of Audit is a recently created institution that is still being set up. While the legal framework for the exercise of its audit work is satisfactory, the Court lacks procedural manuals for the verification of public accounts, except in the area of public enterprise audit, where it has accumulated some experience. A procedural manual is needed for those areas of the Court’s work which are not covered by existing manuals.

The essential work of auditing the execution of the budget is currently under construction in Senegal by the Court of Account. It has succeeded in liquidating a huge backlog of work covering final accounts for fiscal years 1987-96. Currently it is working on the 1997 accounts and its draft report has been submitted for commentary by MEF.

As for the audit of public sector accounts, the deadlines for submitting the final accounts are not respected and work is lagging several years behind (see table 14 above). The legal penalties are not being enforced and only in 2002 was a penalty procedure launched for the first time. At UEMOA’s request, a massive accelerated jurisdictional auditing catch-up operation was carried out for the 12 principal central accounts through line item final accounts; by the end of 2002, 100 such accounts had been received for the 1997 fiscal year.

These delays in the final submission of accounts for audit are essentially explained by a lack of diligence on the part of the accountants, but also to the embryonic nature of financial archives and of court records, for lack of capacity to register the receipt of accounts that have arrived and store them until they can be reviewed.

The Court of Audit establishes its own work program, but because of its participation in the drafting of presidential directives concerning the management of public enterprises, the Court has a link with the executive branch that could be considered too close. This historic quirk does not seem to harm the Court’s institutional position; in effect, it seems that the presidential directives are not always enforced.

On the other hand, although the Constitution requires the Court to advise and support the Parliament and Parliament has asked it to do so, the Court does not really fulfill this function.

As for its financial independence, while the Court does draw up its own budget, its autonomy appears to be at risk, since its total annual budget is set in consultation with MEF. The Court’s budget has not been sufficient to cover investment needs, particularly for accounts registry and storage space and supplies.

The terms of employment of Court magistrates guarantees their independence and irrevocability. Concerning measures to guard against corruption, the wealth declaration requirement is more systematically observed for the magistrates themselves than for their family members, which weakens its effectiveness. Moreover, this declaration is required only at the time they first take office and not on a regular basis.

The conditions for recruiting magistrates are strict and ensure a high general level of competence. A temporary provision lasting ten years applies to the recruitment of former civil servants who have previously served in a range of different jobs. The job classification and job descriptions should be reassessed, along with the requirements for entry at the different levels.
Finally, the Court of Audit is itself subject to no external audit provision, either for administrative or financial management or for its performance.

Recommendations:

- Accelerate the modernization and capacity building of the Court of Audit;
- Enforce the penalty provisions in case of late submission of accounts;
- Establish an acceptable timetable for liquidating the audit backlog and prevent the buildup of any new backlog;
- Strengthen the Court’s capacity to ensure audit of externally financed projects;
- Review the qualifying conditions for recruitment of Court staff and establish career planning that encourages recruitment of younger applicants.

1.6.3 Legislative oversight

The Constitution charges the Parliament with the responsibility of financial oversight over government spending through the annual vote to approve the budget act for the forthcoming year and the final accounts of the previous year’s budget execution. The Parliament’s Finance Commission, with the support of the Law Commission, is charged with reviewing the draft budget act and then to query cabinet and administrative authorities concerning its content.

The members of Parliament have 60 days to review the draft budget act, which in principle should be preceded by a vote on the budget review act for the preceding fiscal year. The most recent vote on final accounts in Senegal took place in 2000 regarding fiscal years 1987/1988 through 1996. The draft budget review acts for fiscal years 1997 et 1998 are currently under review by the Court of Audit (see table 15 above).

Analysis of legislative oversight

The absence of a vote on budget review acts for more than three years running amounts to a major breakdown in the arrangements for budget audit in Senegal. The law postponing the deadline for submission of draft budget review acts until December 31, 2003, can in no way be considered an adequate response, given the insufficient practical measures taken since the law’s adoption to reestablish normal processing times after 2003. This situation reveals a major risk of perpetuation of this dysfunction and creates conditions of poor public financial management.

Members of Parliament receive no support in terms of human resources that would assist them in actually carrying out their oversight function, nor do they benefit from the support they rightly expect from the Court of Audit.

Moreover, the short time available for reviewing the draft budget review act, due to exceptional circumstances in 2002, and the lack of capacity for doing so, led to a purely cursory formal review of public financial management. The CFAA team would like to draw Government’s attention to this worrisome state of affairs, which is accentuated by poor readability and limited accessibility of the budget documents as presented.

In the absence of a thorough discussion of budget documents, and lacking access to the administrative audit reports (in particular, from IGE) on the various public sector entities, even in summary form, individual members of Parliament tend to focus on the parts of the budget of direct interest to them, rather than on the objectives of Government policy and how the budget contributes to these objectives.
Although the Parliamentary Finance Commission is representative of the Parliament's overall composition and is headed by a member of the majority, the opposition also has a voice through commission members representing the opposition.

Finally, the record of floor debates on the annual draft budget act is not broadly distributed or made available to the general public to the degree required to allow the public to follow the positions taken by the members they have elected, to see for themselves what is in the budget, and to allow them to offer their own commentary on Government's objectives.

**Recommendations:**

- Strengthen the Parliamentary Finance Committee’s capacity for economic and financial analysis;
- Enforce the requirement for submission of final accounts within the timeframe required by law;
- Strengthen interaction between Parliament and the Court of Audit.

### 1.7 HUMAN RESOURCES

The main legal texts pertaining to management of government employees in general, and MEF staff in particular, are Law No. 61-33 of June 1961 dealing with government employees having permanent (fonctionnaire) status and Decree No. 74-347 of April 12, 1974, dealing with non-permanent (non-fonctionnaire) employees. Supplementing these are Law No. 97-14 of July 7, 1997, which sets up a system for recording and evaluating government employee performance, and the decree of January 1, 2002, which changed the age of mandatory retirement from 55 to 60.

MEF staff numbered 3,257 at the end of 2002. MEF staff numbers had fallen by 200 over the 1996-200 period, risen by 49 in 2001, and then were reduced again by 56 in 2002. The 2003 estimates indicate a further reduction of 74 staff from 2002 levels.

**Table 18:** Senegal MEF Staff Levels, 1996-2003.

|------|------|------|------|------|------|------|------|------|

The average age of MEF staff is 47 and about half of staff is permanent, apart from DGID.32 Thirty percent of all staff are non-permanent secretarial or lower-level officers (level D/E) and 20 percent of A-level staff are non-permanent.

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32 Source: DAGE, MEF.
Table 19: MEF staff: Permanent (Fonctionnaire) and Non-permanent Status

<table>
<thead>
<tr>
<th></th>
<th>Permanent (fonctionnaire)</th>
<th>Non-permanent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>321</td>
<td>77</td>
</tr>
<tr>
<td>B</td>
<td>399</td>
<td>31</td>
</tr>
<tr>
<td>C</td>
<td>88</td>
<td>248</td>
</tr>
<tr>
<td>D/E</td>
<td>0</td>
<td>292</td>
</tr>
<tr>
<td>Secretarial</td>
<td>0</td>
<td>189</td>
</tr>
<tr>
<td>Total</td>
<td>808</td>
<td>837</td>
</tr>
</tbody>
</table>

Each MEF department is responsible for training of its own staff and develops its own action plan for all personnel. DGCPT, DGD, and DGID have designed annual training activities within the context of a multi-year training program, though the results are uneven; DGD’s plan is more well developed.

Analysis of MEF staffing levels and staff management

MEF staff in Senegal (see also annex 12 in volume II) is structured as follows:

- The units responsible for planning, forecasting, and macroeconomic framework and for financing of development programs outside the national budget have the largest number of A-level staff (136).
- Tax and customs fee collection staff number 2,069, of which 26 percent are inspectors and auditors (A- and B-levels). Around 78 percent of DGD staff (1,213) are assigned to the Customs Service; staff assigned to DGD’s main office have been severely reduced over the last few years.
- The Budget Office and DDI have a total of 109 staff, of which 21 at Level A and 32 at Level B.
- The Finance Minister’s personal staff and other units that report directly to the ministry total 125, of which nearly 61 percent are at Levels A and B.

The CFAA team recommends staff reassignment and new recruitment to correct staff imbalances, both qualitative and quantitative, which are revealed through comparison of staffing levels across MEF’s different units, and comparison of Senegal’s MEF staffing patterns with those of other finance ministries in the subregion (Burkina Faso, Mali, Mauritania). The most important deficit, in both numbers and qualifications, occurs in DGCPT: its staffing level in Senegal is 371, less than a third of that in Mali and Burkina Faso, and equivalent to that in Mauritania.

MEF has chronic problems in managing its staff. It failed to anticipate the staff changes needed for policy changes underway and has not yet adapted staffing patterns to reflect these changes. Current staffing gaps are the result of the lack of forward planning for staffing levels, skills, and assignments. MEF divisions and units are not on top of human resource management and proceed from day to day in response to changing circumstances and structures. There is little thought or effort given to assessing medium-term administrative needs arising from the ageing of the Ministry’s workforce and changing technology.

The practice of seconding staff and granting leave without pay to staff wishing to pursue an outside assignment has accelerated due to the stagnation of civil servant salary levels and new opportunities offered by employment in the private sector and international organizations. Taking leave without pay has become a way of life and a widely used practice that has gotten out of control. The proliferation of externally financed project execution agencies, 80 percent of whose staff has been seconded from...
Senegal’s ministries, has in effect created a parallel administrative structure that has compromised the transparency of public policy. The end result has been to strip government of its best people, destroying institutional memory and severely reducing the return to staff training in terms of expected payoff in improved MEF performance.

Despite the praiseworthy efforts of DGD, DGCTP, and DGID, staff training, whether through courses leading to qualification or to a diploma, exists more as a concept and shared expectation than as an actual concrete program based on a policy designed to strengthen staff performance. MEF has no staff position dedicated to managing training that takes place informally with no institutional record (due to lack of a human resources directorate). The same qualification-oriented training can be given several times and the potential for hiring new staff based on specific qualifications or skills is ignored.

**Recommendations:**

- Draw up an organization chart for MEF.
- Frame institutional change within MEF in the context of a forward-looking staff management plan that takes into account both numbers, qualifications, and skills needed to carry out a planned work program.
- Develop a staff training plan for each MEF unit.
- Reinforce staff management skills within MEF management and stabilize the number of staff and managers.

### 1.8 MANAGEMENT SYSTEMS

#### 1.8.1 Information Technology

**MEF computer systems**

Since the 1960s, MEF has been very aware of the importance of information technology for its work, and established an IT department that later became the Information Technology Systems Department (Direction du Traitement Automatique de l’Information or DTAI). At the time, MEF signed a contract with a private company to develop the first computer software for government use, with the option of using a centralized structure. The decentralization of computer systems is a policy option now being proposed by DTAI, based on the following justifications:

- The understandable desire of units to be in charge of their own systems;
- Technological developments, in particular the development of the client-server architecture;
- Existence of proper skill at the managerial level;
- Budget constraints;
- Departure of computer services staff from DTAI for more remunerative jobs outside government;
- A desire to facilitate greater ownership of their core missions by the individual units.

At the present time, implementation of computer capability in MEF has slowed significantly (see annex 13 in volume II). No standards have been developed regarding computer software, which has led to the uncoordinated purchase of mismatched IT products. IT standards should be set by MEF authorities. Nor is there any link between accounting software and other software used for deposits, tax collection, and
municipal accounts, which means that there is much tedious manual data comparison and multiple opportunities for errors in data entry.

DTAI, whose mission was redefined by the 1995 decree that reorganized MEF, is no longer able to carry out its coordinating role. In practice, activities that should be coordinated are instead carried out with no prior consideration of the different users’ needs, with the obvious risk of inconsistency and duplication. Different software is being used in different units, and there is no long-term vision of how systems should work together or of the consequences of the lack of coordination and standards. Hardware purchasing and basic technological choices take place without any guiding framework. Even more fundamentally, the organization suffers from the lack of any kind of master plan or network diagram that could guide the development of the network. In such an environment, there is no way to identify a long-term vision.

In the Modernization of Information Systems Project (Projet de Modernisation des Systèmes d’Information de l’Administration or PMSIA), which has been underway for nearly four years with World Bank financing, the State IT Department within the President’s office (Direction de l’Informatique de l’Etat or DIE), has analyzed the current status of hardware and software being used for administrative purposes within government offices. This project has contributed to the improvement of high-level computer systems within MEF, in particular within DTIA and DGD, following a diagnostic to prepare for the changeover to the year 2000 (Y2K). The project is now supporting the creation of an interministerial Intranet and the introduction of several linked software packages (for human resource management, management of national assets, archives, e-mail), which could eventually be shared by all government offices.

Still, MEF’s computer network does not cover all offices within MEF. Because some divisions have hired their own cabling services, DTAI has some difficulty staying abreast of the network’s actual structure. Regarding software, DGD’s successful design and adoption of a consistent suite of programs is a noteworthy exception. Other offices lack a complete set of necessary software (tax administration authorities and Treasury) or the ones in use are obsolete (as in the case of government payroll). The fact that each unit operates on its own means that there are multiple e-mail systems and Internet connections, and also that there are multiple staff duplicating functions in each unit. It is absolutely essential that a single central purchasing office for hardware and software and a central maintenance unit be formed so that common standards can be followed and computer network resources can be properly managed.

There does not seem to be any problem recruiting well qualified computer staff within Senegal generally. The current labor market allows for easy recruitment to fill even the most qualified jobs. However, few computer specialists are attracted to government jobs. Turnover is frequent and recruitment for government jobs is more difficult. High-level skills are scarce in key areas of network management, systems, and security. Staff training has not been a solution to these recruitment problems and more training would doubtless lead simply to more loss of staff to the private sector where salaries are much higher. The overall solution will require reassessment of the salary scales for computer specialists in civil service, along with a formal training plan and a career development path for such staff.

Recommendations:

- Reorganize the computer service function within MEF.
- Consolidate MEF IT inventories of hardware, software, networks, and staff.
- Develop and implement a computer services network diagram and development plan for MEF.
DGCPT Computer Systems

DGCPT has several types of computer software that are used to carry out its main missions:

- For bookkeeping: COMPERCE, used by deconcentrated field offices and COMCENTR, used at the central office;
- Tax bills and revenue: RECOUVREMENT;
- Oversight of deposits: DEPOTS;
- Municipal accounts: COLLOC.

On the other hand, it has limited staff resources: four people run the DGCPT computer center, of which two have programming skills. Transfer of accounting data between the field offices and headquarters is carried out via diskette. Online data transfers are possible only within the headquarters building over a network with no data server, and also between DGCPT and DGID via a remote workstation. Work is currently underway to install a live direct connection between DGCPT-DGID-DGD; hardware was recently delivered and staff have been trained. This project will also create a data warehouse for all financial administration data.

Analysis of DGCPT Computer Systems

While software in use does cover all DGCPT’s main activities, there are gaps in the transfer of data from one software to another that require manual input. COMCENTR automatically transfers COMPERC transaction data from the diskettes received from the field at the end of each month, but during the month, transactions are entered manually. The consolidated balance, completed within 45 days after the month’s end, is prepared in several stages as the balance information is received. This seems longer than necessary and full computer automation should allow the consolidated balances to be ready more quickly.

DGCPT has a computer service center that takes care of software maintenance, technical assistance to users, and software and hardware installation, along with some programming. Backup protocols are in place and a maintenance agreement has been signed with an outside consultant. A setup for sharing DGID’s database with the accounting office in the port of Dakar, although imperfectly deployed for lack of a direct link with accounting software, has without a doubt led to major improvement in cooperation between the two offices.

Software used for accounting, tax billing, revenue deposits, and municipal accounts is written either in an old computer language (Clipper) or has been prepared using CLARION, a rapid application development toolkit, for which DGCPT does not own a current license. The functionality and performance of the software in use are not satisfactory to users. The actual users are not sufficiently involved in the preparatory studies that define product requirements, and user manuals are not provided.

Budget expenditure transactions are currently recorded and managed manually. The software for budget expenditure management has recently been installed, but the automatic checking of spending by budget line has not yet become operational. In practice, Treasury staff are the ones who check for the required approvals by COF and authorizing officers within DB and DDI. Special Treasury accounts and advance payments are also still manually recorded.

The advantages anticipated from the live direct connection among the different financial offices responsible for tax receipts have yet to be realized despite the improvements mentioned. The link between DGCPT, DGID and DGD is not yet really optimal and the field offices (revenue collection, tax centers, and customs offices in Dakar and elsewhere) remain outside the network.
Hardware in place is spare but seems to meet current needs. On the other hand, new hiring for direct data entry will require purchase of additional workstations. Lack of a dedicated local area network within the DGCPT headquarters building is a real handicap. A data server would greatly facilitate data sharing and consolidation functions.

Manual procedures currently duplicate computerized transactions, but these remain parallel activities: the work done manually during the month is not checked against the automatic computer records at the end of the month, nor are the manual books of account then destroyed. Thus the users of accounting information have yet to grasp the relevance of the new computer tools and their use of them is therefore partial, if they use them at all. To them, the manual accounts seem more reliable and thus the productivity gains and streamlining of work procedures that automation can bring to accounting have not been optimized. So far, computerization is still seen as creating additional work.

**Recommendations:**

In order to improve DGCPT’s use of computer systems, the following measures should be taken:

- Implementation of expenditure management software should be accelerated, given the advanced stage of the project that supports this effort and the improvement in transparency that this software would bring to the reporting function for public finance.
- An accounting module that can handle accounting for Treasury receipts should be developed in DGD.
- The COMCENTR software treatment of supplier and contractor accounts (comptes de tiers) should be improved by adding the capability to provide details of the account balances.
- User technical assistance should be made available to staff in accounting offices located outside Dakar.
- Software should be changed to allow deposit account information to be shared by accountants located in DGCPT headquarters building.
- The “Teller” software should be further developed to allow for electronic receipts to be issued instead of the paper ones currently in use.
- Accounting staff in offices outside Dakar should receive further training in the use of computer accounting systems.

**1.8.2 Archiving of Financial Records**

MEF archival practices are subject to the provisions enacted by law. UEMOA directive 06/97/CM leaves the means of preserving goods and stores, along with rules for proper filing of documents, to be determined by each state according to its own practices.

At the national level, the National Archives (Direction des Archives Nationales) within the Prime Minister’s office is responsible for setting regulations concerning preservation of public documents, with each ministry being responsible for applying them. There is also an institute of higher learning that trains librarians and archivists, whose graduates have become well-respected specialists throughout the region for more than 40 years.

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33 See annex 9 in the volume II
Analysis of Financial Archives Management

The management of public finance archives in Senegal is deficient. The Finance Ministry has issued no instructions regarding document archiving; even the Education Ministry, and probably other ministries as well, lacks any archive services unit. The fact that the initiative is left to the lowest administrative level and that there is no oversight has resulted over time in a virtual abandonment of the principle of responsible document management in the public sector. The result is one of inestimable loss for the administrative units responsible for cadastre and management of state lands and property. An effort to introduce a computer-based system for managing document archives has recently been started as part of the Information System Modernization Project mentioned above.

Lacking any instructions from above, each MEF office deals independently with its own records management in the complete absence of any rules or assignment of responsibility. For example, the order that created DGCPT does not assign responsibility for records management to any central unit. There is a general lack of human and material resources assigned to this function and this only reinforces the lack of incentives. Except for DGD and DSPRV, there is no building space allocated for document storage. Documents fill the available cabinet space and then are piled up on the floor. This has given rise to public health concerns, with some staff complaining of the danger to their health of document piles which crowd their workspace.

DGID is one of the few departments that has set up, six years ago, a documents and archives office employing a qualified archivist, but there is no office space specifically set aside to store tax documents. The performance of the land registry and state lands offices within DGID is compromised to the point where they are no longer able to fulfill their responsibilities.

- The land registry is incapable of producing a reliable land ownership map. Not only is its topographic equipment outdated and the registry itself continues to be manually maintained, but land registry books are kept in an unsuitable, unsecured, and unhealthy environment, where they have slowly disintegrated. Pre-1935 land books can be considered lost to practical use, turning to dust a significant portion of Senegal’s history.

- The records management crisis in the state lands office (Direction des Domaines) is compounded by the disastrous state of records filing.

Furthermore, the lack of communication and working relations between the staff in DGID’s different units makes any kind of transparent management of state property impossible and completely obscures any understanding of the status of public lands.

Recommendations:

- Carry out a comprehensive study to define the most urgent records management needs within MEF and the Court of Audit.
- Implement measures in response to the priority requirements defined by the study for managing MEF and Court records.

1.9 LOCAL GOVERNMENT FINANCE

Senegal’s current administrative hierarchy is composed of 400 local government units: 10 regions, 110 communes (of which 67 individual town governments or communes de droit commun, and 43 city wards or communes d’arrondissement), and 320 rural communities. The regions are administered by a regional council and have no authority over the communes or communities; they are financed entirely...
out of the national budget and have no other sources of income. The communes receive income from local taxes, land use fees, a share of centrally collected taxes, and from two national funds, the Decentralization Fund (Fonds de Dotation de la Décentralisation or FDD) and the Local Government Infrastructure Fund (Fonds d'Équipement de Collectivités Locales or FECL). Rural communities have more limited revenues from the rural tax and other local taxes, and also receive some funds from the FDD et du FECL.

In 2002, local governments received 35% of their income from their own resources (about CFAF 24 billion), 20 percent from central government (CFAF 12 billion from FECL and FDD) — See annex 10 for central government transfers to local government between 1995 and 2003 —, and 40 percent from external sources (about CFAF 30 billion).34 Public funds for local development in the context of administrative decentralization of powers to lower levels of government, subject to conditions that may or may not involve guarantee funds, has substantially increased since the decentralization laws, increasing from CFAF 1 billion a year in 1995-96 to around 30 billion a year at present. There is currently a need to establish a means of regional coordination for donor funds going into local communities.

The Interior Minister is responsible for defining the objectives and implementation of decisions regarding local government development. The National Council for Local Development (Conseil National pour le Développement des Collectivités Locales or CNDCL) set the criteria for distribution of funds from the FDD, while FECL sets its own criteria through its management committee; these two sets of criteria must then be harmonized in order to justify any increase in the level of these funds. MEF manages domestic and external (budget and extra-budget) funds for decentralization and also collects local taxes and manages financial resources for the local governments. An office within DGCPT's Public Accounting Division is assigned with oversight of local government financing.

The primary support agency for town and city communes is the Agency for Municipal Development (Agence de Développement Municipal or ADM), created in 1997 under the Commune Support Program (Programme d'Appui aux Communes) cofinanced by the World Bank and the French Development Agency. This agency supports the implementation of partnership policies defined in city agreements cosigned by the agency and the communes.

At the rural community level, the main support institution is the Multipurpose Rural Expansion Center whose mission is to help rural councils prepare and carry out local projects, help them implement central government regulations and directives, support agricultural soil management and village infrastructure development, and to support improvements in rural education, adult literacy, health, housing, sanitation and home economics.

**Analysis of Local Government Expenditures**

Within the sphere of financial decentralization, local government operations are subject to four types of problems: (1) 10- to 12-month delays in the implementation of activities and programs funded by central government, (2) leakage of funds from both domestic and external sources; (3) failure to follow certain CNDCL rules; (4) inefficient management as indicated by excessive numbers of support staff and failure to follow systematic work procedures and to use appropriate technical support. These problems in turn were found to arise from eight areas of weakness, shown in Table 20.

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Table 20: Local Government Finance: Four Problems, Eight Underlying Weaknesses.

Problems: Delays, Funds Leakage, Informal Procedures, Lack of Efficiency

<table>
<thead>
<tr>
<th>Number</th>
<th>Problem</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Weak analytical framework</td>
<td>Opacity</td>
</tr>
<tr>
<td>2</td>
<td>Lack of clarity and of instructions in the legal framework</td>
<td>Lack of clarity in the legal framework</td>
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<tr>
<td>3</td>
<td>Delayed budget cycle and lengthy procedures</td>
<td>Local Power Structure</td>
</tr>
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<td>4</td>
<td>Opaque local power structure</td>
<td>Lack of information and monitoring</td>
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<tr>
<td>5</td>
<td>Weak and inappropriate financial base</td>
<td>Weak or nonexistent oversight and enforcement</td>
</tr>
<tr>
<td>6</td>
<td>Lack of resources: people, equipment, and technical support</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Lack of information and monitoring</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Weak or nonexistent oversight and enforcement</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, local government investment capacity continues to be weak because their income is static and they have limited ability for self-financing. They could certainly benefit from budgetary support from external donors, for example, HIPF funds could be used at the local government level. Central government transfers to local governments are essentially for recurrent costs and the financing of capital expenditures are not well known by the local authorities.

The 1996 decentralization reforms led to a major increase in transfers from central to local governments in 1997. However, while the absolute levels of transfers have increased from CFAF 8.39 billion in 1997 to 14.72 billion in 2003, their relative increase has been minimal, with the local government share of central government’s budget remaining constant at around 1.7 to 2 percent of total expenditures and less than 1.4 percent of total revenue. The planned regionalization of the investment budget is expected to lead to a more efficient selection and execution of investment projects.

With regard to external financing, due to the lack of sufficient information, the CFAA team was not able to ascertain whether donor-financed local programs are appropriately targeted or whether they in fact duplicate or overlap with domestically financed programs being carried out by the sector ministries. In fact, there is no monitoring or oversight, nor is any information being collected by either central or local authorities on the outcome of local government expenditure, nor is there any comprehensive database about the programs currently underway in any given locality—so any analysis of budget performance is impossible. In this context, it would be advisable to move towards developing a watchdog capability at the community and NGO level, which would drive a demand for greater public access to such information and would empower residents themselves to monitor and demand accountability in the use of public funds.

While the local governments themselves lack few qualified staff, they often employ large numbers of staff, often assigned to deconcentrated sector ministry field offices, as in the case of municipal staff mentioned in section 1.5.2. Rural communities have few staff of any kind and have recently struggled to recruit a community secretary, whose role is not clearly defined in the smallest rural communities.

The decentralization policy has been carried out without any prior assessment of its advantages and risks and with no long-term strategic vision on the final sharing of roles. The CNDCL is not in fact in charge of the decentralization effort.
Recommendations:

- Restructure the coordination framework for the decentralization effort and harmonize the process of decentralization with national development policies.
- Prepare regional infrastructure and development plans.

1.10 PUBLIC AND PARASTATAL ENTERPRISES

The legal framework governing public enterprises and state-owned entities is set out in Law 90-07 (January 26, 1990), which specifies their organization, operation, and oversight. Public and parastatal enterprises are subject to MEF scrutiny regarding their finances, and to a technical ministry designated by decree regarding their operations. They may be called to account at any time by the Financial Comptroller but are not required to seek approval in advance. A State Portfolio Review Unit (Cellule de Gestion et de Contrôle du Portefeuille de l'Etat or CGCPE) has been established within MEF whose mission is to oversee management policy of public and parastatal entities.

Analysis of Public Enterprise Sector

The CFAA team was not able to obtain any information on the level of state funds transfers and subsidies for public and parastatal enterprises and was therefore unable to assess either the relative importance of state support nor the identity of its recipients, much less the overall contribution of the Senegalese taxpayer to the support of these national enterprises' operations.

The quality of oversight and supervision of public sector enterprises and parastatals suffers from the absence of coordination between the administrators who represent national interests on the managing boards of these entities and the DGCPT and CGCPE, which is neither formalized nor defined. CGCPE should be copied on all correspondence between these administrators and these public entities. There is no database that records the scheduled dates of board and committee meetings and when they actually took place, and no minutes recording what was discussed and decided, nor any record of follow-up. The weakness or absence of any formal management procedures makes it impossible for CGCPE or the relevant ministries to carry out their legal responsibility for oversight. The CFAA team recommends that such formal procedures for oversight of public and parastatal enterprises be redefined and officially published in an operational manual.

The Organization for Harmonization of Commercial Law in Africa (Organisation pour l'Harmonisation du Droit des Affaires en Afrique or OHADA) recommends that governments designate one or more statutory auditors to be assigned to state-owned and state-funded companies. There seems to be no systematic monitoring of the work of these auditors nor any follow-up of their recommendations. Some financial officers whose duty it is to oversee public companies within specialized supervision arrangements seem to be lacking any appropriate qualification or training that would enable to them to properly carry out their duties.

Recommendations:

- Define the format and the schedule of financial reports that public and parastatal enterprises are required to submit to the authorities charged with monitoring them.
- Define specific criteria for designating individuals to represent government interests within public enterprises.
2 THE PRIVATE SECTOR

2.1 THE ACCOUNTING PROFESSION

Senegal’s National Order of Public and Chartered Accountants (L’Ordre National des Experts-Comptables et Comptables Agrées or ONECCA) is a new body that was established in 2000.\(^{35}\) ONECCA is administered by a council and it carries out its functions through a National Commission on Financial Statements, a Disciplinary Committee, a Qualifications Committee, a Standardization Committee and a Professional Training Committee.

As of December 31, 2002, ONECCA had 88 individual and 35 business members. In order to become a public accountant or chartered accountant member, the candidate must present an accounting diploma recognized by the authorities or the equivalent as certified by the Qualifications Committee.

UEMOA Regulation 12/2000/CM (November 22, 2000) created a Public Financial Accounting Diploma and designated the African Center for Higher Management Studies (Centre Africain d’Etudes Supérieures en Gestion or CESAG) in Senegal’s capital, Dakar, as the institution accredited to award this degree for a transitional period of three years. As a transitional measure, all individual and business members of the predecessor organization, ONEEAS (Ordre national des Experts et Evaluateurs agréés du Sénégal) as of April 12, 2001, when the corresponding decree went into effect in Senegal, were automatically made members of ONECCA. Current ONECCA members hold a wide variety of diplomas and equivalent qualifications, such as the higher accounting diploma (diplôme supérieur de comptabilité) or the fact of having previously held the position of tax officer. Professional training requirements for new members are set out in the law and formalized in ONECCA’s Code of Professional Duties. Training requirements are also prescribed for public accountant interns.

The current accounting system in use in the private sector in Senegal is the West African Accounting System (SYSCOA), which is consistent with the OHADA accounting system. Senegal has also created a National Accounting Council, whose role as specified by decree is to ensure the coordination and synthesis of accounting standardization efforts and to monitor the proper use and interpretation of accounting norms and standards.

ONECCA has a Code of Professional Duties approved by an MEF order. Audit standards and standards for internal and external audit have not yet been prepared. ONECCA’s financial resources are its membership fees and it receives no subsidy from the government.

Analysis of Private Sector Accounting Profession

ONECCA was established in conformity to UEMOA directives, however, it is not yet a member of the International Federation of Accountants and has not yet developed professional standards that would guarantee the quality of accounting services performed by its members and ensure public recognition of their professional competence. ONECCA has no quality control mechanism for guaranteeing the quality of accounting services, assessing adherence to professional standards by accounting firms, standardizing professional performance, or improving accounting firms’ working practices. Also, Senegal’s National Accounting Council has yet to operate at a satisfactory level.

\(^{35}\) Law 2000-05 (January 10, 2000) put into effect in Senegal the UEMOA Directive No. 02/97/CM by creating an Order of Public and Chartered Accountants in Senegal.
There is no national organization for auditors nor any audit norms, nor has ONECCA’s Qualifications Committee become operational. Anyone holding the title of public accountant is automatically eligible to act as an internal auditor (commissaire aux comptes). Even so, the number of public accountants who are members of ONECCA is vastly inferior to the level of demand within the economy of Senegal.

The level of basic training is woefully inadequate; UEMOA recently charged CESAG with developing a sound curriculum for a higher diploma in accounting but much remains to be done. The CF AA team recommends that this course of study also be made available to students in other UEMOA member countries through accreditation of other schools by CESAG, and also that ONECCA be involved in developing the new curriculum.

Although professional continuing education and training is in principle carried out by ONECCA’s Training Committee, there are no records of training courses held. It is essential that this committee become operational and begin to publish statistics on annual training received each year by its members.

Recommendations:

- Publish professional accounting guidelines.
- Implement a system of quality performance review.

2.2 ACCOUNTING WITHIN NON-GOVERNMENTAL ORGANIZATIONS

The operating framework for Non-governmental Organizations (NGOs) are defined by Decree No. 96-103 (February 8, 1996), which defines NGOs as non-profit associations or private entities whose purpose is to support development in Senegal. They are overseen by the Ministry of Social Development and National Solidarity (MDSSN).

NGOs are an essential vehicle for the fight against poverty, especially in rural areas. The most recent estimate sets the number of NGOs in Senegal at 360 in 2002. NGOs invested CFAF 77 billion between 1996 and 2001. They receive outside support mainly in the form of donor funds.

The procedure of being recognized as an NGO and the specific fiscal regime is defined by another decree. The commission that decides on NGO status is composed of representatives from MDSSN, MEF, Interior Ministry, Foreign Ministry and from NGO associations. Within DDI, NGOs are overseen by a separate administrative section. NGO status carries tax exemption privileges, except for taxes on petroleum products, and the right to employ non-Senegalese staff.

NGOs are asked to submit an investment program covering two years at most, with their request for recognition as an NGO. They are required to submit annual reports to MDSSN within three months after the end of their fiscal year; they are reviewed on the basis of their investment program every two years. They are required to follow SYSCOA rules and may not distribute any surpluses without risking reclassification as private enterprises.

Analysis of NGOs

While the number and scope of involvement of NGOs has greatly increased, the regulations governing their operations have not been updated since 1996. NGOs in Senegal do not in fact follow the SYSCOA requirements and do not usually produce financial statements. The government should undertake a review of the legal framework governing NGOs, in coordination with all concerned parties.
The supervisory capacity of NGO oversight bodies is weak.
- Oversight is limited to the physical execution of their investment programs and does not cover their financial activities.
- MDSSN has few supervision tools and lacks information about the resources being channeled through NGOs; at the same time, DDI, which has set up a manual oversight system, is not able to provide reliable data on their resources or their use of funds.
- There is no provision whatsoever for determining whether NGOs satisfy audit requirements or for financial oversight.
- There is no policy in place to promote NGO performance quality or sharing of experience and lessons learned.

Recommendations:

- NGOs should be monitored to ensure that they follow the accounting and financial management standards and that apply to them.
- The bodies that oversee NGOs should be strengthened through the provision of computerized databases and the means to maintain them.
3 GOVERNANCE AND ANTI-CORRUPTION MEASURES

The scope of action to fight corruption in Senegal is based on articles 159-1 and 160 of the Criminal Code (July 21, 1965) and on Law 81-53 (July 10, 1981) concerning prevention of fraud and illegal enrichment. More than 20 years old, this legal framework has ceased to function and has been obsolete since 1983.

The UEMOA Council of Ministers adopted a directive instituting a Transparency Code for Public Financial Management (02/200/CM/UEMOA) but this code has not yet been transposed into law in Senegal. UNDP has begun implementing a program for good governance in Senegal that aims to establish public administration and management practices that are in line with this objective.

Concerning practices potentially conducive to corruption, MEF has not yet put in place any particular anti-corruption arrangements. With the exception of DGD, no MEF department has adopted a professional code of ethics designed to eliminate corrupt behavior. Public financial management relies on individual ethics, and the basic legal texts on which they base the execution of their duties (the tax code for DGID, the accounting regulations for DGCPT) contain no anti-corruption provisions. MEF would certainly benefit from regular communications campaigns to remind MEF and line ministry staff, as well as taxpayers, of the principles of good governance.

DGD is the only MEF department to have issued a Code of Ethics and Good Conduct for the use of its officers and has reviewed at the central office level, the 12 recommendations of the Arusha Declaration concerning ethics in customs operations.36 DGD has also taken the initiative of implementing a number of measures designed to limit corrupt practices, in particular:

- Automatic reassignment of staff after three years in post;
- Automation of customs billing
- Introduction of internal audit of management performance;
- Setting up a toll-free hotline for customs clients who feel they have been victims of corrupt treatment.

Recommendations:

- Update the legislative framework for combating corruption.
- Formulate, publish, and disseminate in MEF departments responsible for tax administration and collection (DGID, DGCPT) a code of ethics directed to their operations, equivalent to the code adopted by DGD.
- Increase transparency of public financial management by disseminating within government and to the public, ethical guidelines for public financial management.

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36 This declaration by the World Customs Organization, adopted in 1993, set the international standard for combating corruption in customs operations.
GOVERNMENT'S ACTION PLAN

The Government of Senegal has been closely involved throughout the CFAA exercise and has produced an action plan based on the recommendations of the CFAA. Discussion and dissemination of the action plan took place during a workshop organized by the government with the participation of the public and private sector actors and international donors, held in Dakar in 2003. The action plan has been submitted and approved by the Interministerial Committee.
Table 21: Government’s Action Plan to Improve Public Financial Management Systems

<table>
<thead>
<tr>
<th>Required Actions</th>
<th>Responsible Entity</th>
<th>Performance Indicators</th>
<th>Starting Date</th>
<th>Level of Support Required</th>
<th>Status and Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. BUDGET PREPARATION</strong></td>
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</tr>
<tr>
<td>1. Define a strategy for introducing <strong>performance-based</strong> budgeting (Medium-term expenditure).</td>
<td>DGF/MEF</td>
<td>Publication and effectiveness of MTEF laws and regulations.</td>
<td>• July 2003</td>
<td>High</td>
<td>Currently under study; status described in a memo by USAID’s Technical Advisor. Budget Department (DB) should prepare a <strong>technical worksheet</strong> that specifies the milestones within a recommended roadmap to achieve MTEF in 2005.</td>
</tr>
<tr>
<td>a. Include budget guidelines as part of the drafting of the budget act, and</td>
<td></td>
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</tr>
<tr>
<td>b. Strengthen the capacity of the sector ministries to prepare investment projects and programs.</td>
<td>MEF/DCEF + Sector ministries</td>
<td>Planning units in place and operational within the primary sector ministries.</td>
<td>• January 2004</td>
<td>High</td>
<td>GTZ financed a study in 1998. GTZ stands ready to assist DCEF in implementing the study’s recommendations. <strong>Technical worksheet</strong> needs to be prepared.</td>
</tr>
<tr>
<td>3. Make the Finance Law fully comprehensive by requiring inclusion of all external funding in the budgets of each ministry.</td>
<td>Donors + MEF/DCEF</td>
<td>2005 Budget act includes all public finance resources and expenditures.</td>
<td>• Ongoing</td>
<td>Weak</td>
<td></td>
</tr>
<tr>
<td><strong>B. BUDGET EXECUTION</strong></td>
<td></td>
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</tr>
<tr>
<td>1. Develop a strategy for administrative decentralization and test in key ministries the decentralization of the entire administrative phase for expenditure processing (commitment, verification, and payment order) while leaving a priori oversight with MEF.</td>
<td>DGF/MEF</td>
<td>*Define and prepare strategy before December 2004; * Effectiveness of law and regulations effecting delegation of expenditure authority to ministries.</td>
<td>• Second half of 2003</td>
<td>Medium</td>
<td>DGF needs to prepare a <strong>technical worksheet</strong> to allow delegation of expenditure authority to all ministries in time for execution of 2005 budget.</td>
</tr>
<tr>
<td>2. Simplify expenditure procedures and clearly define the responsibilities of all actors involved.</td>
<td>DGF/MEF</td>
<td>Ministry to sign instructions on new expenditure cycle procedures before December 2003.</td>
<td>• Second half of 2003</td>
<td>Weak</td>
<td>Work done during the CFAA and ongoing work on the expenditure software should allow the regulations required to define the roles of expenditure actors to be finalized.</td>
</tr>
<tr>
<td>3. Launch a technical and financial audit of payroll and pension management, then modernize the payroll system for all government employees (organization, oversight, computerized systems).</td>
<td>DSPRV/MEF</td>
<td>New software for payroll operations + DSPRV reorganization no later than December 2004.</td>
<td>• Second half of 2003</td>
<td>High</td>
<td>DSPRV shall prepare the terms of reference for this study on the basis of work carried out in 1995, as part of the PDRH project. Prepare <strong>technical worksheet</strong>.</td>
</tr>
<tr>
<td>Required Actions</td>
<td>Responsible Entity</td>
<td>Performance Indicators</td>
<td>Starting Date</td>
<td>Level of Support Required</td>
<td>Status and Next Steps</td>
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<tr>
<td>4. Finalize an in-depth diagnostic of DGID with a view to strengthening this agency.</td>
<td>DGID/MEF</td>
<td>Reform plan and required steps should be available in December 2003.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>DGID could consolidate diagnostic work already carried out and use this as the base to build a coherent and reform plan that can be financed by the Development Partners. Prepare technical worksheet.</td>
</tr>
<tr>
<td>5. Carry out a comprehensive diagnostic of the workings of Land Registry and Public Lands Department with a view to their restructuring and modernization.</td>
<td>DGID/MEF</td>
<td>Reform plan and required steps should be available in December 2003.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>For Land Registry and State Lands Office, previous diagnostic work will need to be given greater in-depth content in order to provide DGID with what is needed to develop a restructuring plan. Prepare technical worksheet.</td>
</tr>
<tr>
<td>7. Finalize a harmonized institutional framework for Public Investment Projects (legal, financial, and accounting framework).</td>
<td>DDI/MEF</td>
<td>Financial and accounting framework in effect no later than December 2004.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>DDI has already presented a proposal for updating these frameworks (financed by UNDP) which was recently discussed in a workshop. Work should be continued in order to finalize a definitive Framework. DDI to prepare technical worksheet.</td>
</tr>
<tr>
<td>8. Limit the use of special expenditure procedures.</td>
<td>DGF/MEF</td>
<td>Fulfill criteria specified in the FRPC (IMF) program for 2003 and 2004.</td>
<td>Beginning in 2003</td>
<td>Weak</td>
<td>The IMF program sets a 15 percent ceiling for such expenditures. DGF oversight will ensure that this ceiling is respected.</td>
</tr>
<tr>
<td>9. Establish a comprehensive mechanism for programming, oversight and monitoring of HIPC resources.</td>
<td>DDI/MEF</td>
<td>Legislation creating HIPC mechanism passed and effective before June 2004.</td>
<td>Second half of 2003</td>
<td>Weak</td>
<td>The order creating a monitoring committee has been issued. Nonetheless, this order must be accompanied by the Resource Use Mechanism component.</td>
</tr>
<tr>
<td></td>
<td>Required Actions</td>
<td>Responsible Entity</td>
<td>Performance Indicators</td>
<td>Starting Date</td>
<td>Level of Support Required</td>
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</tr>
<tr>
<td>1.</td>
<td>Produce provisional treasury position in a timely manner, at least once every quarter.</td>
<td>DGCPT/MEF</td>
<td>PTP produced quarterly beginning July 2003.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>2.</td>
<td>Inventory all accounts in the banking system where public funds are held and monitor account transactions.</td>
<td>DGCPT + DDI/MEF</td>
<td>A list of all bank accounts available from June 2004.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>3.</td>
<td>Introduce a shared information system for public debt to be used by DDI and DGCPT.</td>
<td>DTAI+ DDI/MEF</td>
<td>Treasury access confirmed by DGCPT no later than June 2004.</td>
<td>First half of 2004</td>
<td>Medium</td>
</tr>
<tr>
<td>4.</td>
<td>Reorganize arrangements for managing loan withdrawals to provide for automatic transfer of withdrawal data to the debt database.</td>
<td>DTAI+ DDI/MEF</td>
<td>I-AIDA information system operational in December 2004.</td>
<td>First half of 2004</td>
<td>High</td>
</tr>
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<tr>
<td>5.</td>
<td>Publish annual budgetary outturns each year.</td>
<td>DGF/MEF</td>
<td>2003 budgetary outturn published on MEF's website and in mass print media (newspapers, magazines).</td>
<td>First half of 2004</td>
<td>Weak</td>
</tr>
<tr>
<td>4.</td>
<td>Incorporate into public accounting all financial transactions not currently handled by public accounting offices.</td>
<td>Donors + MEF</td>
<td>The 2006 budget act incorporates all state financial transactions.</td>
<td>Ongoing</td>
<td>Weak</td>
</tr>
<tr>
<td>5.</td>
<td>Introduce information technology systems for monitoring state property (movable and immovable).</td>
<td>DMTA/MEF + DGPB/SGPR</td>
<td>State property database operational before December 2004.</td>
<td>First half of 2004</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Required Actions</td>
<td>Responsible Entity</td>
<td>Performance Indicators</td>
<td>Starting Date</td>
<td>Level of Support Required</td>
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</tr>
<tr>
<td>1.</td>
<td>Undertake a study on the organization of administrative (internal) and jurisdictional (external) audit provisions and implement the study recommendations approved by the authorities.</td>
<td>SGPR</td>
<td>Study findings available in December 2003; recommendations implemented in 2004.</td>
<td>Second half of 2003</td>
<td>High</td>
</tr>
<tr>
<td>2.</td>
<td>Re-establish formal coordination procedures among the oversight bodies.</td>
<td>SGPR</td>
<td>Formal minutes with list of attendees for Coordination Meetings held regularly in 2003 and 2004.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>3.</td>
<td>Create effective internal audit services within DGID, DGD, and DGCPT.</td>
<td>MEF</td>
<td>Administrative directives creating internal audit services promulgated and operational.</td>
<td>First half of 2004</td>
<td>Weak</td>
</tr>
<tr>
<td>4.</td>
<td>Formalize the organization and oversight mission of the financial comptroller (COF).</td>
<td>MEF</td>
<td>Final order organizing COF available before end September 2003.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>5.</td>
<td>Strengthen capacity of the audit staff (human and material resources).</td>
<td>MEF</td>
<td>Plan to strengthen audit staff available and being followed.</td>
<td>First half of 2004</td>
<td>Medium</td>
</tr>
<tr>
<td>6.</td>
<td>Accelerate the process of modernization and capacity strengthening for the Court of Audit.</td>
<td>MEF</td>
<td>Capacity strengthening plan for the Court available and being followed.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>7.</td>
<td>Enforce legal penalties provided for delivery of late accounts.</td>
<td>Court of Audit</td>
<td>Court rulings published.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>8.</td>
<td>Adopt a strategy for processing the backlog of audit review and for preventing future buildup of a backlog.</td>
<td>Court of Audit</td>
<td>Strategy defined.</td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>9.</td>
<td>Strengthen capacity of Parliamentary Finance Commission to carry out economic and financial analysis.</td>
<td>Finance Commission</td>
<td>Capacity strengthening plan for the Finance Commission available and being followed.</td>
<td>Second half of 2003</td>
<td>High</td>
</tr>
<tr>
<td>11.</td>
<td>Strengthen relations between Parliament and the Court of Audit.</td>
<td>Finance Commission + Court of Audit</td>
<td></td>
<td>Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>Required Actions</td>
<td>Responsible Entity</td>
<td>Performance Indicators</td>
<td>Starting Date</td>
<td>Level of Support Required</td>
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<tr>
<td>1. Reorganize the information technology function within MEF.</td>
<td>DTAI/MEF</td>
<td>Administrative directives on MEF information technology systems published in December 2003.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>Discussions are underway and should soon be finalized as a basis for this measure. DTAI to prepare technical worksheet.</td>
</tr>
<tr>
<td>2. Consolidate MEF information technology inventory information (hardware, software, networks, staff skills, etc.).</td>
<td>DTAI/MEF + DIE/SGPR</td>
<td>Documented report on available information technology resources.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>An information technology inventory is being analyzed by DIE. DTAI will if necessary rely on the results as a basis for carrying out a more in-depth diagnostic. DTAI to prepare technical worksheet.</td>
</tr>
<tr>
<td>3. Develop and implement network diagram and develop an IT plan for MEF financial information system management.</td>
<td>DTAI/MEF + DIE/SGPR</td>
<td>Strategic plan available in June 2004.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>A working group headed by CT INFO has been set up for this purpose. DTAI to prepare technical worksheet.</td>
</tr>
<tr>
<td>4. Conduct a comprehensive study to define requirements for documents storage and archiving for MEF and the Court of Audit.</td>
<td>DB/MEF</td>
<td>Archiving requirements report available in December 2003 and recommendations implemented in 2004.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>This measure was previously envisaged in the Protocol for resumption of budgetary aid by the EU. The study is being launched with EU funding.</td>
</tr>
<tr>
<td>5. Prepare procedural manuals for management of expenditures, revenues, public accounting, audit, and state property.</td>
<td>MEF</td>
<td>Procedural manual covering all aspects of public financial management available in early 2004.</td>
<td>Second half of 2003</td>
<td>High</td>
<td>This measure was previously envisaged in the Protocol for resumption of budgetary aid by the EU. A draft TOR and funding are available now and the study can get underway quickly. (UGF).</td>
</tr>
</tbody>
</table>

**G. Human Resources**

<table>
<thead>
<tr>
<th>Required Actions</th>
<th>Responsible Entity</th>
<th>Performance Indicators</th>
<th>Starting Date</th>
<th>Level of Support Required</th>
<th>Status and Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Draw up MEF organization chart.</td>
<td>IGF/MEF</td>
<td>Decree setting out MEF organizational structure signed before December 2004.</td>
<td>Second half of 2004</td>
<td>Weak</td>
<td>The decree is being revised.</td>
</tr>
<tr>
<td>2. Develop a staff training plan for each MEF department.</td>
<td>MEF Departments</td>
<td>Departmental training plans available for every MEF department.</td>
<td>First half of 2004</td>
<td>Medium</td>
<td>Training plans are being developed by all MEF departments.</td>
</tr>
<tr>
<td>3. Strengthen staff management capacity and stabilize the number of employees.</td>
<td>DAGE/MEF</td>
<td>Departmental recruitment plans are available for every MEF department.</td>
<td>First half of 2004</td>
<td>High</td>
<td>DAGE to prepare technical worksheet.</td>
</tr>
<tr>
<td>H. LOCAL GOVERNMENT FINANCE</td>
<td>Required Actions</td>
<td>Responsible Entity</td>
<td>Performance Indicators</td>
<td>Starting Date</td>
<td>Level of Support Required</td>
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<tr>
<td>1.</td>
<td>Prepare a specific action plan for financial devolution following completion of studies being carried out by the ad hoc group formed jointly by government and donor staff.</td>
<td>CLCP/MEF</td>
<td>Financial devolution action plan adopted and implemented no later than June 2004.</td>
<td>• Second half of 2003</td>
<td>Medium</td>
</tr>
<tr>
<td>J. PARAPUBLIC SECTOR</td>
<td>1. Define the procedures and schedule for financial reports that partially or wholly public-owned enterprises are required to submit to the specialized bodies responsible for their oversight.</td>
<td>CGCP/MEF</td>
<td></td>
<td>• First half of 2004</td>
<td>Weak</td>
</tr>
<tr>
<td>2. Define criteria for selecting state representatives within public enterprises.</td>
<td>PRIMATURE</td>
<td>Selection criteria for state representatives published.</td>
<td>• First half of 2004</td>
<td>Weak</td>
<td></td>
</tr>
<tr>
<td>J. PRIVATE SECTOR ACCOUNTING</td>
<td>1. Introduce a guidebook for the accounting profession.</td>
<td>ONEECA</td>
<td>Guidebook published.</td>
<td>• First half of 2004</td>
<td>Weak</td>
</tr>
<tr>
<td>2. Start up quality review system operations.</td>
<td>ONEECA</td>
<td>Co-optation of ONEECA as IFAC member.</td>
<td>• First half of 2005</td>
<td>Moyen</td>
<td></td>
</tr>
<tr>
<td>K. NGOs</td>
<td>1. Monitor NGO operations so that they follow accounting standards and fulfill obligations applicable to NGOs.</td>
<td>DDC/MDS</td>
<td>Set a target percentile of NGOs that will have presented the required accounting and financial statements in 2003.</td>
<td>• Second half of 2003</td>
<td>Weak</td>
</tr>
<tr>
<td>2. Strengthen NGO and OCB oversight bodies by equipping them with information technology tools and a database.</td>
<td>DDC/MDS</td>
<td>Information technology system in place for DDC and other NGO oversight bodies.</td>
<td>• First half of 2004</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Required Actions</td>
<td>Responsible Entity</td>
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<tr>
<td>1. Prepare and distribute within departments responsible for revenue and expenditure (DGID, DGCPT) ethical guidelines and rules similar to those in use by DGD.</td>
<td>DGID + DGCPT/MEF</td>
<td>Ethical guidelines and rules published and distributed within these departments.</td>
<td>• First half of 2004</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>2. Distribute information about management of public finances with a view to greater transparency.</td>
<td>MEF</td>
<td>Publication of the 2003 budget results on the MEF website.</td>
<td>• First half of 2004</td>
<td>Weak</td>
<td></td>
</tr>
</tbody>
</table>