



MALI

TECHNICAL ASSISTANCE REPORT—AUDIT OF THE EXPENDITURE CHAIN

May 2014

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AUDIT OF THE EXPENDITURE CHAIN

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March 2014

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ACRONYMS

AE/CP	Commitment authorizations/Annual maximum capital appropriations
AFRITAC	IMF African Regional Technical Assistance Center
AICE	Integration Government Accounting Application
BCEAO	Central Bank of West African States
BVG	Office of the Auditor General
CDI	Institutional Development Council
CF	Financial Control
CFAF	African Financial Community franc
DAO	Tender documents
DFM	Finance and Equipment Directorate(or)
DGB	General Directorate of the Budget
DGI	General Directorate of Taxation
DGMP	General Directorate of Public Procurement
DNCF	National Financial Control Directorate
DNTCP	National Treasury and Public Accounting Directorate
IS	Information systems
PRED	Budget execution tracking software – “Economic Reform Program for Development”
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union

PREFACE

In response to a request from the Minister of Economy and Finance, an IMF Fiscal Affairs Department mission visited Bamako from January 7 to 21, 2014 in order to: (1) describe the expenditure chain by diagramming the circulation of information and the responsibilities of the officials involved; (2) make recommendations to streamline procedures for the various categories of expenditure (payroll, value-added tax (VAT) refunds, investments and imprest accounts); and (3) propose a roadmap for implementing the key recommendations.

The mission comprised Mr. Benoit Taiclet, head of mission, and Mr. Christophe Maurin and Ms. Marie-Laure Berbach, both IMF Fiscal Affairs Department panel experts.

The mission was received by Her Excellency Mrs. Bouaré Fily Sissoko, Minister of Economy and Finance, His Excellency Mr. Madani Touré, Minister Delegate responsible for the Budget, and Mr. Sidiki Traoré, Advisor to the Minister responsible for Finance, and Mr. Ousmane Coulibaly, Technical Advisor to the Minister Delegate responsible for the Budget.

It held meetings with a number of officials and their colleagues:

Mr. Boubacar Ben Bouillé, National Treasury and Public Accounting Director; Mr. Robert Diarra, General Director of the Budget; Mr. Alhassane Ag Hamed Moussa, National Financial Control Director; Mr. Sidi Almoctar Oumar, General Director of Public Contracting and Public Service Delegations; Mr. Kloussama Goita, President of the Accounts Section of the Supreme Court (SCCS); Mr. Amadou Ousmane Touré, Auditor General; Mr. Amadou Gadiaga, Controller General.

The mission also met with representatives of civil society and the Chamber of Commerce of Bamako, and had the opportunity to discuss its conclusions and recommendations with representatives of the various development partners.

The members of the mission would like to express their sincere thanks to the Office of the Minister for the organization of the work, the availability of the directors and their colleagues, and the quality and openness of the discussions.

The mission would also like to thank Mr. Anton Op de Becke, IMF Resident Representative, Mr. Bakary Traore, resident economist, and Mrs. Racheeda Boukezia, IMF resident advisor at the National Treasury and Public Accounting Directorate, for their availability and assistance in the organization of the mission.

SUMMARY OF RECOMMENDATIONS

The expenditure chain in Mali is vulnerable, even though it is organized along traditional lines and is subject to a number of controls. The process establishes the separation of the payment authorization officer and accountant and includes numerous ex-ante verifications. A number of control institutions or bodies carry out additional ex-post controls and verifications that are supposed to ensure the accountability of managers, payment authorization officers, and accountants. Nevertheless, many of those interviewed (donors, civil society, chamber of commerce) report delays, bad practices, and embezzlement. The mission sought to verify the accuracy of these assertions:

- **Bad management practices:** The Auditor General identified shortfalls in the amount of CFAF 35 billion, or a little more than 3 percent of the 2012 budget, in 17 audits conducted (relatively limited overall scope). Most of these audits have not been followed up with legal proceedings.
- **Delays and complexities:** This criticism is difficult to justify for the portion of the expenditure chain downstream of commitment, where processing delays measured in the software (approximately one month for validation and payment of an invoice) are quite reasonable on average and compatible with the standards of the West African Economic and Monetary Union (WAEMU). It is, however, justified upstream of commitments in the case of public procurement delays which can reach up to three to six months for contracts that are supposed to be executed within the year.

The following report has endeavored to describe the existing situation based on these considerations. The eight technical sections that make up Part 1 of the report are intended to describe the expenditure chain and its complexities and weaknesses, while a series of annexes (1 – 4) describes as accurately as possible the expenditure procedures (including procurements) in the form of flow charts to provide an overall view not found in the existing procedures manuals, which are scattered and out of date. The technical sections describe the main weaknesses in the expenditure chain, particularly:

- The ineffectiveness, owing to a lack of graduated penalties, of the numerous and sometimes redundant controls.
- The lack of quantitative and qualitative management tracking instruments.
- The complexity of pre-contract procedures.
- The vulnerability of exceptional expenditure procedures, which can involve large amounts in the special imprest accounts.
- Risks involved in cash transactions, particularly cash payroll transactions
- Weaknesses in the VAT refund mechanism.

This poor performance can be remedied in the short term. This report makes ten practical recommendations with the idea that it is not, for the moment, necessary to completely reengineer procedures, at the risk of making them even more complex. The ten recommendations are:

- A Adopt a code of ethics for civil servants:** This measure is aimed at ensuring that all feel a sense of accountability. The code of ethics should be mandatory for all civil servants and made known to users.
- B Enhance public managers' accountability:** The objective is to have an operational accountability system proportionate to the seriousness of the circumstances. This recommendation primarily aims at taking better advantage of existing rules and structures to improve the effectiveness of the penalties.
- C Gradually remove financial controls over payment authorizations:** The processing of invoices could be shortened by a week to ten days through carefully and gradually removing the CF approval, which already applies upstream on commitment and receipt of goods and services.
- D Improve methods and tools for control:** This involves targeting the controls based on the risks involved to drastically reduce the volume of irregular payments.
- E Simplify public contracting:** The recommendations reiterate World Bank suggestions for simplifying this extraordinarily complex procedure. It is also proposed that these procedures be tracked in the Budget Information System (PRED).
- F Move to multiyear management:** The introduction of multiyear commitment authorizations and the carry-forward of appropriations can ease end-of-year procedures and allow for better execution of investment spending, which is today squeezed into a one-year framework.
- G Limit the use of cash payments:** Several measures can be taken to limit amounts paid in cash and to secure those for which payment in cash is unavoidable. These measures involve greater use of banking services for payments and the use of mobile telephones.
- H Limit the use of the special imprest accounts:** This involves conducting an inventory of the special imprest accounts and restoring normal procedures for those that no longer meet the criteria that existed when they were created (exceptional or unforeseen circumstances).
- I Monitor management quality:** This involves monitoring the execution of appropriations and the quality of management, on a weekly or monthly basis, to facilitate the guidance and tracking of public policies and to improve management practices.
- J Improve VAT refunds:** Practical measures can improve the execution of these expenditures, which are of utmost importance for tax credibility.

Box 1: Technical Sections and Recommendations

The eight technical sections that make up the first part of this report are intended to describe the expenditure chain and its complexities and weaknesses. One refers in particular to Annex 1, which describes the expenditure procedures (including contracting) in greater detail in the form of flowcharts in order to provide an overall view that is lacking in the existing procedures manual, which are scattered and out of date.

The report then makes ten recommendations for short-term improvements to the practices identified and for carrying out an in-depth overhaul of the public expenditure service. These are practical recommendations based on the idea that it is unnecessary in the short term to reengineer procedures completely since there exists the risk of making procedures even more complex and undoubtedly inefficient. Their purpose is rather to take advantage of what currently works, to enhance civil servants' accountability, and to actually enforce existing rules.

The technical sections and recommendations are meant to be easily handled by users and to facilitate implementation. The correspondence between the technical sections and the recommendations is as follows:

Technical Sections		Recommendations
1 Budget execution in two distinct phases	→	A Adopt a code of ethics for public officials
2 Negative perception of the efficiency of the expenditure process	→	B Enhance the system of accountability for public managers
3 Limited effectiveness of the control and accountability system	→	C Gradually remove financial controls over payment authorizations
	→	D Improve control methods and tools
4 Slow and complex procedures upstream of investments	→	E Simplify public contracting
5 Weaknesses at the payment stage of personnel expenditures	→	F Move to multiyear management
	→	G Limit the use of cash payments
6 Poorly controlled use of exceptional expenditure procedures	→	H Restrict the use of special imprest accounts
7 Lack of cross-cutting guidance of expenditure	→	I Monitor management quality
8 VAT refund mechanism	→	J Make VAT refunds more efficient

Timetable of Recommendations: Short-Term Measures to Improve the Effectiveness of the Expenditure chain

Recommendations	A	B	C	D	E	F	G	H	I	J
	Management Guidance	Code of Ethics	Accountability	Special Imprest accounts	Control	Cash Payments	Multiyear Management	Public contracting	CF	VAT
Pilot	DGB	CDI	DNTCP	DGB DNTCP	DNCF	DNTCP	DGB	DGMP	DNCF	DGI
Feb 2014	Design of the scorecard		Preparation of an instruction on the exceptional expenditure procedures	Critical review of the special imprest accounts (during preparation of the 2015 draft budget law)	"Feedback" working groups		Finalization of a transitional procedure for the carry-forward of CPs	Amendment of laws and regulations on procedures	Amendment of laws and regulations on CF for passage by July 2015	Amendment of DGI procedures
Mar 2014										
Apr 2014	Automated input of data									
Jun 2014	1 st submission to Council of Ministers	Drafting of the proposed code of ethics	Action plan for the Accounts Section			Launching of working group with Malian Union of Banks		PRED Developments		
Jul 2014	Regular tracking and government communication									
Sep 2014			Publication of instructions on the exceptional expenditure procedures			Awareness campaign				Budgeting of earmarked appropriations account
Dec 2014	Feedback on experience and refinement	Publication of code of ethics and awareness-raising with public officials	Updated instruction on the accountability of public authorization officers	Elimination of special imprest accounts that no longer have any reason for being	AICE (blocking controls and alerts) "Government supplier" data base New threshold for receiving of services provided			Application of new procedures		

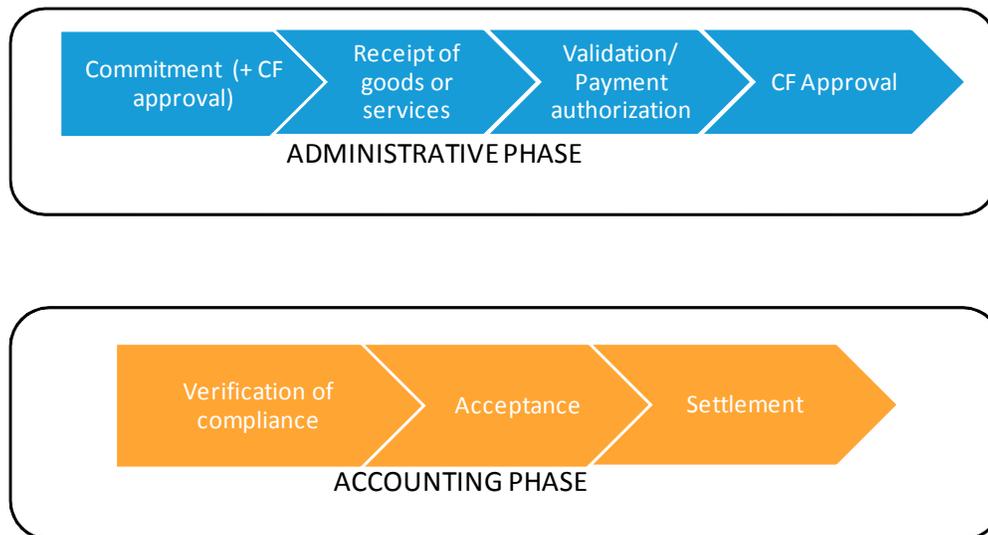
Recommendations	A	B	C	D	E	F	G	H	I	J
	Management Guidance	Code of Ethics	Accountability	Special Imprest accounts	Control	Cash Payments	Multiyear Management	Public contracting	CF	VAT
Jan 2015		"Ethics Observatory" communications campaign		Transfer of eliminated imprest accounts to the single Treasury account	List of suppliers prohibited from public contracting	Public telephone contract Lowering of the ceiling on cash transactions	Carry forward of CPs			Management of the earmarked appropriations accounts using normal procedures
Feb 2014					Automated data processing tool				Revision of laws and regulations	
2015					Drafting and publication of updated control procedures	Increased controls over payment agents	AE/CP mechanism in a limited area		Less onerous control	

I. PUBLIC EXPENDITURE EXECUTION PROCEDURES IN MALI

A. Section 1: Budget Execution in Two Distinct Phases

1. **Public expenditure in Mali is processed into two phases.** Law 96-060/PRM of November 4, 1996 on the Budget Laws, which is strongly inspired by the French model, sets out the principle of separation between officials responsible for payment authorization (*ordonnateurs*) and accountants (*comptables*). In accordance with this principle, the budget execution procedure comprises two basic phases (Figure 1): the administrative phase during which expenditures are committed, validated, and then authorized; and the accounting phase, when the public accountant pays the duly validated claim on the order of the payment authorization officer. This procedure gives rise to a series of internal controls (see annexes).

Figure 1: Phases of the Expenditure Chain



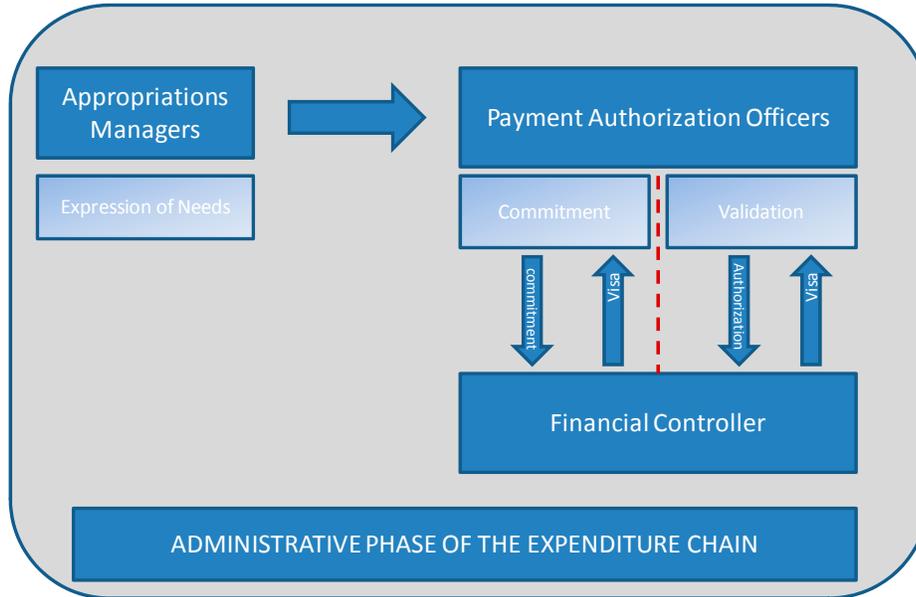
2. **The administrative phase is initiated by managers (*administrateurs de crédit*), executed by the payment authorization officers, and certified by the financial controllers (Figure 2).**

- The managers (essentially General and National Directors) assess the appropriateness of the expenditures. Upstream from the expenditure workflow, they express needs for public expenditure to the delegated payment authorization officer (DFM¹).
- The payment authorization officers commit, validate, and authorize expenditures. They issue the payment orders to the accountants responsible for payment. Payment orders are sent along with required justifications, approvals, and authorizations.

¹ Finance and Equipment Directorate.

- The financial control is an ex ante administrative control over the payment authorization officers. Financial controllers intervene at two points in this process: they approve all commitments and payment authorizations.

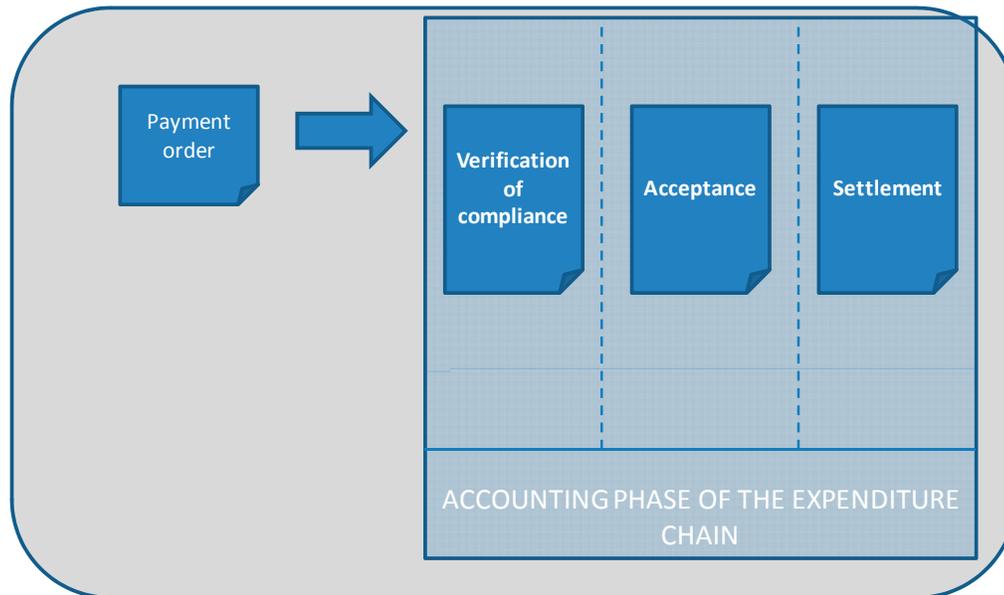
Figure 2: Simplified Diagram of the Administrative Phase of the Expenditure Chain



3. **The government discharges its debt through the accounting phase.** After receiving the payment order sent by the payment authorization officer, the accountant proceeds with settlement. However, he carries out of the following verifications and records prior to actual payment (see also Figure 3):

- **Expenditure compliance check.** The expenditure is expected to meet several requirements—complying with budgetary appropriations and classification, accuracy of claims (proper calculation of charges and service or goods actually delivered), actuality of financial controls, no opposition to the payment, and full discharge of the government's liability when settled.
- **Expenditure acceptance.** After approval of the expenditure voucher.
- **Discharging the government's debt.** This covers banking and/or cash operations.

Figure 3: Simplified Diagram of the Accounting Process



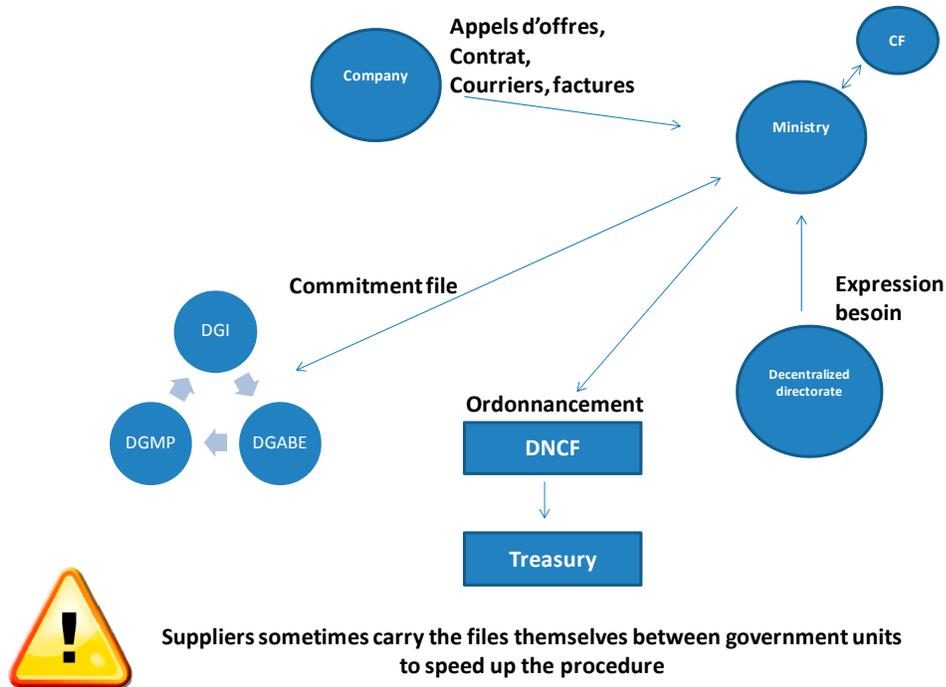
4. **There are bottlenecks in the expenditure chain.** These obstacles and red tape are particularly evident in the following phases (not including public contracting procedures):

- **Receipt of goods or services (e.g. verifying that services or goods are actually delivered) is almost systematic.** Receiving committees examine all deliveries in amounts exceeding CFAF 2.5 million.² These committees are chaired by the stock accountant (unit of the DFM) and consist of an appropriations manager official, a receiving specialist if the specific nature of the goods requires an expert opinion, and a member of the General Directorate of Administration of Government Assets (DGABE). For all deliveries exceeding CFAF 10 million, a representative of Financial Control participates in the committee as an observer. These committees meet almost constantly. For example, in 2013, committees convened and met for each of the 267 deliveries to the Ministry of Health Headquarters. The stock accounting department (seven authorized officials only) bears this workload, for CFAF 2.5 million+ deliveries.
- **Accountant's verifications redundant to the financial controller's.** The accounting phase replicates verifications already carried out upstream by the financial controller, particularly the expenditure compliance check. This excessive number of redundant verifications could be reduced by a more integrated expenditure chain, with better task sharing among controllers, payment authorization officers, and accountants.

² Equivalent to approximately USD 5,000.

5. **Circulating “hard-copy files” is vulnerable.** After being recorded in the PRED³ information system for commitment, expenditure’s files and binders are transported from department to department, frequently by motorcycle (Figure 4), which results in a number of hazards, such as loss or falsification of documents or risk of collusion between the carrier and the recipient. This hard-copy circulation is particularly complex: for example, all contracts exceeding CFAF 25 million must be submitted for approval to seven different departments.

Figure 4: Circulation of a Hard-Copy File



6. **Administrative and accounting phases last around two months (Figures 5 and 6).** The following measurements were carried out on a sample of 8,772 payment orders paid in 2013 in about a dozen ministries, covering all categories of expenditure. They show that processing times average around two months between commitment and payment, with approximately one month required between invoice validation and actual payment of the claim. However, a distinction must be made, in respect of these averages, between capital expenditures (60 days between commitment and payment) and operating expenditures (50 days between commitment and payment).

³ Budget execution tracking software – “Economic Reform Program for Development.”

Figure 5: Operating Expenditure Payment Procedure = 1½ months

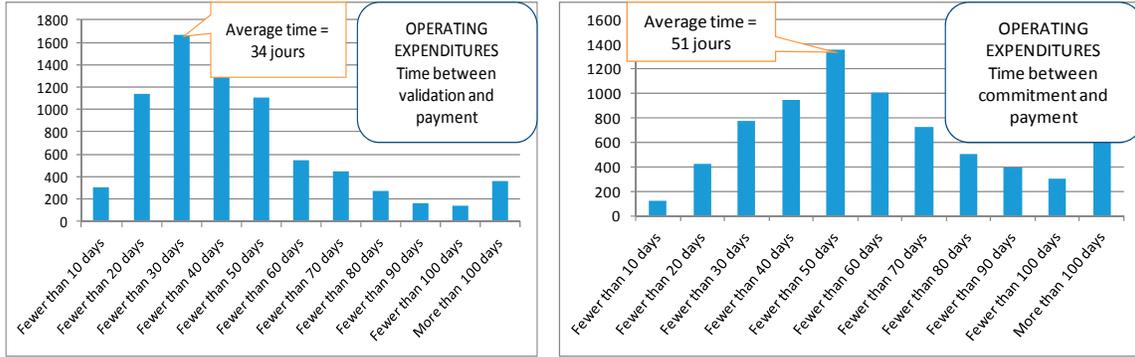
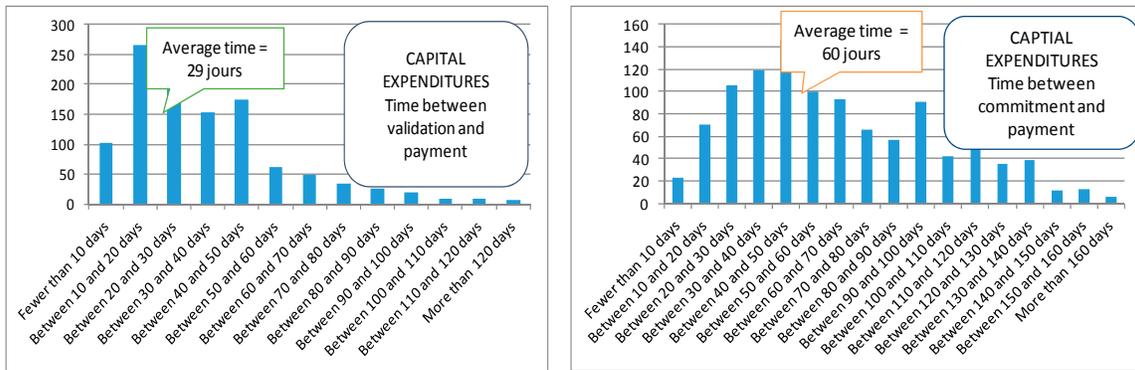


Figure 6: Capital Expenditure Payment Procedure = 2 months



7. **These processing delays are not excessive.** Based on international practices and the practices of large corporations, paying an invoice in two months can be considered good performance. It is anyhow compliant with the standards of the West African Economic and Monetary Union (WAEMU)—for the Union considers any undisputed invoice not paid within 90 days after its due time as arrears to be accounted in domestic debt statistics.

B. Section 2: Negative Perception of the Effectiveness of the Expenditure Chain

8. **The public expenditure chain principle is to pay the appropriate person at the right time (Box 2).** This requires the development and implementation of administrative and financial procedures with internal and external control mechanisms. These mechanisms should detect and correct potential anomalies prior to actual payment, and identify and sanction incorrect or fraudulent behavior after the fact.

Box 2: Objectives of the Expenditure Chain

This process ensures:

- That government's funds are used to pay for investments, goods and services, as expected by the government, without quality loss or alteration;
- That suppliers and government employees are paid within a reasonable period of time for the correct value of goods and services provided, and in accordance with prior commitments agreed among counterparts (managers and suppliers); and
- More generally, that funds released to managers are solely used for public policy purposes.

9. **The public expenditure chain in Mali is reputedly slow, complex, and vulnerable to fraud.** Malian socioeconomic agents generally concur in this assessment, and it is widely reported by the press and supported by public opinion. Discussions with representatives of civil society organizations and chamber of trade reveal suspicions of corruption with regard to public spending stakeholders, at central and local governments' levels and in all public departments. Complex bureaucracy and lengthy public procurement processes are seen as aggravating factors. This mistrust is also exacerbated by the impression that fraudulent managers will go unpunished and, more generally, by a perceived lack of transparency.

10. **The suspicions of fraud are largely confirmed by empirical evidences.** Accusations of bad management are largely corroborated by the Office of the Auditor General, which describes many examples of the inappropriate use or misappropriation of public funds.⁴ Seventeen units were audited: 12 offices (tax collectors, and spending agencies) and 5 social/health offices. Detected financial losses amounted CFAF 49.39 billion, of which CFAF 35.25 billion (3 percent of the 2012 budget and 71 percent of the losses identified) resulted from fraud and mismanagement of expenditure execution (Table 1 and Figure 7).

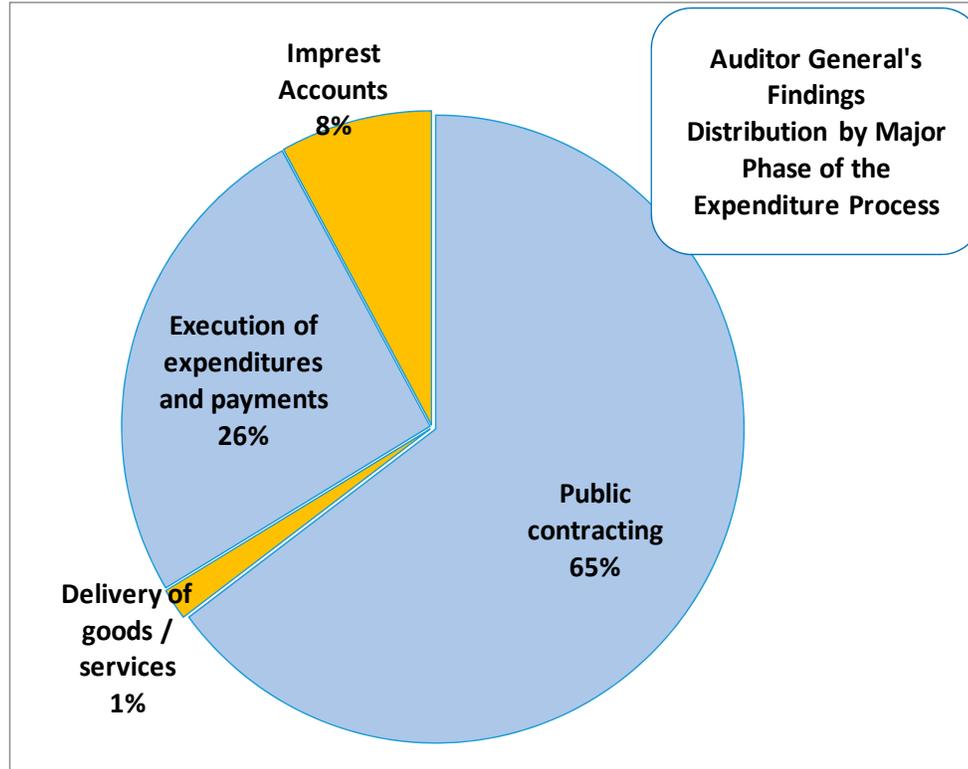
⁴ Annual Report of the Office of the Auditor General, published in November 2013.

Table 1: Summary of the Auditor General's Findings

Financial impact of the main anomalies affecting the expenditure process		CFAF
Public contracting	Lack of competitive bidding or fictional competitive bidding	19,371,691,628
	Splitting of expenditures	3,505,849,532
	Irregular awarding of a contract	61,328,614
	Favoritism in the awarding of a contract	54,516,000
	Unjustified purchases without contracts	75,154,200
	Other deficiencies	10,200,000
Subtotal - Anomalies related to public contracting		23,078,739,974
Delivery of goods / completed services	Lack of justification of the existence of the good / service purchased	579,641,750
	Subtotal - Anomalies related to deliveries	579,641,750
Execution of expenditures and payments	Unauthorized expenditures	2,936,820,966
	Unjustified expenditures or expenditures justified by irregular documentation	2,187,390,242
	Undue payments	1,558,250,650
	Fictional expenditures	2,312,192,764
	Misappropriation of funds	142,457,887
Subtotal - Anomalies related to expenditure execution		9,137,112,509
Imprest accounts	Irregular or partial justifications for the use of the advances paid to the imprest accounts	44,295,895
	Fictional purchases or undue expenditures from the imprest account	137,697,901
	Insufficient control over the imprest account by the designated accountant	2,564,817,661
	Other irregularities affecting the imprest accounts	90,859,913
Subtotal - Anomalies related to the imprest accounts		90,859,913
Total anomalies related to the expenditure process		35,251,808,848
Total anomalies identified by the BVG		49,395,222,460
Expenditure process anomalies / total anomalies identified		71.4%

11. **Paradoxically, the more procedures are controlled, the more mismanagement and financial losses are found.** The breakdown of the management deficiencies (Figure 7) indicates a high risk in contracting procedures (65 percent of the financial volume of the deficiencies identified in the expenditure chain), expenditure procedures (26 percent), special imprest accounts (8 percent) and, to a lesser extent, the delivery of goods and services (2 percent). At the same time, these procedures, with the exception of imprest accounts, are subject to numerous sometimes redundant verifications (see Sections 1, 3 and 4). This shows that the proliferation of management errors results more from the lack of penalties than from a lack of control. Moreover, the fact that procedures are very slow (e.g., public procurement) makes them vulnerable to fraud.

Figure 7: Distribution of Findings by Major Phases of the Expenditure Chain



Source: BVG 2012 Report

12. **The Malian government context provides fertile ground for bad practices.** Some precepts of economic theory⁵ consider corruption to be the result of an illicit transaction in which potentially corrupt officials weigh the expected gains against the potential losses, which are directly related to the risk of being caught. A number of aspects of the context in Mali promote bad practices: low official salaries for civil servants and politicians, limited accountability of those involved in the expenditure chain, accentuated by the negligible penalties imposed on those committing fraud.

13. **In this context, overcoming corruption requires a strong political will.** It requires attacking the causes, by promoting the emergence of powerful control and audit bodies, whether in society or in the government. It is also important to promote a political environment characterized by the honesty of the leaders, the protection of civil servants against political interference, and the mitigation, or even elimination, of the factors that encourage corruption described above. In other words, corruption will disappear only if “fraud no longer pays.”

⁵ Particularly Klitgaard 1988 (Research on the Bureau of Internal Revenue of the Philippines) and Lafay (*Analyse de la SEDEIS*, March 1990).

14. **The Malian authorities have committed themselves to struggle against corruption.** The anticorruption policies undertaken in the past and initiatives by previous governments to improve public management have had little or no effect. When formed in 2013, the new government followed up on its pre-election anticorruption campaign with declarations of intent and reiterated public speeches. The economic and financial policy memorandum attached to the letter of intent sent on December 2, 2013 by the Malian government to the IMF includes the commitment to “conduct a vigorous anticorruption campaign” (Box 3).

Box 3: Anticorruption Commitments

- Enforcement of the law against unlawful enrichment, including provisions for annual reporting by senior government officials to the Supreme Court;
- Mandatory publication of the rationale for judgments rendered;
- Addressing governance shortcomings identified by the BVG in its annual and sectoral reports, and annual publication providing an update on remedial measures taken in response to identified deficiencies.

C. Section 3: Limited Effectiveness of the Control and Accountability Mechanisms

15. **The expenditure control mechanism is structured and documented.** The main principles are set out in a comprehensive set of laws and regulations,⁶ which are currently being revised to take account, in particular, of the WAEMU directives. These principles are set out for operational purposes in procedures manuals for each of the officials involved in the expenditure chain, although these manuals are somewhat out of date. Upstream of the expenditure chain, the contracting procedure is set out in the public procurement code. Finally, specific regulations relate to stock accounting and its related control.⁷

16. **A number of institutions and units conduct ex post controls.** Downstream of the expenditure chain, public expenditure is subject to a number of external controls carried out by bodies independent of the payment authorization and public accounting units: the main entities are the Office of the Auditor General, the Financial Audit Section of the Supreme Court, the Office of General Control of Public Services, and the Finance Inspection Office. There again, the verifications carried out focus on the following: how public expenditures are executed; their compliance with legal requirements; the implementation of the legally required internal control arrangements; the reliability of the accounting records; and the quality of financial reporting by the public accountants.

17. **Ex ante controls have been implemented at all phases of the expenditure chain.**⁸ These controls are carried out by a number of units: management units, payment authorization officers, stock accountants, financial controllers and public accountants, and even general directorates with cross-department responsibilities, such as the General Directorate of Public Procurement, the General Directorate of Administration of Government Assets, or the National Planning Directorate. These verifications are conducted both on- and off-site. They verify whether the expenditure meets legal requirements and is supported by documentation that the service has actually been delivered and complies with the specifications identified at the time it was ordered, that the amount submitted for payment is accurate, and that the settlement fully discharges the debt. The information systems can also conduct automated controls of expenditure. The two following applications are interfaced: PRED (Budget Management and Tracking Application) for the administrative phase of expenditure; and AICE (Integrated Government Accounting Application) for the accounting process. They make the procedure mandatory and ensure respect of rules such as sequencing of tasks, actual verifications, and provision of proofs and supporting documents accompanying the payment orders (the latter functionality was in the process of being

⁶ See, in particular, Law 96-060 on the budget law; Law 96-061 of November 4, 1996 setting out the basic public accounting principles; Decree 97-192/P-RM of June 9, 1997 establishing the general public accounting regulations.

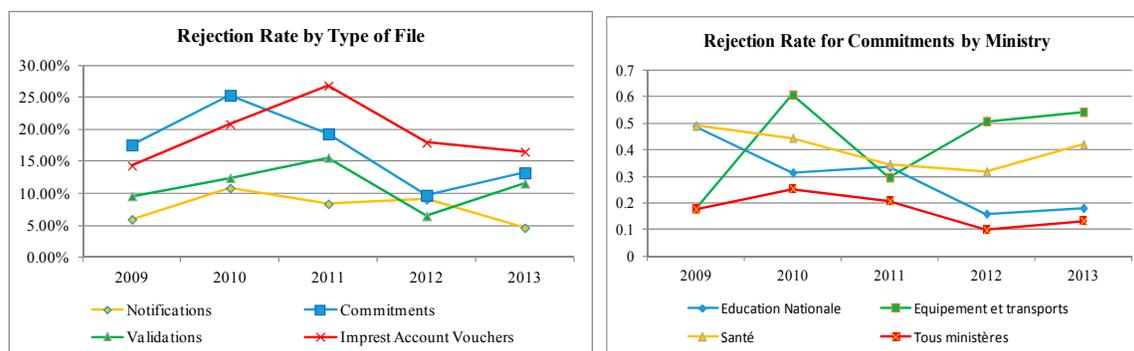
⁷ Decree 10-681/P-RM of December 30, 2010 establishing the (stock) accounting regulations.

⁸ For more detail see Section (1) “Budget Execution Based on a Strict Separation of Tasks” (sic).

deployed in the AICE). The information systems include “embedded controls” that block prohibited operations, such as duplicate payment of a single transaction. These applications are to have some limitations, however, as emphasized in a recent IMF report.⁹ This report notes, in particular, that the AICE malfunctions may reduce the reliability of operations tracked in the system. Stock accounting is still insufficiently automated and is not integrated with the budget and accounting systems. Moreover, the integration of the information system at present does not cover banking services.

18. **Ex ante controls result in the rejection of transactions.** Efforts to make the expenditure chain more secure have been carried out through, notably, the improvement of financial controllers’ tasks.¹⁰ Anomalies are actually detected by controls carried out at various phases of the administrative phase—see the rejection rates during financial controls (Figure 8) conducted upstream of the accounting phase. Hence the rejection rate within the accounting process is relatively low (about 1 percent of payment orders being rejected).

Figure 8: Financial Control Rejection Rate



Source: Performance Indicator Report of the National Financial Control Directorate (DNCF), October 2013.

19. **Political interference in the expenditure chain occasionally results in an almost total lack of control.** For example, the mission identified a few cases of payments made on the basis of a ministerial decision alone, without any other form of justification for the transactions, which were not, on the face of it, urgent or in the higher interests of the state.¹¹

⁹ IMF Fiscal Affairs Department, December 2013, Jean-Louis Thiriot, “Poursuivre le déploiement de l’application comptable” (Continue deployment of the accounting software).

¹⁰ IMF Fiscal Affairs Department, April 2013, Benoît Taiclet, Jean-Bertrand Biguey and Claude Trupin, “Reprendre la mise en œuvre du cadre harmonisé des finances publiques de l’UEMOA dans le contexte d’après crise” (Resume implementation of the WAEMU harmonized public finance framework in the post-crisis context).

¹¹ Based on a sample of 16 accounting files examined in detail by the mission, two included payments by ministerial decision, which was the only supporting document accompanying the invoice (medical training and pharmaceutical deliveries), providing no justification of the service nor of its pressing urgency.

In these circumstances, it is materially impossible to conduct the regulatory controls of the compliance of the expenditure.

20. **Ex ante controls are pointlessly duplicated.** Formal controls on the public contracting conditions¹² do not prevent the circumvention of competitive bidding. There are too many controls on deliveries.¹³ The controls conducted by the financial controller on payment orders duplicate controls carried out by the public accountant prior to payment. Within units, on many occasions, verifications conducted by an operational staff member and, later on, by his hierarchical superior are exactly the same.

21. **The ex ante control mechanisms are insufficiently targeted.** While efficiency would dictate concentrating resources on risky financial transactions, controls are often carried out in the same way no matter what the amount or nature of the transaction, recipient of the payment, or settlement method. A few exceptions apart, no risk analysis precedes controls, and potentially abnormal transactions are not identified in advance.

22. **Finally, although numerous, ex ante controls have a limited dissuasive effect.** Although control ensures that payments generally comply with the procedural requirements, it does not fend off deliberately fraudulent behavior; hence it does not constitute an appropriate response to endemic corruption (see Section 1, Findings of the Auditor General). The internal control mechanism covering the expenditure chain, as it is currently implemented, makes it in fact weaker: it increases the time required to process expenditures, and it multiplies government officials interventions, whose effectiveness is not, moreover, fully demonstrated.

23. **Means for ex post internal and external auditing are still insufficient.** A significant effort has been made and resources, including external resources, have been mobilized to ensure that control bodies are sufficiently supplied with respect to the scope of their mission. This is the case, in particular, for the Office of the Auditor General. On the contrary, the resources allocated to the Accounts Section of the Supreme Court are seriously deficient compared to its tasks—in particular reviewing the accounts of the public accountants (stock and cash).¹⁴

24. **Lack of penalties for failing managers and accountants undermines the effectiveness of the controls.** The laws and regulations contain a system of accountability for payment authorization officers and public accountants (stock and cash): the former are

¹² See Section (4), “Slow and Complex Procedures Upstream of Investments.”

¹³ See fiche (1), “Budget Execution Based on a Strict Separation of Tasks” (sic).

¹⁴ IMF, Fiscal Affairs Department, April 2013, Taiclet, Biguey and Trupin, op cit; and SOFRECO, April-May 2010, Cauneau and Uguen, “Rapport sur la réalisation d’une étude opérationnelle sur les modalités de certification des comptes publics” (Report on an operational study on the auditing of the public accounts).

under the jurisdiction of the Budget Discipline Section and the latter may be held accountable personally and financially via the Accounts Review Chamber of the Accounts Section of the Supreme Court. Moreover, like all citizens, civil servants are subject to criminal sanctions if they are found guilty of crimes or misdemeanors. The code of criminal procedure requires any civil servant who has knowledge of facts potentially constituting crimes or misdemeanors to report them to the judicial authorities. Such reporting does take place in practice. The annual report of the Auditor General (and the individual reports attached to it) in fact notes referrals to the judicial system supported by full legal briefs. However, thus far almost no sanctions have been applied. Administrative procedures involving accountability remain theoretical. The Budget Discipline Section is not operational. Moreover, although the accounts of all public accountants were audited for the first time in 2013, covering up to fiscal year 2008, the Accounts Section has thus far not yet announced any fees or fines payable.

25. **Economic agents involved in bribery are seldom prosecuted.** Embezzlement in public procurements is sanctioned by the criminal code, but there again prosecutions remain the exception rather than the rule. Administrative sanctions against bidders and holders of public contracts exist for cases of incitement to corruption or the commission of fraudulent acts.¹⁵ However, in practice, they are seldom or never applied.

¹⁵ Article 90 bis of Decree 99-292/P-RM of September 21, 1999.

D. Section 4: Slow and Complex Procedures Upstream of Investments

26. **In principle, capital expenditures require public procurement.** This aims to ensure the efficient acquisition of the inputs necessary for the government's provision of programs and services and to make best use of the available resources. Competitive bidding must be systematic to obtain fair and reasonable prices, but the procedures involved must also meet deadlines set out by the government for its investment policies.

27. **In Mali, procedures are complex.** A detailed diagram of the entire public procurement procedure (applicable to all capital expenditures exceeding CFAF 25 million) is presented in Annex 1. The diagram shows the complexity and intricacy of the procurement process. According to the information provided to the mission, the minimum time required to complete a public procurement is apparently 100 days. Government suppliers need between three and six months to complete the procedure. Hard-copy files must be circulated to nine different units.¹⁶ The procedure involves six (sometimes redundant) controls. Files can be rejected at three stages (commitment, validation, and payment). This results in the temptation for units to split up orders to remain below the required thresholds and for suppliers to use fraudulent practices (65 percent of bad practices identified) and then to include these additional costs in the prices invoiced, which largely explains the frequent discrepancies between the prices invoiced and the referenced prices used by the Financial Control.¹⁷

28. **The General Directorate of Public Procurement (DGMP) intervenes at all stages in the procedure** (Box 4). Its involvement extends from the approval of the ministerial procurement plans to the notice of non-objection that it places on the final contract. This general directorate thus approves almost 1,000 files per year. The DGMP checks the legal compliance of the contract, but not financial issues (availability of appropriations, annual or multiyear deadlines, compliance with the financial regulations), which are the prerogative of the financial control to be carried out following the signing of the contract. The DGMP has 30 days to hand down a reasoned decision for the refusal of approval. The DGMP has the power of veto: no contracts may be undertaken without its formal approval. Overall, through to its final notice of non-objection, the DGMP intervenes at least five times during the procedure (76 percent of files involve no comments, 30 percent of projects are subject to more than seven comments by the DGMP).

¹⁶ General Directorate of Administration of Government Assets; General Directorate of Public Procurement; General Directorate of Taxation; Regional Directorate; Finance and Equipment Directorate; decentralized and central Financial Controller; Office of the Minister; Treasury Paymaster.

¹⁷ For example, in the Ministry of Equipment and Transportation in 2013, CF rejected 50 out of 663 commitments on these grounds.

Box 4: DGMP Interventions During the Procurement Procedure

1. Approval of the ministerial procurement plans (PPM): upon receipt of the PPMs from all units, the DFM compiles all of the unit plans for transmission to the DGMP for its opinion and approval.
2. Technical file prepared by the DFM units is submitted to the DGMP for its opinion.
3. The tender documents are approved by the DGMP.
4. Forwarding of the minutes of the decision of the tendering committee that opened the bids and selected the successful bidder, after which the DGMP, if it agrees, issues a notice of non-objection.
5. A further notice of non-objection is noted on the tendered contract.

Source: World bank report

29. **The procedures are ineffective.** According to the World Bank,¹⁸ an important proportion of the capital budgets of the member states of the WAEMU is under-executed. The rate of execution of the capital budget in Mali was just 68 percent in 2010 and 72.2 percent in 2011 (data provided by the authorities). The main reasons put forward are: (i) the number of stages, ex ante controls, authorizations, and signatures required to undertake a project is excessive, often redundant, and leads to significant delays in the execution of public contracts and the budget; (ii) the procedures focus excessively on form and formal compliance, depriving the contracting authorities of the possibility of intervening professionally in existing public contracts; and (iii) the budget cycle continues to be based on a single year, while projects are developed and executed over many years.

30. **The reportedly long and vulnerable pre-contract phase is not tracked in the information systems.** The time required for pre-contract procedures is not tracked in the budget IT, which tracks operations only as of commitment, i.e., the signing of the contract. According to various individuals interviewed,¹⁹ the time required varies, depending on the contract, between 100 and 200 days. Given these delays, it is difficult to implement investment projects under the one-year budget rule, particularly multiyear projects.

31. **The government has undertaken measures to improve transparency and to expedite the process of public procurement.** Several objectives have been assigned to the DGMP in the letter of intent transmitted to the IMF in December 2013: to increase the information on contract awards published on its website and to propose measures by March 31, 2014 to reduce the average time required to award contracts.

¹⁸ World Bank: Hinderdael-Selligman Report, “Accroître l’impact des investissements publics par une approche intégrée des marchés publics et de la gestion des finances publiques” (Increase the impact of public investment by means of an integrated public procurement and public financial management approach).

¹⁹ Sources: Financial Control; DFM of the Ministry of Health and Civil Society.

E. Section 5: Payroll Expenditure Suffers from Weaknesses at the Payment Stage

32. **The government’s payroll expenditures represent a significant proportion of public spending in Mali.** In 2012, such expenditures totaled CFAF 228 billion for the central government and CFAF 79 billion for local governments.

33. **The government’s payroll expenditures procedure is centralized and subject to payment authorization.** Maintenance and updating of the personnel files and printing of the pay slips are automated and centralized at the Central Payroll Office (Ministry of the Budget). Each month, the Central Payroll Office prints the pay slips based on employees’ files and forwards them to the payment authorization officers for validation and payment order. After approval by Financial Control, the slips are transmitted to the Treasury for payment. A special procedure is used for military payroll expenditures (Box 5).

Box 5: Payroll Payments in the Ministry of Defense

The payroll payment procedure for the military was covered in a detailed study in a World Bank report,^{1/} the main comments and conclusions of which are presented below.

Unlike the civilian ministries, the Ministry of Defense entirely controls and executes its payroll payment.

The central level (DFM) has a consolidated list of employees to be paid by the automated wage processing center. The payroll is paid by check to the pay centers of the Offices of the Chiefs of Staff and the Service Directorates by the paymaster general's office in the Treasury. It is then distributed to the military, the military police and the national guard’s staffs primarily in cash during monthly payroll tours involving teams of DFM officers. The staffs receive payroll records detailing wage calculation minus various withholdings.

According to the conclusions of the mission, the main risks affecting the payment of wages in the military are at the local level and involve potential unjustified, and in fact completely irregular, “siphoning off” in units by supervisors. Increased use of bank accounts by military personnel, subject to appropriate arrangements (e.g., opening of bank counters in military barracks) could reduce such misappropriations.

^{1/} World Bank, Brintet, “Revue des dépenses publiques et de la gestion financière des forces de défense et de sécurité du Mali” [Public expenditure and financial management review of the Malian security and defense services].

34. **Ex ante controls on payroll expenditures seem inadequate.** The payrolls are subject to multiple controls during the administrative and accounting phases—and these controls are both redundant and insufficient to eliminate irregular payments. For example, when the administrative and financial status of employees change, managing unit sends individual data records to the Central Payroll Office which updates personal files. To do so, the following steps are required: (i) the financial controller checks the appropriateness of the request, and approves the individual data records based on attached supporting documents; (ii) the same controls are undertaken when these records reach the Central Payroll Office for coding and updating the personal files; (iii) other verifications of the changes of status with respect to the previous month subsequently occur, after validation and issuance of the

payment order by the payment authorization units; and (iv) same verifications are conducted again by the public accountant prior to payment.

35. **Conversely, some controls that would detect unjustified payments or incorrect amounts are seldom or never carried out.** The procedure for updating the personal files is not secure enough: it is triggered on the sole initiative of the managers and based on the simple forwarding of hard copy data records. In case of omission or delay, no automated procedure exists to ensure cessation, within a reasonable period of time, of the payment of wages to a civil servant who has been separated or the payment of a bonus to which a civil servant is no longer entitled. Moreover, no reconciliation between the staff head count and the personal files has been done since 2004. As regards the execution of wage payments, the Central Payroll Office conducts some cross-checking of the pay slips manually and verifications of atypical amounts. However, these controls on a large volume of data are most often conducted ex post because there is no mechanism for systematic detection of potential anomalies embedded in the information system.

36. **The payment of wages is not secure enough.** As already noted by a previous mission,²⁰ global payment authorizations are sent to banks along with lists of employees, and the banking institutions are responsible for depositing the wages in the accounts of their customers. This indirect payment method returns no proof that the wage is indeed paid to the government's employee, for the banks do not report on the actual payment of wages. The same is true for cash payment, which involves paying wages by check or in cash to a payment agent, who is responsible for distributing the payments against proof of delivery and signatures. Here again, there is no mechanism for verifying the payments made to the officials. In both cases, the government cannot be sure that it is properly discharged of its debt or that there has been no misappropriation by intermediaries.

²⁰ Fiscal Affairs Department, April 2013, Taiclet, Biguey and Trupin, "Reprendre la mise en œuvre du cadre harmonisé des finances publiques de l'UEMOA dans le contexte d'après crise" (Resume implementation of the harmonized public finance framework in the WAEMU in the post-crisis context).

F. Section 6: Poor Monitoring on Exceptional Expenditure

37. **Some expenditures are appropriately paid without a prior payment authorization.** This is the case essentially of debt repayments, payment of advances to the imprest accounts, embassies' expenditures, and urgent expenditures.

38. **With the exception of expenditures from the imprest accounts, rules applying to exceptional procedures are not grounded in law.** The exceptional procedures for the execution of these expenditures are not fixed by decree but merely described in a manual for public expenditure execution. Exceptional and urgent expenditures are recorded in the general ledger through Account 470.15. This account initially did not exist in the legal nomenclature²¹ and was created by DNTCP/DCP²² Circular No. 15 (July 13, 2007). In practice, transactions recorded in Account 470.15 consist of:

- urgent expenditures authorized by letter of the Minister of Economy and Finance;
- advances made in the absence of budgetary appropriations, and thus pending adjustment by the supplementary budget;
- expenditures settled at the BCEAO involving public debt transactions;
- exceptional transactions.

39. **The amounts disbursed can be substantial.** Amounts of expenditures tracked in Account 470.15 can occasionally be very large. Most of the payments recorded in 2013 were related to imprest accounts (CFAF 4.3 billion), however, there were other disbursements in the amount of CFAF 392 million. Some imprest accounts receive quite substantial advances that go well beyond their original purpose of “minor operating expenditures.” This is particularly the case of the special imprest accounts, meant to respond to unusual and exceptional needs and which are, in principle, supposed to have a limited existence. In practice, the amounts paid by these funds can sometimes be quite substantial. For example, the special imprest account of the Ministry of Defense carries out monthly expenditures exceeding CFAF 2.3 billion.²³ Similarly, in fiscal year 2013, the total amount of the expenditures tracked in the “Treasury Account of the Special Imprest Account Managers”²⁴

²¹ As reported in: West AFRITAC, November 2013, Vion and Cayode-Eyebiyi, “Amélioration du suivi des comptes d’avances et d’imputation provisoire et de la production de la balance mensuelle” (Improvement of the tracking of imprest and suspense accounts and production of the monthly trial balance).

²² National Treasury and Public Accounting Directorate / Public Accounting Directorate

²³ World Bank, Brintet, “Revue des dépenses publiques et de la gestion financière des forces de défense et de sécurité du Mali” (Public expenditure and financial management review of the Malian security and defense services).

²⁴ This account tracks only a portion of the operations of the special imprest funds, some of which, such as the special imprest fund of the Ministry of Defense, operate on individual bank accounts opened at private

(continued...)

totaled CFAF 6.5 billion, and the average amount of the individual advances was CFAF 36.6 million, but 18 advances exceeding CFAF 100 million were paid during the fiscal year, including one in the amount of CFAF 632 million.

40. The execution of exceptional expenditures is subject to very minimal controls considering the amounts involved. In general, funds are released without prior proofs and receipts. The payment of the advance is subject to simplified controls, focusing primarily on the identity of the payment authorization officer and the amount of the advance. Control of the compliance of the expenditure being carried out, based on supporting documentation for the payment, takes place after the actual disbursement of the funds to a supplier or service provider. In the case of the imprest accounts and embassies, the risk involved in this procedure is partly offset by the fact that the replenishment of the imprest account is in principle subject to the production of supporting documentation showing the consumption of the previous advance. In practice, there are numerous deficiencies in the controls carried out, particularly with respect to the imprest accounts of the defense and security forces in Mali.²⁵

41. Tracking of exceptional expenditures in the budget and the accounts should be improved. This point was the subject of a detailed study in a previous report by West AFRITAC,²⁶ which identified the following points:

- The lack of proper procedures for the delegation of appropriations to embassies: appropriation are considered spent immediately after they are released to embassies, which skews the monitoring of the budget execution; moreover, the accountant of the entity receiving the appropriations cannot give his approval prior to the spending.
- The irregular procedure for the release of funds to imprest accounts:²⁷ payment orders are issued in advance without any justification of spending or appropriate classification.
- Flaws in tracking Account 470.15, carried out by two separate accountants: grouped transactions are not always related to the account purpose; they are accrued against a gross classification, not sufficiently detailed to reflect the various transactions; thereafter, ex post proofs of spending are approximate and hamper auditing of the account.

institutions (cf., the afore-mentioned report on the “Revue des dépenses publiques et de la gestion financière des forces de défense et de sécurité du Mali” (Public expenditure and financial management review of the Malian security and defense services).

²⁵ World Bank, Brintet, “Revue des dépenses publiques et de la gestion financière des forces de défense et de sécurité du Mali” (Public expenditure and financial management review of the Malian security and defense services).

²⁶ West AFRITAC, November 2013, Vion and Cayode-Eyebiyi, “Amélioration du suivi des comptes d’avances et d’imputation provisoire et de la production de la balance mensuelle” (Improvement of the tracking of imprest and suspense accounts and production of the monthly trial balance).

²⁷ Cf. DNTCP Instruction No. 1 of March 17, 2009 on the imprest accounts.

G. Section 7: Lack of Cross-Departmental Control of the Quality of Expenditure Procedures

42. **Financial information should provide insight into the conduct of public policies.** Financial data are in principle an instrument for the reliable, comprehensive, and regular measurement of the government's policies, providing input for decision-making. Even when sources are imperfect, systematic use of financial data is desirable. It allows for ongoing and regular clarification conducive to good governance. This surveillance can have a salutary effect on units, which, if they know that they are being monitored, naturally improve their performance, in particular, regarding timeliness and quality of execution of expenditure procedures.

43. **In Mali, the government follows up on budget execution and payments.** In accordance with recommendations made by the IMF,²⁸ the Ministry of Finance regularly tracks the utilization of appropriations and the stock of payment arrears measured as of invoice validation. The General Directorate of the Budget (DBG) has introduced tracking of payments arrears in accordance with IMF recommendations²⁹ (measurement of arrears complying with the WAEMU directives and in accordance with the government's letter of intent,³⁰ which provides for tracking of arrears as from the invoice validation). The Treasury issues the monthly and annual balances and various statements of execution based on the accounting software and it has undertaken to facilitate tracking of its cash flow by the establishment of a single Treasury account. The payment authorization officers track the execution of their budget using PRED, and they follow up on the program budget indicators.

44. **Yet there is no cross-departmental follow up on the quality of budget execution (scorecard, reporting, and execution report).** Units have established a scattered set of tracking and guidance instruments. For example, the National Financial Control Directorate (DNCF) issues a "performance indicator report"³¹ quarterly. However, the tracking instruments are not comprehensive (the budgetary systems, in particular, do not track procurements from start to finish) nor do they focus on the quality of the expenditure chain (delayed and/or rejected transactions). Currently, the Minister does not have access to a simple scoreboard on the quality of management. A summary scorecard is proposed below (Recommendation [9] "Monitor management quality").

²⁸ Aforementioned report of the IMF Fiscal Affairs Department, February 2013, and IMF Report No. 13/380, in the context of the 2013 request for a three-year arrangement for Mali under the Extended Credit Facility.

²⁹ Aforementioned report of the IMF Fiscal Affairs Department, February 2013.

³⁰ Sent in January 2013 to the Managing Director of the IMF.

³¹ This report is part of the implementation of the Government Action Plan for the Improvement and Modernization of Public Finance Management (PAGAMFP), which provides for tracking of certain units by means of performance indicators.

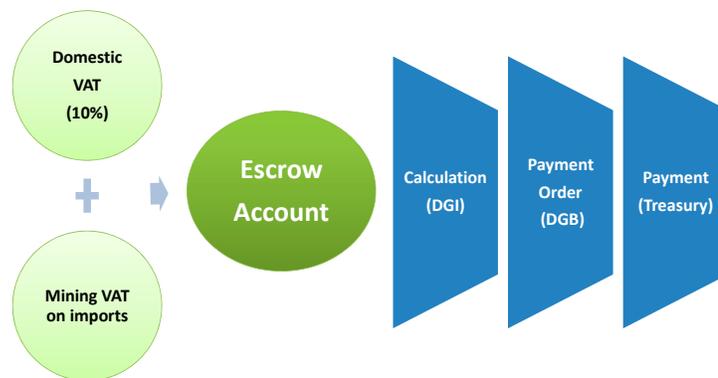
H. Section 8: The VAT Refund Mechanism

45. **The value-added tax (VAT) generates refundable tax credits.** The essential principle of this tax is to avoid cumulative, so called “cascading,” taxes. The tax base at each stage of expenditure consists solely of the value added at that stage. Economic agents are thus allowed to request a refund of the VAT already collected on intermediate production goods put into the manufacture of a taxable product - for example, goods (equipment and machines) purchased by mining companies for the purpose of production.

46. **Taxpayers and the General Directorate of Taxation (DGI) complained about difficulties and delays.** Both economic agents and the General Directorate of Taxation have reported that since 2010 refunds have frequently been deferred owing to a lack of appropriations and/or liquidity. Subsequently, big taxpayers were tempted to offset VAT refunds they were owed against taxes they owed. Up to recently (2012), significant refund delays, about to three months, occurred, with the risk to undermine VAT credibility.

47. **VAT refunds are made from an escrow account using the regular budget execution process (Figure 9).** In 2010, the government chose to open a so-called “escrow” bank account into which must be deposited all VAT on mining imports, and 10 percent of domestic VAT . This liquidity reserve serves as a pool to cover refunds. Refunds follow the regular payment authorization process in order to track gross revenues and gross refunds in the budget execution process, with no reduction between the two aggregates.

Figure 9: VAT Refund Mechanism in Mali



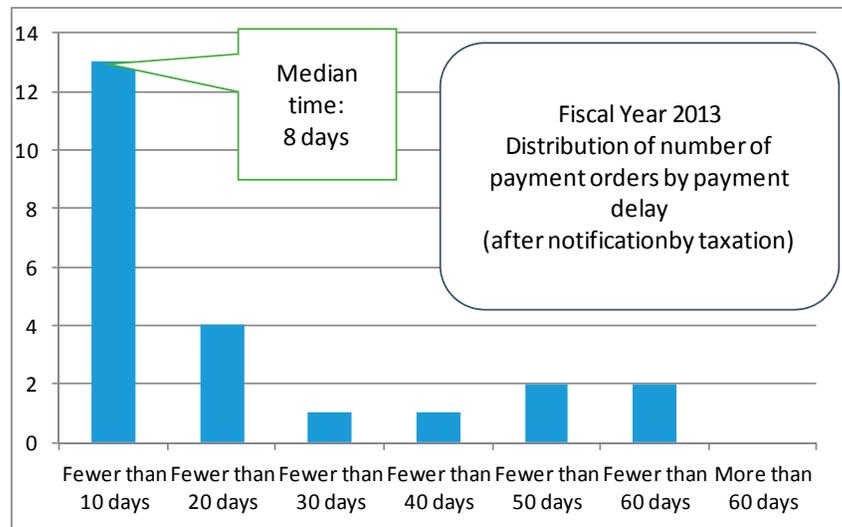
48. **In practice, only a few operators are eligible for refunds.** In 2013, only 23 payment orders were issued in an annual amount of CFAF 42 billion (approximately 5 percent of net tax revenues) for the benefit of a few companies (approximately 40)

operating in the mining, agriculture, telephone, and pharmaceutical sectors. Transactions are usually grouped: they cover several taxpayers and several past months.

49. **Processing delays could be reduced upstream of the payment authorization officer.** The procedure introduced for VAT refunds consists of two basic phases: (i) the examination phase: the DGI examines the VAT refund request, notifies the taxpayer (who has the 20 days to appeal), and later transmits its opinion of non-objection to the payment authorization officer (General Directorate of the Budget) by courier; (ii) payment phase: the payment authorization officer validates and issues the payment order, the financial controller approves, and the accountant makes the payment. It appears from an analysis of the processing delays that the longest delays (although not measurable in the budget software) are those that arise in the examination phase:

- **The examination phase takes at least one month.** This delay results essentially from the appeal period (which is always respected, whether or not taxpayer's and DGI's calculations concur).
- **The payment phase takes eight or nine days in most cases** (Figure 10). This includes an average of five days for the payment authorization phase, one day for CF approval and three days for the accountant phase.

Figure 10: VAT Refund Delays



Source: PRED, fiscal year 2013, 23 grouped transactions

50. **Budget appropriations happen to hamper refunds.** The General Director of Taxation reported that some refunds could not be made in 2011-12 owing to a lack of budget appropriations, even though funds were available in the escrow account. This paradoxically results from poor budgeting and weak appropriations in VAT refund budget items.

II. PROPOSALS FOR STREAMLINING

51. Below recommendations are meant to avoid disrupting the Mali reform plan.

Mali has undertaken numerous short- and long-term reforms, generally in connection with implementation of the WAEMU directives. A few examples are the consolidation of cash disbursed during the crisis, the improvement and computerization of the government accounting function, multiyear budget management, implementation of program budgets, and, more recently, expansion of decentralization with a view to reconstructing war-struck regions. In this already overloaded context, the intention of the authors of this report is not to disrupt the ongoing reform plans, but rather to propose technically feasible measures, compatible with the implementation of the WAEMU directives.

52. For this reason, the number of recommendations is relatively small and their implementation is feasible in the short term. This report makes ten recommendations aimed at improving practices in the short term and overhauling the public expenditure service. These recommendations are pragmatic and the rationale is: in the short term, it is not necessary to undertake a complete reengineering of procedures, at the risk of making them even more complex and no doubt inefficient. We rather suggest taking advantage of what works, mobilizing officials' sense of responsibility, and applying the existing rules.

53. The following recommendations are in line with the reforms already under way. Box 6 below shows the links between the ten recommendations made below and the reforms already undertaken.

Box 6: Correspondence of Recommendations with the Reforms Under Way	
Recommendations	Reforms Under Way
A Adopt a code of ethics for public officials	WAEMU directive on transparency
B Enhance the system of accountability of public managers	WAEMU directive, budget law, and general public accounting regulations
C Gradually remove the financial controls over payment authorizations	WAEMU directives, budget law, and general public accounting regulations
D Improve control methods and tools	Mali internal control strategy
E Simplify public contracting	WAMU draft public contracting reform
F Move to multiyear management	WAEMU directive, budget laws
G Limit the use of cash payments	Technical measures
H Restrict the use of special imprest accounts	Technical measures
I Monitor management quality	Technical measures
J Make VAT refunds more efficient	Technical measures

A. Adopt a Code of Ethics for Public Officials

Scope and challenges: All public expenditure management and all bad practices observed (3 percent of the government budget).

Problem encountered: Users have a poor opinion of the government and the public expenditure chain. Corruption is entrenched at all levels of central and local governments; it is usually not perceived as reprehensible by those involved, but rather as a common practice.

Objective: Make public officials accountable by reminding them of their duties and obligations; raise citizens' awareness of practices and expected behavior of public officials.

Targeted results: Have a WAEMU transparency³² compliant code of ethics and make it applicable to all public officials and known to users.

Expected benefits: Restore confidence in the government and improve the performance of the expenditure chain.

Implementation:

- Define the content of the code of ethics;
- Disseminate the ethical requirement to all public officials by creating a formal process for the acceptance of the code of ethics by each official;
- Conduct a communications campaign with users on the content and scope of the code of ethics;
- Establish an “ethics observatory” for following up on the code’s implementation.

Entities concerned: Minister’s cabinet, Office of the Auditor General, all government cabinets.

Proposed timetable

Sept 2014	Prepare a draft code of ethics
Dec 2014	Adopt and disseminate the code of ethics for public officials Make public officials aware of the ethical rules and subject to the code (training plan)
Jan-15	Launch a communications campaign with users on the ethical principles mandatory for public officials Establish an "ethics observatory"

³² Directive No. 01/2009/CM/UEMOA setting out the transparency code applicable to public finance management within the WAEMU, Article 7.2: “The behavior of government officials is governed by clear and widely known ethical rules.”

Practical conditions for implementation

54. **Drafting the code should involve Public officials and take advantage of other African countries' experience.** To facilitate ownership of the principles contained in the code by public officials, its drafting should be participatory. Drafting could be assigned to a committee under the authority of the Auditor General that includes representatives of all of government and officials at all levels, as well as representatives of civil society, economic circles and donors. The code should take account of other countries' experience in this area (Côte d'Ivoire and Mauritania, for example). The draft code should be submitted to the President, and endorsed by the Council of Ministers by the end of 2014

55. **The adoption of the code and its dissemination should have a strong symbolic value, in the context of a broader strategy to combat corruption.** After submission to the President, and endorsement by the Council of Ministers. A copy of the code of ethics will be issued to every official personally.

56. **Officials should take ownership of this code.** This means that individuals commit to respecting the principles of the code (in the form of a "commitment pledge" signed by every official and returned to the government, which will keep a copy). When disseminating the code, the government should conduct an awareness and training campaign for public officials on the ethical principles and, in case of failure, related penalties.

57. **The ethical principles adopted in the code will be disseminated to citizens.** Post the code in all public offices and locations, and organize a large communications campaign, indicating behavior expected from public officials and defining inappropriate practices based on the code's principles.

58. **It is essential to enforce ethical principles set out in the code.** Establish an "ethics observatory" responsible for monitoring the code, reporting on its implementation, and proposing any amendments to its contents that might be needed. Systematically apply the disciplinary, administrative, and judicial sanctions, in case of failure against the code.

Potential difficulties and risks

59. **There are few potential difficulties and risks,** as long as the proposed approach receives political support at highest level. Both the full involvement of senior management to act as examples and a communications strategy are required.

B. Enhance Public Managers' Accountability

Scope and challenges: All public expenditure management and all bad practices identified (3 percent of the government budget).

Problem encountered: Payment authorization officers' and accountants' accountability is grounded in laws and regulations but is not applied. In practice, poor management, failure to respect procedures and fraudulent practices are seldom sanctioned. The lack of transparency of management favors impunity.

Objective: Promote the transparency of public management and have a system of accountability that is operational and proportional to the seriousness of the situation.

Targeted results: Dissemination of reports on misconduct and on actions taken against wrongdoers; exercise by the Accounts Section of the Supreme Court of all of its administrative and jurisdictional prerogatives; and publication of its annual activity report.

Expected benefits: Discourage and sanction reprehensible behavior to restore confidence in the effectiveness of the expenditure chain.

Implementation:

- Continue to improve the procedures for the audit of the accounts of the accountants;
- Issue rules that ensure transparency regarding exceptions to normal procedures, such as the special imprest accounts and expenditures without prior payment authorization;
- Define and implement an annual program of judicial reviews and audits of the accounts of the public accountants and imprest account managers;
- Define and implement a program to strengthen the Budget Discipline Section;
- Implement the new accountability system for chief and secondary payment authorization officers;
- Include a section in the annual report of the Auditor General on the follow-up given to the previous report (including judicial and administrative actions).

Entities concerned: DNTCP, BVG, Accounts Section of the Supreme Court.

Proposed timetable

April 2014	Prepare an instruction to all ministries and the Treasury on the obligation to report annually to the Council of Ministers on expenditures executed using exceptional procedures
June 2014	Adoption of an action plan establishing the conditions and deadlines for the increased strength of the Accounts Section of the Supreme Court and assessing the resources to be mobilized
Sept 2014	Dissemination of the instruction on exceptional procedures
Dec 2014	Dissemination of an instruction on the accountability of payment authorization officers

Practical conditions for implementation

60. **Establish transparency of exceptional expenditure procedures:** At the end of each fiscal year, in liaison with the Treasury, prepare an inventory for each ministry of transactions that do not follow the normal expenditure chain (special imprest accounts, urgent expenditures executed without prior payment authorization, and expenditures executed by simple ministerial decision); report to the Council of Ministers on their nature, amount and justification.

61. **Restore ways and means for the effective accountability of public managers:** Prepare a list (by category) of officials against whom action can be taken by the Budget Discipline Section, covering all payment authorization officers (chief and secondary); complete the inventory of agencies with a public accountant whose accounts are submitted to the Accounts Section of the Supreme Court for review; clarify and disseminate the nature of actions for which payment authorization officers are likely to be held accountable and define the corresponding penalties based on continuity and graduated penalties, which must be proportionate to the seriousness of misconduct; assess the resources needed to allow the Accounts Section of the Supreme Court to successfully carry out all its missions and define a timetable for the provision of the necessary resources; in line with the increased strength of the Accounts Section, provide a training plan for controllers; define and implement a control strategy for the public accounts described in detail in the annual program of works of the Accounts Section; publish an annual report, detailing the work of the Budget Discipline Section and the rate of completion of the program of account audits; disseminate the rules for referral to the Budget Discipline Section and publicize penalties involved; publicly and periodically report on the implementation of the reform action plan.

Potential difficulties and risks

62. **The main pitfall lies in the capacity to mobilize the necessary resources.** If, for example, the Accounts Section is not provided with the necessary capacity (funds, human resources, authority), the new accountability system for payment authorization officers and public accountants will be difficult to implement.

63. **Potential political resistance should be overcome.** Such resistance could be mitigated if the measures benefit from support at the highest level, are presented in the context of an overall policy for raising the ethical standards of public management and combating corruption, and are accompanied by a communications campaign on the objectives and challenges of the reform targeting officials and users.

C. Gradually Remove the Financial Controls over Payment Authorizations

Scope and challenges: The upstream portion of the expenditure chain (average processing time of about one month).

Problem encountered: The accounting phase repeats the same controls already carried out upstream by the financial controller, particularly as regards compliance with requirements. The main redundancies include:

- verification of the availability of appropriations;
- quality of the payment authorization officer;
- charging to the appropriate budget;
- expenditure validation controls.

Objective: Streamline procedures for controls over the expenditure chain by limiting processing delays and, in particular, eliminating redundant controls.

Targeted results: Reduce the validation and payment authorization phase to approximately one week by reducing the number of controls conducted by Financial Control.

Expected benefits: Shortening by about one week the processing of invoices, and allowing financial control to move toward ex post control, as requested by WAEMU.

Implementation:

- Initially prepare a list of redundant controls of the payment authorization procedure adhered to by Financial Control and by the public accountant.
- Based on this list, gradually eliminate the aforementioned controls based on the risk involved.
- Implement rigorous monitoring at the public accountant level of the reasons for rejections and anomalies detected.
- Increase the threshold for controls once the rate of rejection by the public accountant becomes acceptable.

Entities concerned: DNCF, DGT, DGB.

Proposed timetable

July 2015	Revision of the laws and regulations on the controls carried out by CF
July 2015	Establishment of less onerous CF controls for expenditures below CFAF 1 million
Jan 2016	First report on implementation of the reforms

Practical conditions for implementation

64. **Gradually remove controls:** A first step would be to reduce financial controls on small expenditures, for example, those below CFAF 1 million.

65. **Accurate monitoring of the reasons for rejection by the public accountant:** There most likely will be an increase in rejections by accountants once the upstream CF filter is reduced. Accountants should identify the precise nature of the rejections and advise the payment authorization officers so that immediate corrective measures may be taken.

66. **Eliminate redundant authorization/controls on public contracting:** Establish an exclusive authorization procedure, in particular for contracts subject to prior review by donors; in this case, eliminate all ex post controls and authorizations.

67. **After an initial test phase, increase the threshold under which the CF reduces its controls:** After six months, if the experiment is conclusive, increase the threshold to CFAF 10 million.³³

68. **Subject to positive feedback, control on commitment could also be progressively simplified in the medium term.** In accordance with the internal control strategy, the DNCF plans to limit commitment approval for expenditures below a threshold of CFAF 500,000 to the following criteria only: availability of appropriations, charged to the appropriate budget, verification of the price on the basis of the reference prices.

Potential difficulties and risks

69. Risks involved are relatively small. This recommendation is about elimination of redundancies. Therefore, public accountants' scope of tasks will not increase. However, the number of rejected transactions may increase at the beginning and thus temporarily increase the accountants' workload.

³³ This is the current threshold for its upstream intervention upon acceptance of the service provided.

D. Improve Control Methods and Tools

Scope and challenges: Part of the expenditure chain downstream of commitment (average processing time of approximately two months) and 26 percent of bad practices.

Problem encountered: There are numerous, sometimes redundant, controls of the expenditure chain, but these have failed to eliminate unjustified payments.

Objective: Implement controls targeting the main risks and provide controllers and auditors with automated control tools.

Targeted results: Drastic reduction in the number of irregular payments

Expected benefits: Improved efficiency of the expenditure chain and its related controls.

Implementation:

- Adjust expenditure control procedures based on the value of the transaction; in particular, simplify the procedure for the receipt of low-value goods.
- Provide the financial and accounting information system (AICE) with control and early warning functionalities allowing it to detect potential anomalies.
- Enhance the capacity for automated identification of potentially abnormal transactions by controllers and auditors.
- Maintain complete and up-to-date information on suppliers in order to identify risks of fraud and collusion.

Entities concerned: DGMP, DGABE, DNCF, DNTCP, ARMDS (pilot for their areas of jurisdiction), CAISSF, BVG, and DFMs of all ministries involved in the work.

Proposed timetable

Feb–Dec 2014	Establish feedback working groups on the expenditure controls—identification of good practices and areas where there is room for simplification
Dec 2014	Define and implement blocking control and alert functions in the AICE Establish an operational database of “government suppliers” <ol style="list-style-type: none"> a) Define the architecture and content of the database b) Inventory suppliers c) Input data into the database d) Activate the database and disseminate instructions on its maintenance and use Establish a new threshold for meetings of the Receiving Committee
Jan 2015	Establish a list of suppliers prohibited from bidding on public contracts; criteria and terms and conditions for exclusion, and rules for the consultation and use of this list
Feb 2015	Provide Financial Control, the Office of the Auditor General, and the Treasury with tools for the automated processing of data and provide training on the use of these tools
Jul 2015	Draft and disseminate new control procedures—updating of laws and regulations and procedures manuals

Practical conditions for implementation

70. **Improve the effectiveness of risk-oriented controls:** Based on this audit, identify redundant and pointless controls (see in particular Recommendations H, I, and J) and expand this analysis to small samples by contacting officials in the field;³⁴ based on the results of this analysis, review expenditure execution procedures and disseminate updated instructions. Immediately redefine the conditions for the receipt of goods, raising the threshold at which the Receiving Committee must meet; as a counterpart to these simplifications, improve stock inventories and their monitoring (connected with the ongoing automation of stock accounting).

71. **Increase the capacity to detect anomalies:** Survey users on the needed automation of controls in the financial and accounting information system and in the payroll management system; translate these needs into technical specifications, assess their feasibility and the development costs, and, if appropriate, identify priorities; update the information system and accompany the deployment of new functionalities with information and training of users, if appropriate. Increase the professionalization of the control functions by purchasing software (ACL or IDEA type) that will be made available to auditors; accompany deployment with a training plan for users.

72. **Increase the capacity for verifications of economic agents:** Provide the units involved in public procurement with access to a database on government suppliers; prior to each contract award, ensure compliance of the bids by querying this database.

Potential difficulties and risks

73. **Changes to control practices could run into resistance to change** and reluctance to accept new tools and procedures. It is important to accompany the change with training and communications actions focusing on the professionalization of functions and the qualitative improvement of tasks.

74. **There is a risk of distortion of the message.** Targeting controls could be seen as a reduction of constraints and not as an efficiency gain. The message of “controlling less and controlling better” should be wide spread.

³⁴ Within units, controls are pointlessly duplicated; some are repetitive and poorly prioritized and others could be improved by better organization.

E. Streamline Public Procurement

Scope and challenges: The upstream stretch of the expenditure chain (average processing time of approximately three to six months) and 65 percent of bad practices identified.

Problem encountered: The rate of execution of the capital budget is extremely low (approximately 40 percent of externally financed expenditures and 70 percent of domestically financed expenditures in 2010 and 2011). There are too many steps, ex ante controls of authorizations, and signatures required for each project, resulting in significant delays. Moreover the workflow of pre-contract procedures is not tracked in the budget IT.

Objective: Streamline public procurement and track it in the PRED.

Targeted results: Significantly reduce the pre-contract phase of public procurement. Create the commitment file in the PRED as soon as public bids are issued.

Expected benefits: Increase the execution rate of capital spending. Improve the credibility of the budget. Improve the follow up on public procurements.

Implementation: Some of the recommendations provided below were made by the World Bank.³⁵ They are repeated here in full so as to ensure operational consistency as they are part of the reform of the expenditure chain:

- Increase the thresholds for ex ante review by the DGMP;
- Streamline authorization in the following cases:
 - When contracts are not subject to prior review: have them authorized by the DFMs;
 - When contracts are subject to prior review by the donors: eliminate redundant authorizations/controls by skipping the DGMP or the DFM's review;
- Limit the number of signatures to the financial controller and the parties to the contract;
- Create the commitment file in the PRED as soon as the tender documents are issued.

Entities concerned: DGB, DGMP, PRED unit.

Proposed timetable	
2 nd quarter 2014	Amendment of the laws and regulations on public contracting (role of the DGMP and DFM)
2 nd quarter 2014	Development of the PRED application (creation of the commitment file as soon as the tender documents are issued)
	Implementation of new laws and regulations and use of new PRED functionalities

³⁵ Recommendations made by the World Bank - Hinderdael-Selligman Report, "Accroître l'impact des investissements publics par une approche intégrée des marchés publics et de la gestion des finances publiques" (Increase the impact of public investment by means of an integrated public contracting and public finance management process), November 2013.

Practical conditions for implementation

75. **Increase the thresholds for ex ante review by the DGMP:** This would involve submitting proposed public bids to the DGMP only for operations exceeding CFAF 100 million (currently all projects subject to public contracting procedures are sent to the DGMP for opinion, i.e., all contracts exceeding CFAF 25 million).

76. **Have contracts not subject to prior review be authorized by contracting units within the contracting authority:** For all contracts involving amounts between CFAF 25 million and CFAF 100 million (see above), place procurement authorization within the DFM units (introduction of a procedure for the issuance of a notice of non-objection).

77. **Eliminate redundant authorizations/controls of contracts:** Establish a procedure for exclusive authorization for contracts subject to prior review by donors in particular; in this case eliminate all ex post controls and authorizations.

78. **Limit the number of signatures to the financial controller and the parties to the contract:** Eliminate the DGMP, the Secretary General of the Government, the line minister, the Minister of Economy, and the DGI from the current list of signatures (at least for contracts in amounts under CFAF 100 million).

79. **Implement these changes in the PRED software:** Create the commitment file in the PRED as soon as the tender documents are issued. This procedure can be recommended to managers by a simple circular.

Potential difficulties and risks

80. **The potential difficulties in the simplification of procedures are significant.** These simplifications eliminate a number of parties from the validation and authorization process for investment projects. The Minister of Finance will need to conduct a broad educational campaign with his colleagues and the directors general involved in order to present this reform as an important improvement in terms of the efficiency of public expenditure execution and increased credibility in the eyes of the international community and technical and financial partners.

81. **Creation of the commitment file at the time the public bids are issued:** The need for training/information of PRED users in this new procedure should not be underestimated.

F. Move to Multiyear Management

Scope and challenges: The entire expenditure chain and the under-execution of the capital budget (some 30 percent of appropriations are not used).

Problem encountered: In Mali, capital expenditure by the government is currently hampered by the strict one-year budget rule. The lengthy yet mandatory public procurement process, from appropriations to contracting, can hardly be completed within a single year. Some investment projects are planned over several years but their commitment and payment timelines are not yet tracked by a commitment authorization mechanism.

Objective: Anchor the budget into a multiyear expenditure framework to allow for a smooth execution of long-term investment projects without having to submit new financing requests each year.

Targeted results: Compliance with the 2009 WAEMU directives requiring transition to multiyear budgets by 2017. This involves introducing commitment authorizations and annual appropriations (AE/CP) to encourage departments to better anticipate and better estimate their capital expenditures over a multiyear period. The challenge is implementing a better tracking mechanism for multiyear projects and appropriations, and therewith easing end-of-year congestion of expenditures.

Expected benefits: Multiyear management and better execution rate for capital expenditures.

Implementation:

- Implement a transitional procedure for the carry-forward of annual maximum capital appropriations (CPs) until full application of the AE/CP management rules provided by the WAEMU directives;
- Begin carrying forward mechanism starting in 2015;
- Introduce the AE/CP mechanism on a limited scale in 2015;
- Implement management using the AE/CP approach more widely in 2016.

Entities concerned: DGB (pilot), DNP, DGMP, DNCF associated.

Proposed timetable

During 2014	Finalization of a transitional CP carry-forward procedure until full application of the AE/CP mechanism.
Jan 2015	Begin carrying forward CPs.
During 2015	Introduce the AE/CP mechanism on a limited scale.
Jan 2016	Implement management using the AE/CP approach.

Practical conditions for implementation

82. **The work described here forms part of a project conducted by West AFRITAC for the implementation of commitment authorizations (AE).**³⁶ The 2016 changeover, i.e., the moment of transition from the current system of management of capital appropriations to the AE/CP mechanism, must be carefully planned and requires certain pre-requisites to be gradually met.

83. **The gradual action plan should include the following stages:**

- submission to Parliament of an indicative annex tracking the AE/CPs in the 2014 draft budget law for information;
- parliamentary vote on the AE/CPs for the 2016 draft budget law (i.e., in 2015);
- change over to AE/CP management in 2016.

84. **The main activities to be carried out as part of this action plan are:**

- upgrading the budget documents;
- budget preparation and capacity-building for those involved (e.g., training);
- gradual implementation of carry-forward procedures in accordance with the terms and conditions set out in the WAEMU directives;
- amendment of execution procedures and the legal framework (laws and regulations organizing budget execution and the authority of those concerned);
- accommodation of the PRED 5 functionalities to the new mechanism.

Potential difficulties and risks

85. **This reform of the budget and its execution needs full ownership.** Management of appropriations using an AE/CP approach is a major challenge in terms of the modernization of public finance management. This reform should include a transition phase during which all those involved in the expenditure chain can be made aware of and trained in this new conceptual framework and the new functionalities to be introduced in the information systems (PRED 5).

³⁶ West AFRITAC, July 2013, Jean-François Dagues and Bruno Imbert, support for the implementation of the AEs.

G. Limit the Use of Cash Payments

Scope and challenges: The accounting portion of the expenditure chain, particularly payroll payments to low-wage officials.

Problem encountered: A portion of payments are made in cash, which can be explained by the limited volume of banking services in Mali (about 6 to 7 percent of financial transactions) and the lack of geographic coverage of banking institutions given the size of the country. This economic reality requires that cash transactions be made more secure and that greater use of bank accounts for transactions with employees and suppliers be encouraged.

Objective: Increase the share of banking transactions in total disbursements and secure remaining cash transactions.

Targeted results: Limit fraud by intermediaries (imprest account managers and tellers); ensure that the government debt is effectively discharged when cash payments are made.

Expected benefits: Reduction of fraud; restoration of creditor confidence; reduction of the perception of corruption.

Implementation:

- reduction of the threshold above which transactions must be made by bank transfer;
- identification of innovative transaction methods (mobile phone);
- agreement with banks to reduce bank costs for small depositors;
- organization of bank reporting on actual payroll payments;
- monitoring of cash payment agents and military cash offices.

Entities concerned: DNTCP

Proposed timetable

June 2014	Working group with the Malian Union of Banks (in parallel with discussions on the single Treasury account) on two topics: (i) reduction of fees for small depositors; and (ii) feedback on payroll payments to officials.
Sept 2014	Awareness campaign on the opening of bank accounts targeting public officials.
Jan 2015	Reduction of the threshold for cash transactions (cash vouchers).
2015	Public tendering for cell phone transactions (for implementation in 2015); Increase of on-site inspections of payment agents and other intermediaries responsible for cash transactions.

Practical conditions for implementation

86. **This involves identifying cash payments with a view to reducing their total amount.** The Treasury should initially inventory all transactions carried out in cash by unit and by region to identify those that could be conducted by bank transfer without difficulty. Two solutions could be proposed:

- **Increase the use of bank accounts for payments:** A discussion promoting this as a win-win proposition must be undertaken with the banks. The government would win as its transactions would be more secure and the banks would win as the rate of use of bank accounts would increase. From the point of view of the Treasury, the discussion should focus on two areas: (i) **the interests of small depositors**, who must be able to access quality, nearby, inexpensive services, reducing the risks and practices related to intermediaries who today handle cash payments (cash payment agents, imprest account managers, military cash offices); (ii) **the interests of the government**, i.e., obtaining the legal certainty that the overall payment orders for payroll payments do result in the effective payment of wages.³⁷
- **Use cell phones for small transactions:** As has been done successfully in other countries, a partnership with mobile telephone operators, which have begun to offer remote payment services, could be proposed. This could ensure coverage of remote areas and reduce bank fees, which remain prohibitive for low-wage officials.

Potential difficulties and risks

87. **Some transactions will of course continue to be paid in cash**, given the immense size of the Malian territory and the limited coverage of banking networks in some regions.

88. **Once an agreement on principles has been reached with banks, banking arrangements should not present significant difficulties.** It will involve, based on the inventory, instructing the units to lower the ceiling on cash payments and organizing increased monitoring of the practices of officials responsible for payments.

89. **In contrast, communication with the public is crucial.** Given the limited use of bank accounts, an awareness/information campaign on the improvement of government practices is essential for a good understanding by the public. It could form part of the current government information campaign on its anticorruption efforts.

³⁷ For more detail, see IMF, Fiscal Affairs Department, April 2013, Taiclet, Biguey, and Trupin, op cit.

H. Restrict the Use of Imprest accounts

Scope and challenges: The portion of the expenditure chain using exceptional procedures, i.e., 8 percent of the bad practices observed.

Problem identified: Special imprest accounts are used to execute a quite substantial proportion of expenditure, with very limited controls considering the amounts involved.

Objective: Reduce the volume of expenditures that do not follow normal procedures.

Targeted results: Reduction in the number and the amounts of special imprest accounts.

Expected benefits: Better control of the expenditure chain and increased transparency.

Implementation:

- Take stock of and assess the rationale for the existing special imprest accounts.
- Close special imprest accounts processing non-exceptional and non-urgent expenditure.
- Deposit the cash of the special imprest accounts on the single Treasury account.

Entities concerned: DNTCP, DGB, line ministries concerned

Proposed timetable

Summer 2014	When preparing the draft budget for 2015, analyze all special imprest accounts supporting regular expenditure and eliminate expenditures that can be subject to direct payment orders.
Dec. 31, 2014	Elimination of special imprest accounts that have no longer reason for being. For maintained imprest accounts, deposit funds on the single Treasury account with the relevant accountant.

Practical conditions for implementation

90. **Review of the special imprest accounts:** Take stock of the existing special imprest accounts; for each, analyze the nature of the expenditures executed; if non-exceptional or non-urgent expenditures are involved, the special imprest account should be closed.

91. **Return to regular budget execution all ordinary expenditure once executed in special imprest accounts:** As part of the preparation of the 2015 budget, assess and budget the financing needs corresponding to the expenditures to be transferred

92. **Improve the monitoring of the special imprest accounts maintained beyond December 31, 2014:** Ensure that they are linked to the single Treasury account; each year conduct a critical review of the special imprest accounts to ensure that they are justified.

Potential difficulties and risks

93. **The risks involved are relatively limited:** There could be resistance to the re-inclusion of expenditures on special imprest accounts within the normal budget process on the part of the authorities and government departments that use these accounts today.

I. Monitor Quality of Expenditure Process

Scope and challenges: All of the expenditure chain (processing time of five to eight months for public contracts and approximately two months for other expenditures).

Problem identified: There is no cross-departmental follow up on the quality of budget execution (scorecard, reporting, execution report). It is therefore not possible for the minister to use a summary statement showing indicators that allow for informed management.

Objective: To review the execution of appropriations and quality of management on a weekly or monthly basis.

Targeted result: A tracking committee within the ministry receiving a summary scorecard (one page) for real-time identification of management anomalies and rapid correction. This scorecard should link to more detailed management data (“magnifying glass effect”) to identify the causes of the anomalies.

Expected benefits: Easier guidance of management, information for ministers, tracking of public policies from an appropriations consumption point of view, monitoring of managers, and improvement of management practices and delays.

Implementation: Establishment of a working group under the Minister Delegate responsible for the Budget; design of the scorecard (see example below); automated input of data into the scorecard from the PRED and Treasury and CF statistical tracking instruments; regular submission of the scorecard to the Council of Ministers; and distribution in the form of a leaflet to managers.

Entities concerned: DGB (pilot)/DNTCP/DNCF

Proposed timetable

Mar 2014	Completion of the design of the scorecard
May 2014	Automated data input
June 2014	Regular submission to the Council of Ministers and regular monitoring of management
Dec 2014	Feedback on the experience to improve the scorecard

Practical conditions for implementation

94. **This involves the definition, together with the Minister and key colleagues, of a summary instrument for tracking management (quality and quantity).** A working group including key decision-makers and budget data experts, the Treasury, and the CF will design the scorecard based on information needs and data available in the PRED and the application for tracking the work of the CF.

95. **The scorecard should consist of a single page (Figure 11) but link to more precise data if necessary.** For example, an arrears amount presented on the summary page of the scorecard could link to the management units concerned or even the detailed list of the transactions in question. Before submission to the Minister, the DGB should study the

scorecard and identify the key points (under-execution by a ministry, increased arrears, increased delays, etc.). These key points could be briefly highlighted on the scorecard

96. Once designed and generated, the scorecard should be regularly tracked and disseminated appropriately:

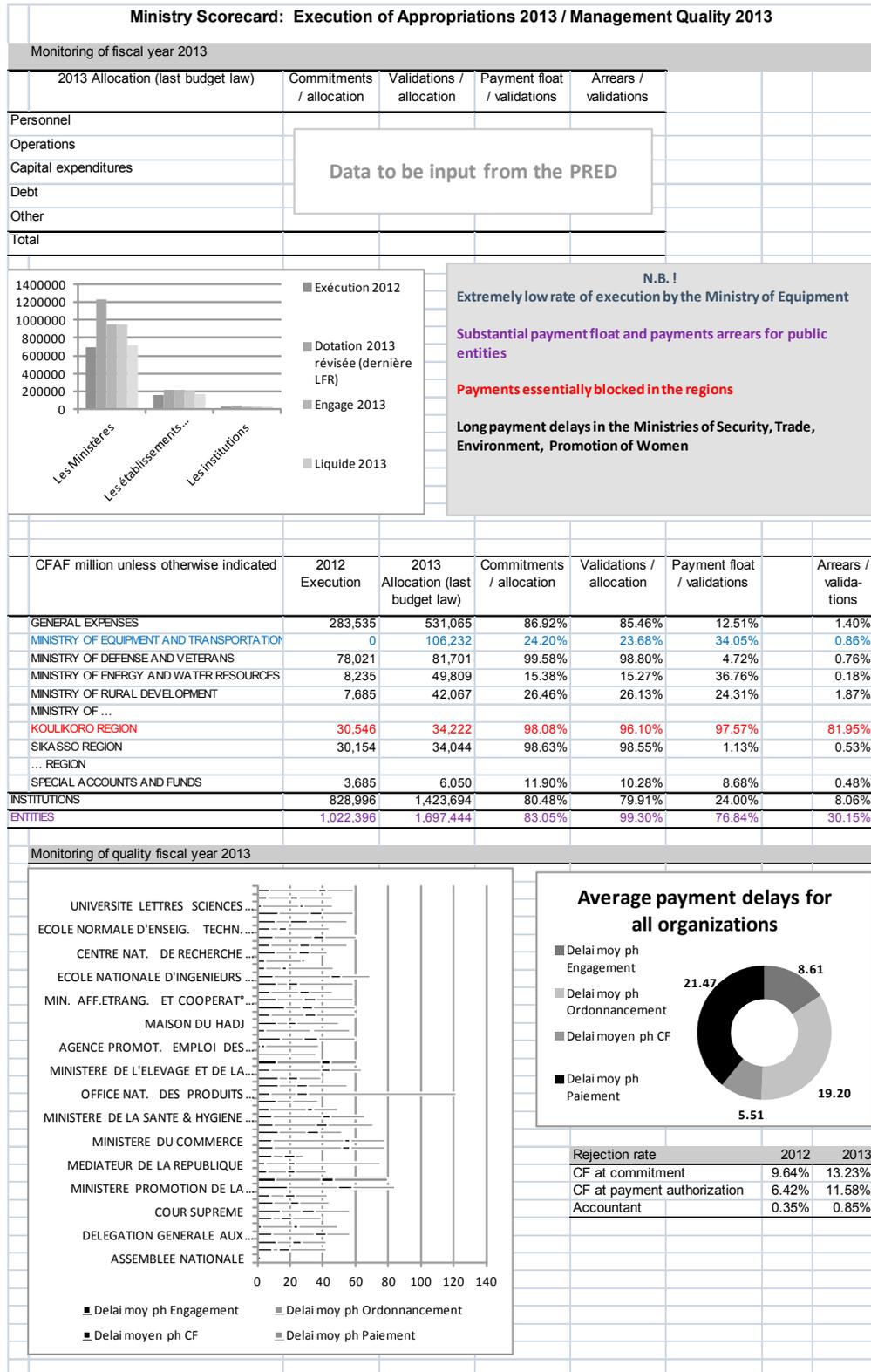
- weekly or monthly monitoring by the office of the minister to identify management difficulties in time;
- submission to the Council of Ministers for information to make ministers aware of the (proper) management of their appropriations;
- communication to managers, payment authorization officers, and accountants to make them aware of the importance of their work and of the fact that potential dysfunctions in units will be more visible owing to this instrument.

Potential difficulties and risks

97. The scorecard and the automated input of data do not present any technical difficulties (the attached model was designed and then automated by the PRED unit during the two weeks that the mission was in the country).

98. Paradoxically, it is the design and maintenance of a simple and appropriate model over time that presents the greatest difficulty. Experience has shown that scorecards that are operational when they are designed can become more complicated over time as units all wish to see the specific information that they need included in the scorecard. To avoid this risk, the scorecard should not be amended during the fiscal year. Rather at the end of the year a brief report on the use of the scorecard should be conducted and changes made without altering its principle or its simplicity.

Figure 11: Example of a Scorecard for Monitoring Management Quality



J. Improve the Efficiency of VAT Refunds

Scope and challenges: The specific portion relating to VAT refunds (average processing time of approximately one month) and the credibility of this tax.

Problem identified: Refund delays are still lengthy (upstream of the payment phase), which could undermine the credibility of the VAT mechanism and lead some large economic operators to deduct the amounts that they deem are due to them from other taxes that they owe to the government. Given the amounts involved (some CFAF 40 billion per year), this is not a trivial problem.

Objective: Make the procedure more efficient to limit processing delays.

Targeted results: Reduce the average time between the taxpayer's request and payment to 15 days on average for cases involving justified refund requests. Reduce the average processing of requests adjusted by the DGI to one and a half months.

Expected benefits: The credibility of the VAT mechanism is improved; the economic neutrality of the tax is restored; the budget allocated to the VAT becomes more predictable and more credible.

Implementation:

- Maintain the escrow account at the BCEAO;
- Eliminate the appeal phase when the taxpayer's request is justified;
- Establish an earmarked appropriations account to ensure the ongoing availability of appropriations based on the revenues collected (already done in the 2014 draft budget).

Entities concerned: DGI, DGB

Proposed timetable

- | | |
|-----------|--|
| Apr 2014 | Amend the procedure for the examination of refund requests. |
| July 2014 | Maintain the "VAT refund" earmarked appropriations account in 2015. |
| Jan 205 | Ensure that the earmarked appropriations account is managed according to the normal procedure. |
-

Practical conditions for implementation

99. **Maintenance of the existing cash procedures to ensure the availability of resources.** The required amendments do not affect the existing mechanism of the escrow account opened at the BCEAO, on which 10 percent of domestic VAT revenues and all VAT revenues collected by Customs must be deposited.

100. **Shortening of the processing phase for requests by approximately twenty days:** The DGI will instruct the officials reviewing the VAT refunds to consider two cases:

- immediate transmission without waiting for the (so-called “contractual”) delay of 20 days when the amount claimed by the taxpayer is justified;
- deferred transmission at the end of the contractual delay in other cases, unless the taxpayer is able to justify the discrepancy noted during this period.

101. **Implementation of the “VAT refund” earmarked appropriations account:** This budget item, established in 2014, will make it possible to track revenue and expenditure covered by this account. The appropriations recorded in this account are capped for revenue and expenditure, but the ceilings can be exceeded in the event that revenues exceed forecasts. Appropriations that are unused on the earmarked appropriations account at the end of the fiscal year can be automatically carried forward to the next fiscal year.

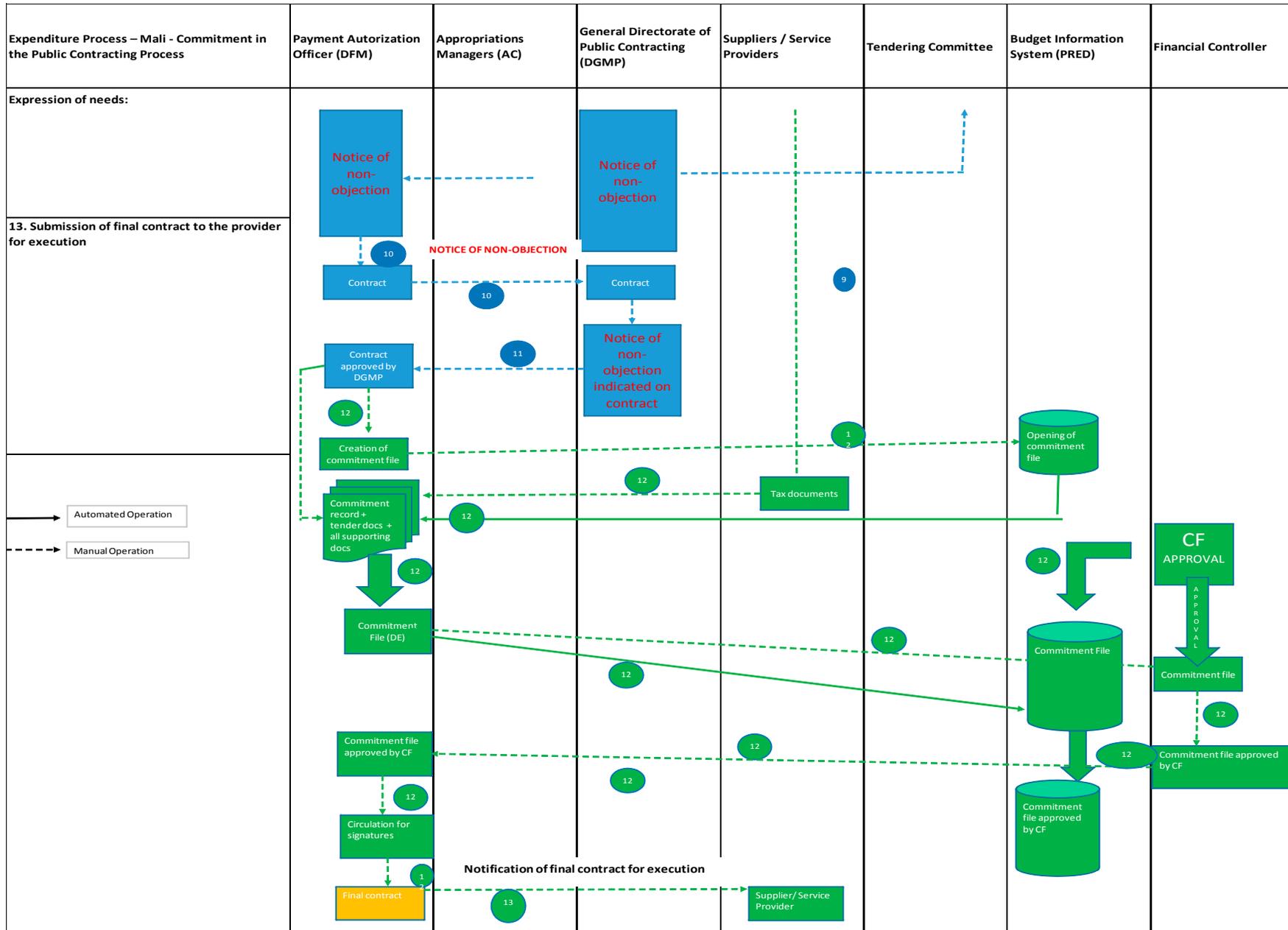
Potential risks and difficulties

102. **The difficulties to be overcome and potential risks are very limited.** Given the small number of transactions likely to be involved each year on the earmarked appropriations account, neither the DGI nor the DGP should anticipate difficulties for implementing this new mechanism. A simple instruction or memorandum will suffice to amend the contractual delay procedure (since it results from a logical reading of the procedural rules and does not in any way prejudice the process but rather benefits the taxpayer).

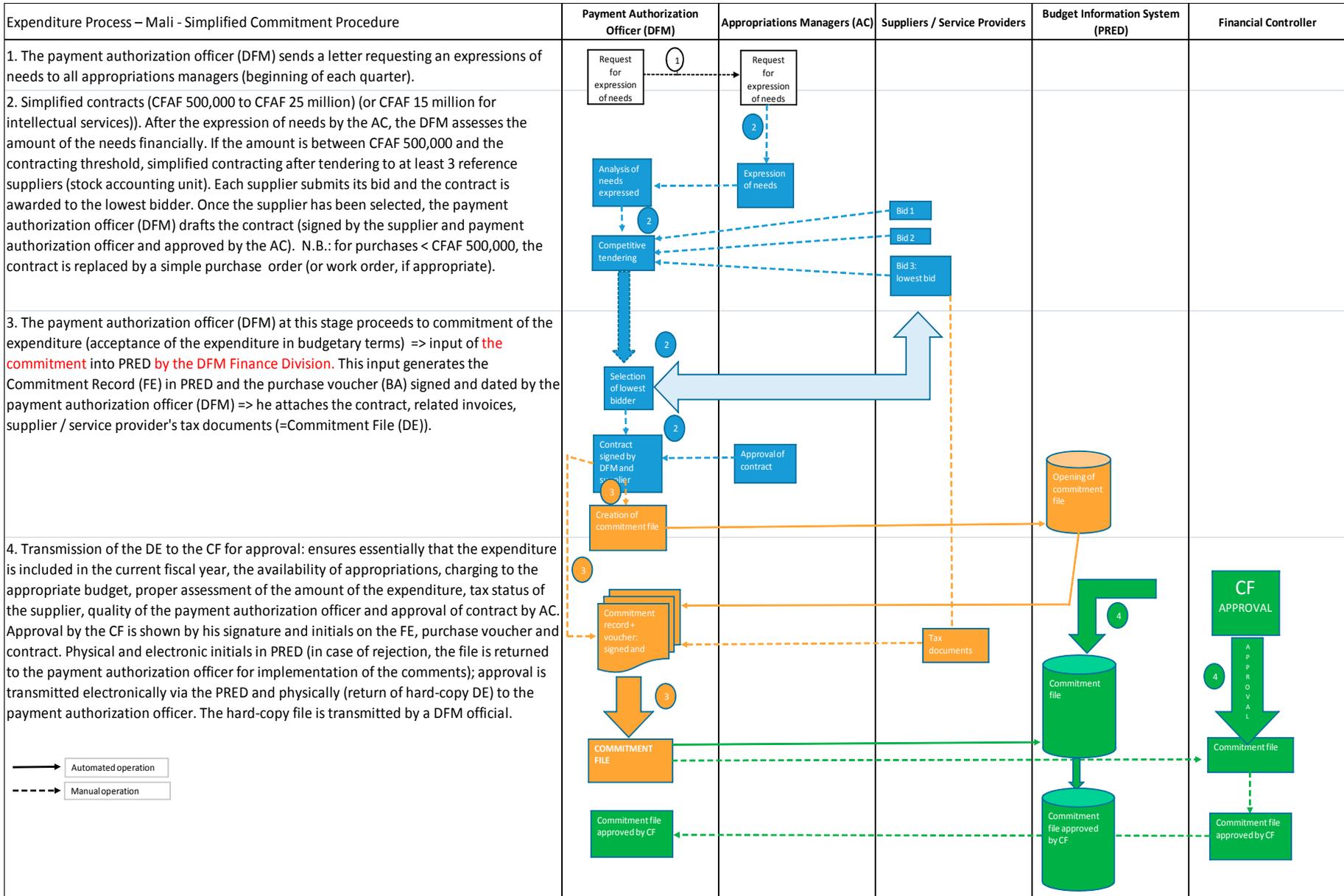
103. **Allocation of funds to the earmarked appropriations account follows automatically on budget preparation.** The amount of appropriations to be recorded there can easily be determined based on the feedback on the test in fiscal year 2014.

104. **An interface should make it possible to update the earmarked appropriations account in the PRED budget application.** A technical difficulty easily surmounted is the regular automated updating of the amount of revenues by means of an interface with the revenue applications to allow for the real-time updating of earmarked appropriations account revenues and, if necessary, the appropriations available over and above the initial allocation owing to excess revenues.

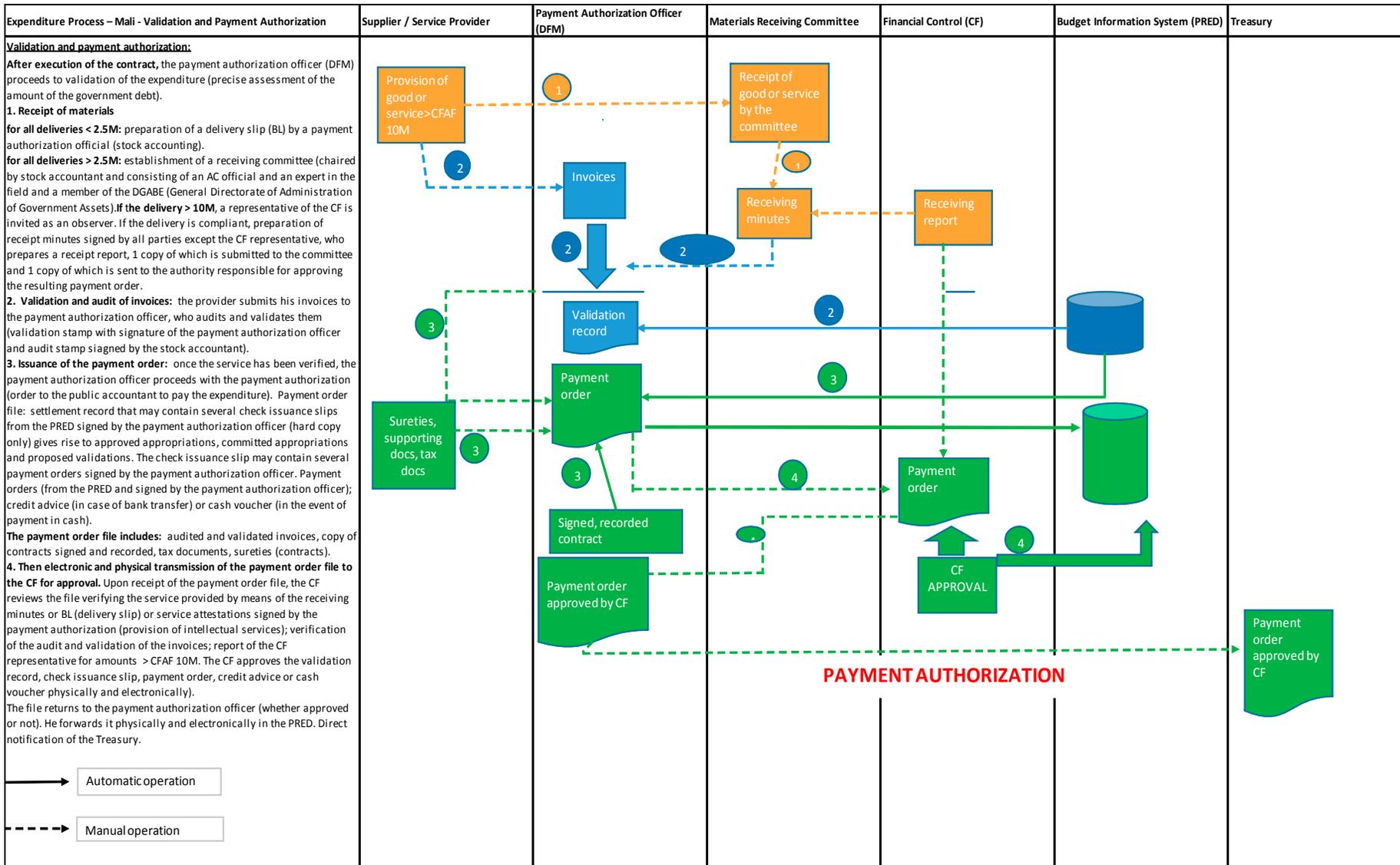
Annex 1: Public Contracting Commitment Procedure



Annex 2: Simplified Expenditure Commitment Procedure



Annex 3: Validation and Payment Authorization Procedure



Annex 4: Payment Procedure

