

8th Annual Symposium

Antananarivo MADAGASCAR

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The role of Treasury services
for a better governance of Public Finances
Accounting standardization

The Role of Treasury Services for a better governance of public finances

Accounting Standardization

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Opening ceremony

Speech by Mr. Orlando ROBIMANANA, President of AIST, Treasury Director General, Madagascar

**Your Excellency, Mr President of the Republic of Madagascar,
Ladies and Gentlemen, members of the government,
Ladies and Gentlemen Ambassadors and chiefs of diplomatic and consular delegations,
Mister AIST Secretary General,
Ladies and Gentlemen, chiefs of Treasury services delegations members of AIST,
Honoured guests,**



I wish you all a warm welcome to Antananarivo, the city of King Andrianjaka's thousand warriors. Madagascar's historical capital city owes its name to the great king since 1610 and has become known for its museums, its historic monuments and palaces. Antananarivo is also bursting with life due to its shops and market places, its paved and sloping narrow streets, bordered by beautiful houses with wooden balconies, its streets decorated with jacarandas, whose beauty you will discover.

Your presence is an honour for AIST, for Madagascar and its Public Treasury. 150 participants from different places have gathered here for 4 days which I hope will prove fruitful, enriching and agreeable.

For this 8th seminar, the Executive Bureau, which I have had the honour of presiding over since the General Meeting in Abidjan, has chosen two topics of great importance for all administrations committed to improving their financial governance:

- the role of Treasury services for an improved management of public finances;
- accounting standards.

These topics will allow us to better understand the mission of the public Treasury, the institution in charge of managing the funds, securities and public assets, and to understand the role it will have to play in order to fulfil this mission, as well as the responsibilities it will have to assume faced with the development challenges in the country it represents.

Public Treasury is not allowed to fail in its mission as custodian and manager, but also as defender of finance, securities and public assets. Good governance means, from the Treasury's point of view, a sound management of public funds. The role of the Treasury, as guardian of public funds, is to see that efficiency, effectiveness, transparency and accountability are granted.

Madagascar undertakes great efforts to improve public Treasury performance. Important and comprehensive reforms have been implemented with this aim. The objectives to be reached have been grouped around five challenges:

1. – securitisation of funds, securities and public assets;
2. – improvement of services offered to users;
3. – improvement of working environment and working conditions;
4. – modernisation and implementation of international management standards;
5. – return to financial rectitude, good governance and transparency.

These reforms have greatly improved the management of public finances: all deposit accounts opened by public entities not entitled to open such accounts have been closed and the implementation of the Single Treasury Account is on the right track at the present moment.

Additionally, three important laws, created a few years ago, have recently been passed:

1. – the law regarding the procedures applicable to financial, budgetary and accounting offences involving public funds. According to this law, public Treasury auditors have the same rights and responsibilities as police officers;
2. – the law regarding companies with publicly owned shareholdings, which reaffirms the role and responsibilities of the public Treasury as manager of State's assets;
3. – the law regarding public debt and debt guaranties offered by the central government. This law allows for improved coordination between decisions taken and debt strategy, but also for preserving a sustainable debt.

The public Treasury is responsible for implementing these important reforms, but they would have been difficult, if not impossible, to implement without the will and engagement of the supervisory authorities.

I take advantage of your presence, Mr President of the Republic, to thank you for your support during this long process of change. All great reforms implemented by the public Treasury have been initiated and brought to an end while you were in the position of Finance and Budget Minister. Moreover, the important legislative acts I have mentioned before have been passed during your mandate as President of the Republic.

Your presence at this opening ceremony is proof of the importance you grant to the process of improving financial governance. Who could understand better than you, given your experience as Finance and Budget Minister, the importance of the public Treasury services for achieving this goal? Moreover, who could understand better than you, in your quality as accounting expert, the importance of accounting standards?

This being said, on behalf of the public Treasury services and members of AIST, I thank you Mr President of the Republic.

I also want to thank the Finance and Budget Minister for his support and for having always been one of the main partners of the Malagasy Public Treasury.

Today, Antananarivo is a privileged city which hosts a grand event, a city where important decisions will be made, which will help each of the countries represented here to better manage their public finances. It is a moment for sharing best practices – some of us are already on our way to achieving the goals, others are just starting to move forward, but this seminar should help us reflect and share our experiences.

I would like to acknowledge the remarkable effort of the mixed organisation committee, which brought together the General Secretariat team, from the AIST seat in Paris, and the local Organisation Committee, consisting of officers and employees: your engagement is the essential ingredient for the success of this event.

Thank you very much for your attention.

Speech by Mr. Didier CORNILLET AIST Secretary General

**Your Excellency, Mister President of the Republic,
Ladies and Gentlemen members of the Government,
Mister Treasury Director General, AIST President,
Mister Ambassadors,
Ladies and Gentlemen Directors General,
Ladies and Gentlemen Directors,
Ladies and Gentlemen Delegates of the AIST member states,
Ladies and Gentlemen Representatives of international organisations,
Distinguished guests,**



It is a great pleasure for me to stand before you in Antananarivo on the occasion of the 8th seminar organised by the International Association of Treasury Services. I am all the more pleased since AIST was born here 8 years ago. Since then, Madagascar has been one of our association's most active members and has always granted us support in our endeavour to meet our members' expectations.

Your Excellency, Mr President, I want to thank you on behalf of all AIST delegates for honouring us with your presence at this opening ceremony. Your presence here grants our event an exceptional character and it proves your country's particular engagement with our association, as well as Madagascar's interest for the topics we will be discussing here. We cannot thank you enough for the honour you bestow on our association.

We have gathered here to discuss an ambitious subject, which represents the seminar's main topic: the role of Treasury services in improving the management of public finances. This topic is of utmost importance for the future of our administrations and of our professions given the stakes associated with good governance. This is the main concern of all public players, at national and international level because good governance is essential for achieving the objectives of public policies, especially those related to development. The different public policy reforms which have been implemented throughout the world these last few years have one thing in common: the willingness to develop good governance in a difficult economic and budgetary environment, by adapting instruments to the national context.

Good governance is essential for the financial credibility of the State in the eyes of the economic and financial sector. It is based on the modernisation and the redefining of the public finances management framework. These processes are absolutely necessary if we are to improve the efficiency of our financial administrations so as to provide a better service for lowering costs, improving financial information and strengthening external controls.

On the last day of our seminar, we will focus on a related topic which is also very important: accounting standards. These are the product of the financialization movement of the economy dating from the 80s and 90s. The movement's goal was that of setting the basis for the creation of a body of accounting standards, instruments which are indispensable for all economic actors, in particular for the State, who want to take the right decisions and to grant a faithful image of their assets, their commitments and their claims. Many countries aim at creating an accounting framework in which the quality of public accounts becomes a performance indicator.

Globalisation has led to the creation and implementation of international accounting standards. The implementation of such standards is not always smooth, especially since public sector specificities are not always sufficiently taken into account. The topics chosen for this seminar prove the willingness of AIST members to continue the reform and modernization process of their public finance framework in a binding and ever-changing international context. Countries need to meet the strong democratic requirements, to guarantee that public resources are employed in an efficient manner, but also to ensure the financing for the State public policies.

I hope that the discussions we will be having on these topics will allow us to exchange good practices and to develop ideas for reforms that will set the basis for a financial administration capable to efficiently react to the challenges we are faced with. I would like to thank the 19 speakers representing different countries and international organisations who agreed to play an active role in this seminar by moderating a session or by making a presentation. The number of participants to this seminar (150 participants representing 16 countries) proves the importance given to the topic by our members.

**Your Excellency, Mister President of the Republic,
Mister Treasury Director General**

We all understand that organising such an event requires great effort. I therefore wish to thank all those who have participated in this effort and have done their best to contribute to the success of this seminar. The seminar we are attending is the result of the work started one year ago together with the Treasury Director General, his co-workers and all the members of the Organisation Committee. I would like to underline the Organisation Committee's remarkable work and willingness to cooperate and the support granted by the host country in preparing a successful 8th seminar.

I wish to express my gratitude to all members of the Organising Committee for the way they have welcomed the delegates and the AIST team, their engagement and their professionalism. I would like to personally thank Mr Treasury Director General and AIST President for the constant support and for Madagascar's contribution to achieving the AIST objectives. I hope that this seminar will prove fruitful and that each participant will be able to draw lessons from the discussions and the experiences of others.

The AIST mission consists of promoting information exchanges among high representatives of Treasuries and sharing of good practices from different countries. Cooperation among the members of our association will favour this exchange of good practice in the field we are specialised in: public finances management.

I know for a fact that our host country will spare no effort in meeting participants' expectations and in helping them discover the great city's cultural and human heritage.

I wish you all an excellent seminar and I hope that your stay in Antananarivo will prove as both pleasant and enriching.

Speech by Mr. Jean RAZAFINDRAVONONA Finance and Budget Minister, Madagascar

**Your Excellency, Mister President of the Republic of Madagascar,
Directors General of Institutions or representatives thereof,
Ladies and Gentlemen members of the Government,
Ladies and Gentlemen representatives of diplomatic or consular bodies,
Ladies and Gentlemen representatives of technical or financial partners,
Honourable Guests,
Ladies and Gentlemen,**



We are honoured to be hosting, on this memorable day, the 8th AIST seminar. First of all I would like to welcome and to thank all AIST members' representatives for having accepted our invitation.

The topic you have chosen is very important nowadays: the good governance of public finances. Two of the most important priorities of the Ministry for Finance and Budget, which I am responsible for, are financial, budgetary and monetary good governance, on the one hand, and positive result-based management for the sake of all, on the other hand. Our priorities are in line with the fundamental values enshrined in the State's general policy, values also shared by the President of our Republic. The topic chosen for this 8th seminar reflects, to our great pleasure, the challenge Madagascar is faced with.

Good governance requires from the Treasury a more efficient, appropriate and effective use of public resources, a better monitoring and management of liquidities, an improved debt management, a better cooperation with the central bank, primary banks and financial institutions and a better cooperation with the private sector and the users. This also means identifying financing opportunities, especially in terms of investment strategy, improving financial risk management and developing a system for more competitive and stable investments.

Mr AIST President, I am directing this remark specifically to you: we are faced with a challenge and we are confident that the competences and the experiences gathered here by the AIST team will help us all to better manage our public resources.

I salute the AIST vision and encourage all members to move towards a more comprehensive cooperation in order to develop the Treasury services. Development is needed if we are to have a Treasury which is modern and more stable in space and time. Accounting standards are very important and require credibility, quality and precision.

I hope that this seminar will give you the chance to develop new forms of international multilateral cooperation based on common interest and the lessons drawn from one another.

I wish to reiterate our gratitude to the President of the Republic who has accepted our invitation.

Speech by Mr. Hery RAJAONARIMAMPIANINA

President of the Republic of Madagascar



**Honourable guests,
Ladies and gentlemen,**

Allow me to welcome you to Madagascar, the country which has the pleasure, but also the honour of hosting this 8th annual AIST seminar. The topic chosen this year is both important and pertinent: “The role of Treasury services for a better management of public resources”. Good governance should not remain a slogan, nor a fashionable concept: good governance is the basis for the rule of law we all aspire to. Good governance is within us, we have to abide by it.

You represent four continents and have all come here in your desire to pull and share your knowledge and your experiences. You wish to make progress together, shoulder to shoulder, towards a better future, on this path of reform and change the countries you represent have committed to.

You have chosen Madagascar as host for this important gathering. I salute your decision for two reasons: first of all, for an association born in Antananarivo in 2006, this meeting represents a return to the sources which will surely bring a new type of energy and a boost, both needed if we are to take up future challenges. Second and most important of all, the fact that you chose Madagascar is proof of the confidence and support you have for our country which, ever since its return to constitutional order, is engaged on the path towards the rule of law, good governance and fight against corruption.

This is the only path if we want to succeed in implementing the economic and social changes needed in our developing countries. We have the natural and human resources needed to achieve our goals, we only need to better manage and use our potential. The path towards these goals is still long and dangerous, since the war must be fought on all fronts. We have the political will to move forward, but in order to be victorious in the end, all players in the development need to change their behaviour (politicians, public administrators, private sector, civil society and technical and financial partners). It is up to us to convince them to do so.

The public Treasury is a symbol of a country’s financial sovereignty, being at the same time payer, judge of the regularity of public operations, cashier and financier of the State. The Treasury’s mission is that of preserving the State’s financial continuity. Being responsible for the management of funds, sole guardian of securities and public assets, the public Treasury is one of the most important actors of financial governance and this is a huge responsibility. You are at the heart of financial policies in your countries and I would like to take this opportunity to salute the engagement of all Treasury services of AIST members towards achieving these noble missions.

Allow me to say a few words regarding the Malagasy Public Treasury: your efforts have not been in vain, the benefits of your actions are there and I encourage you to continue your efforts towards the implementation of an efficient, effective and transparent management system.

Over the past several years we have implemented, together with the Treasury, structural reforms meant to strengthen the Treasury’s capacity to contribute to the country’s economic development. I would also like to take this opportunity to thank the diplomatic representations of our friends, as well as the international organisations, our technical and financial partners, for their continuous support in our endeavour to implement our reform and development programmes. Exchanging and sharing are the common denominators of the world we live in and no country can achieve tangible results on its own, without cooperation or partners.

I wish AIST every success and I have the same wish for this seminar which I declare open.

I. The role of Treasury services for a better management of public finances: realities and perspectives

1.- Presentation by Alexandre RANDRIANASOLO, State Inspector General, Madagascar



Alexandre RANDRIANASOLO recalls that the recently appointed government marks Madagascar's return to constitutional order. In order to cover the needs for 2014, the country is now implementing a State general policy based on internal resources

For 2014, Madagascar's economic indicators stand as follows: 3% growth rate, 7% inflation rate, 19,1% investment rate, 11,8% fiscal pressure in relation to GDP, 25,8% public expenditure rate of execution (end of April 2014).

Various international organisations (World Bank, IMF, EU, OECD) have encouraged Madagascar to implement the principles of good governance in terms of public finances. All these organisations have different definitions for "good governance". This makes the concept richer but sometimes also more difficult to interpret.

Overall, the principles of good governance applied to public finances are based on:

- democratic legitimacy of political decisions regarding the budget, with the appropriate participation of the population
- accountability
- rule of law
- efficiency and effectiveness
- State actions targeting results.

Good governance in terms of public finances can also be based on PEFA's (Public Expenditure and Financial Accountability) 6 dimensions and 31 indicators:

1. budget credibility;
2. comprehensiveness and transparency;
3. budgeting according to national policies ;
4. predictability and control of budget execution
5. accounting, recording of information and financial reports ;
6. monitoring and external audits.

According to WHO, "good governance of public finances can be regarded as an absence of bad financial management and as a state of well-being in social, economic, budgetary, financial and civil terms."

How does the Malagasy Treasury take its responsibility based on these principles?

My presentation is meant to give you some pieces of information regarding the progress achieved by the Treasury Directorate General over the past 5 years.

According to the law regarding public procurement, the entity responsible for the creation of an expenditure chain has to pay its invoices within 75 days after the invoice is presented to the secondary authorizing officer (initially the deadline was of 90 days). The shorter the deadline, the more the administration gains in credibility.

Treasury services now complete the treatment of files within 48 hours. This is thanks to information systems for the treatment of payments which led to the reorganising of the services and the strengthening of agents' competences.

The execution of expenditure creates a chain, the links of which are dovetailed: a delay or an anomaly at one level impacts the others. This means that the efficiency of the Services depends on the ability to "pay fast" and "pay well".

The devolution of services is a manner of ensuring management at proximity level and user's satisfaction. The General Cashier in Antananarivo, responsible for 80% of expenditure related payments, has now been decongested after the creation of ministerial treasuries within the ministries which receive larger parts of the budget (Education, Public Health, and Agriculture). The devolution of the Finance and Budget Ministry's technical services at the regional level has led to a transfer of the main General Treasury collection activities to the Treasury Directorate General.

This devolution will continue in the near future in order for the administrations to be in line with the reforms brought about by the organic law regarding the finance laws, namely those referring to programme budget management, progressive implementation of public investments at the level of decentralised territorial authorities and the higher responsibility for secondary authorizing officers.

One element which goes hand in hand with good governance is the administration's ability to pay its financial commitments. This ability leads to reinforcing the State's credibility, which is essential in a time of crisis.

Madagascar was faced with a 5 years crisis, from 2009 to 2013, during which the Public Treasury has granted financial support to the State enterprises for water and electricity by progressively reducing their debts and claims of the latter towards third parties and has subsidised the oil sector in order to stabilise fuel prices at the pump.

Three elements have led to the return to financial rectitude:

1.- The Public Treasury is again the only body responsible for representing the State and defending its interests within public enterprises and in the administrative boards of companies in which the State is a shareholder. This in order to counter nominations based on political preferences, rather than technical knowledge.

2.- The return of the funds belonging to national public administrations (whether of commercial or administrative nature) which were, up until now, deposited with primary banks. This decision was needed in order to make it possible for the Treasury to monitor the management of public funds and in order to facilitate the implementation of the Single Treasury Account, but also to strengthen the Malagasy Public Treasury financial policy instruments.

3.- The closing of deposit accounts opened by public services not entitled to open such an account is meant to help in the combat against budgetary slippages, namely misappropriation of public resources.

2.- Presentation by Lassina FOFANA, Deputy Director General of the Directorate for Treasury and Public Accounting, Ivory Coast



The Directorate for Treasury and Public Accounting in the Ivory Coast is an administration whose mission focuses on accounting matters. It has a clear structure comprising accounting officers and assistant accounting officers, master record keepers and accounting officers who do not have this function. The Directorate manages all municipalities, regions and districts, is strongly decentralized and has offices all over the country. It is also split at central level, under the form of an incipient Ministerial Treasury.

The Directorate's control function is reinforced by the Treasury Inspectorate General and the Treasury Judiciary Agency. Accompanying, managing and supporting departments (Human Resources and General Provisioning Department, Quality and Standardisation Department, Information Systems Department) assist administrative actions and contribute to the deployment of the quality management system. The Directorate is responsible for approving expenditure and bookkeeping.

Recent improvements:

1.- Thanks to the Integrated System for the Management of Public Finances (SIGFP- *Système Intégré de Gestion des Finances Publiques*) the expenditure chain is fully computerized. Information is collected at accounting level by the Aster software package. Aster comprises specific applications such as PEC (*Prise En Charge*) for the treatment and MER (*Mise En Règlement*) for the payment. All these steps are computerized, with very little human intervention.

2.- The recent creation of a Supervising Committee for interior debt. This structure centralizes and maps all interior non-bank debt, ensures that it is properly allocated and managed.

3.- The Treasury Payment Office (?) is in charge of almost all State expenditure and the System for Automated Payment Management (GAP - *Gestion Automatisée des Paiements*), which allows for all payment items to be automated, has been implemented.

4.- The Abidjan North Treasury now manages suppliers via the Net, an application which allows suppliers and service providers to receive information about the treatment or rejection of their payment order on their mobile phone, by SMS or on the Internet.

5.- The creation of a Joint Committee of public accountants and representatives of the suppliers and service providers (they exchange information and build up a relationship of trust).

6.- The creation of an Ethics and Deontology Observatory, a supervisory body which sees that the rules of deontology are followed. This body can receive complaints or can deal with cases of its own initiative. The cases may involve users (clients), as well as agents in the line of duty.

The implementation of all these elements has led to some tangible results:

- In 2013, the Directorate for Treasury and Public Accounting was singled out as being the best digital administration and in August, 2014, it received the award for best public administration from the President of the Republic.
- The ISO 9001 certification from the Accounting Agency for Public Debt and the Yamoussoukro General Treasury whose certificates have already been extended twice.
- A successful entry on the international market with the subscription to Eurobonds.

Accounting records are computerized. Aster is used for State accounting and SIGFP for the accounting records of national public bodies and bodies functioning abroad (embassies, consulates). The bodies functioning abroad have at their disposal an IT system which allows them to manage all their accounting records and to direct them to Abidjan in real time. The same applies to the Tax and Customs General Directorates whose accounting records are integrated in the Aster system.

The scrutiny of accounting records is twofold: at first they are scrutinized by the accounting officers and assistant accounting officers, then a second scrutiny is undertaken in Abidjan.

- The directors of accounting services meet every week within the Balance Committee. This body aims at making sure that the accounting records are correct. In addition to this, the Balance Committee is responsible for producing the financial administration's general account.
- The Central Treasury Accountant presents a weekly report to the management committee. The tool used for this type of reporting is the TAC (*Tableau d'Avancement des Comptabilités*), which allows for real-time monitoring of transfers between accountants.
- The yearly edition of CGF

In order to enhance the transparency of public finance management, two laws were passed in June, 2014: the organic law regarding the budget act and the organic law regarding transparency. The implementing decrees have been issued and amend the accounting general rules, the budgetary nomenclature, the States' chart of accounts, the States' financial operations table, as well as the creation of the Single Treasury Account.

3.- Presentation by Lotfi MISSOUM, head of the Directorate for control, audit and inspection with the Kingdom of Morocco Treasury



Mr. Lotfi MISSOUM indicates that his intervention will focus on the elements which in his view best reflect the Treasury's role within the global strategy for the steering and management of public finances.

Treasury services have the professional, technical and financial competences which enable them to supervise the execution of public finance operations, the record keeping and the financial and accounting reporting necessary for the continuous improvement of the public finance steering system.

The task assigned to Treasury services are the following: the keeping of public accounts, the production, validation and communication of financial information, the participation to the process of improving transparency.

The economic and financial crisis has proven the importance and the challenges of implementing a system for the management of public finances: only the countries who had been leaders in terms of good governance and who had implemented an efficient system for the management of public finances have shown some resilience to the devastating effects of the crisis.

Some 60% of Morocco's commercial transactions involve Euro Zone countries. Three major components of the balance of payments depend on the evolutions in the Euro Zone:

- 1- the number of tourists coming to Morocco and the foreign currency revenue that results from tourism activities;
- 2- the transfers from Moroccan residents living abroad;
- 3- direct foreign investments attracted from the Euro Zone.

The entire economy suffers if these three elements experience a downward trend. Despite the constraints, Morocco experienced a satisfying growth rate (around 4% in 2014). Unfortunately the growth rate did not lead to job creation. Budgetary deficit has dropped to 4,9% in 2014, from 5,7% in 2013.

Morocco faces two major challenges:

- 1- the reform of the pension system;
- 2- finding the necessary funds for running the compensation scheme for basic commodities (wheat, sugar, petroleum products).

The 2015 budget act excludes petroleum products from the list of basic commodities. This measure will lead to the reduction of the budget for compensations from 55 billion dirhams (5% of GDP) to around 33 billion dirhams in 2014, thus creating more room to manoeuvre the investment related expenditure.

Treasury services have a pivotal place within the administrative and financial public structures and have all the necessary assets to efficiently promote good governance. A comprehensive vision of the public sector's finance is a prerequisite for a coherent steering system and the good governance of public finances. This vision should encompass the State, local authorities, public bodies, State owned companies, pension and social welfare schemes.

Given their role as the insurer of a last resort for its own undertakings and those of its bodies, public finances need to be consolidated if the State is to be able to better manage potential risks which could disturb macroeconomic balances by having an impact on deficit and debt ratios.

According to the administrative organisation diagrams, Treasury services are responsible for the budgetary, financial and accounting management of State authorities, local authorities and some public establishments and enterprises. This is why Treasury services are best equipped to grasp the different dimensions and public finance accounts and therefore best suited to produce the public finances consolidated position for the entire public sector.

Treasury services are now increasingly expected to rethink their work methods and to react to the ever stronger need to implement good governance principles. Thus, the controls undertaken by Treasury services need to evolve and to have a greater focus on concepts such as risks, financial impact, challenges, procedural control, control and internal audit, identification and prevention of hazards and budgetary, financial and accounting risks. Treasury services also need to use the systems of accrual based accounting in order to have a better position and a greater role in terms of financial and accounting reporting, an important instrument for the steering and management of public finances.

Treasury services also need to further develop and improve their information system in order to produce, validate and communicate financial and accounting data in a more trustworthy manner and in accordance to the deadlines required by an efficient steering system of public finances.

Important reforms have been undertaken which are meant to lead to the implementation of good governance in terms of public finances as well as an efficient steering system. The new constitution, passed in July 2011, has further strengthened the Parliament's competences, and has empowered, in an explicit manner, both the Parliament and the Government to jointly ensure the sustainability of public finances. Based on the idea that expenditure is not rigid and that concrete measures can be taken in order to manage it, the draft organic law regarding the budget act tries to leave the technical approach aside in favour of a strategic approach in which the constitutional institutions (Government, Parliament, Court of Auditors) are more involved.

Accrual based accounting is now being implemented and a State opening balance has been produced for the year 2010.

A new law on public procurement was passed in Morocco in 2013 and will start being implemented in January, 2014. According to it, all levels (State, local and public authorities) have to abide by the same set of rules for public procurement. The new law has strengthened the convergence of Moroccan rules with the public procurement rules at international level, focusing on governance, simplification of procedures and dematerialisation of the public purchase process.

Public bodies' expenditure will be controlled by a newly established parliamentary commission. This commission was established as an answer to the evolution towards a global approach on public finances.

4.- Presentation by Vincent MAZAURIC, Deputy Director General of Public Finances, France



The public finance administration can contribute to a better management by always being able to function and to be controlled, even in difficult periods. The administration must therefore always manage to perform an extra effort or prove a higher level of vigilance even in a time of human and budgetary constraints (in 2014, 2000 out of 110 000 jobs were lost by the Directorate General for Public Finances – DGFIP). Due to the limited resources, employees need to be more reactive and more alert, without ever forgetting the tasks at hand.

It is also important to set clear boundaries between authorizing officers and accountants in order to prevent all conflicts of interest. At the same time, the importance of dialogue between the various levels must not be forgotten since it is indispensable for the good functioning of the administration.

Devolution is an important step towards good governance: each Ministry should have its accounting department. Due to the complex nature of a system based on a single cashier general, little progress can be achieved within such a system.

When passing an organic law on the budget act and granting more responsibilities to authorizing officers, one must not forget the importance of public accountants who need to be able to react to and advise authorizing officers (ministerial budgetary and accounting supervisors).

Both a budgetary and an accounting perspective are needed in order to evaluate the sustainability of budgetary expenditure. The public accountant must check the availability of funds and the regularity of expenditure, without ever allowing himself to become a victim of “cavalry behaviour” (accepting an expenditure by delaying its payment) which often leads to disaster.

Good governance combines a clear road map, a spirit of service and prevention.

How can we control expenditure?

In France, in the public sector, public accountants control around 5% of operations and then the Court of Auditors assesses all operations.

Concerning public accountant control methodologies: a hierarchical control of expenditure (ranking of control efforts depending on their importance) and a partnership approach for lighter control (operations with a higher level of risk must be identified together with the authorizing officer).

In 2009, the DGFIP has implemented Chorus, a tool for managing State expenditure and budgetisation, which can be accessed by both authorizing officers and accountants. This tool allows accountants to evaluate authorizing officers' decisions even before receiving the invoices.

Finally, dematerializing internal and third-party related processes leads to information standardizing. Standardisation is achieved with the help of tools which everybody can access at the same time. Therefore, data processing is accelerated.

Debates

Jean André DONAT, Deputy Director General of the Treasury in Haiti, explains that in his country authorizing officers are responsible for controlling the sustainability and coherence of debt, whereas public accountants are responsible for controlling the regularity. But the tasks of the two categories overlap. Authorizing officers are not used to financial controllers and sometimes reject their decisions. Authorizing officers also insist on the fact that a public accountant cannot reject an expenditure which was authorized by them.

What can be done in order to settle such disputes between authorizing officers and public accountants?

Vincent MAZAURIC answers that one solution would be to make sure that the same person is both financial controller and public accountant. Public accountants sometimes invest a lot of energy in controlling the regularity of expenditure, without thinking about the sustainability or the relevance of expenditure. A million can be spent in a perfectly regular manner even though the expenditure proves irrational. Good governance should lead to the implementation of a rational procurement policy. This is why the budgetary and accounting control functions must be brought together or a direct communication channel must be created between them, in order for the two authorities (who have the same objectives) to talk to each other and to cooperate with the authorizing officer.

Alexandre RANDRIANASOLO believes there is no good or bad organisation. All depends on the agents and the communication among directorates which leads to the implementation of the desired organisation (a type of management contract backed by performance obligations). The Malagasy Public Treasury has a department which evaluates payments from a budgetary point of view. Supervisors, authorizing officers and accountants (Taxes, Customs, Treasury, and Financial Control) get together every week to define the constraints and obligations for the week to come and determine on that basis the payments priorities. Public Treasury must also be a part of the budgetary debates which take place when preparing the budget acts and make its remarks so as to better anticipate the risks related to spending execution.

Rachid BAITA, Chief of the Monitoring Division for the Presentation of Public Accounts in Morocco, asks Mr MAZAURIC to come back to the topic of public expenditure control where he was saying that around 5% of operations are controlled by the accountant. Was this control model decided internally by the Directorate for Public Finances or was it agreed with the Court of Auditors?

Vincent MAZAURIC answers that in his opinion it is up to the administration to take such decisions. The Court of Auditors has no authority over such controls, even though the Court has to agree on the principle. The agreement found with the Court of Auditors is that even if an operation has not been evaluated during a hierarchical or a reduced control procedure, the public accountant is still responsible for that operation.

Henri LOUNDOU, Director General for Public Accounting in Congo, asks whether the measure of creating ministerial treasuries (which have been created for some pilot Ministries) in Madagascar will be extended to all Ministries.

He also asks what the statute of the Ethics and Deontology Observatory in the Ivory Coast is and what its position is in the organization chart of the Directorate General for Treasury and Public Accounting (DGTCP).

Sosthène OSSOUNGOU, Director General for Public Accounting in Gabon, asks for further details from Alexandre RANDRIANASOLO on the repatriation of funds belonging to public bodies and which had been placed with commercial banks. Which body is now responsible for these funds and how is the consolidation being ensured, in order to have a global vision on the net position of State assets.

He also asks:

- Lassina FOFANA, whether the automated tools employed in the Ivory Coast have led to a timely settlement of expenditure without accumulating arrears;
- Lotfi MISSOUM, whether there are other measures put in place to contain basic commodities prices now that the support for realigning oil products prices has been abandoned;
- Vincent MAZAURIC, whether dematerialising of items has been decided with the Court of Auditors and whether the files transmitted to the Court are dematerialised.

Abderemane ALI AHAMADA, Paymaster General in Ngazidja, Comoros, explains that his country is just starting to use information systems and asks Lassina FOFANA if it would be better to have one information system, both for budgetary and accounting purposes, or two different information systems.

One representative from Niger asks Lassina FOFANA to give details on the place financial administration accountants (from the Directorate General for Taxes, Customs) have in Ivory Coast's accounting network.

A delegate asks Lassina FOFANA what the responsibilities of the Treasury's judiciary agent are and whether, given the level of computerisation experienced by Ivory Coast's Treasury accounting network, it would not be possible to also computerise the activity of the Balance Committee (structure in charge of supervising the regularity of accounting records).

He also asks Lotfi MISSOUM to explain the Moroccan Treasury's role as banker and whether this is similar to the role commercial banks have.

Another delegate asks whether it is possible to avoid the overlapping of the financial controller's and the public accountant's control responsibilities and whether it is possible to have good governance and an efficient management of public finances if the public accountant is not supposed to give his opinion on the appropriateness of an expenditure. And if this is not the public accountant's responsibility, how can we talk about personal and financial liability? What can be done in such a case?

Answers

Alexandre RANDRIANASOLO answers the questions that were addressed to him.

- Ministerial treasuries will be established progressively, depending on the available resources.
- The repatriation of funds was necessary due to slippages and embezzlement which had to be prevented since these funds were entirely beyond the control of the Treasury.

Jean André DONAT adds that in Haiti, spending Ministries have various accounts to which payments are made from the central account of the Treasury. According to a legal provision, first applied in 2014, after each budgetary exercise, the remaining balance needs to be transferred to the central account. It is also necessary to identify and close all inactive accounts. In time, the current accounts of Ministries will be replaced by virtual sub-accounts of the Treasury central account.

Lassina FOFANA answers the questions that were addressed to him.

- The Ethics and Deontology Observatory is a supervisory body which is not explicitly mentioned in the organization chart, but is attached to the Director General of the Treasury and is steered by a technical advisor. It is a permanent supervisory body concerned with the breaches of the rules of ethics and deontology. It has 9 members assigned by the Director General. Members have a non-renewable two or three years' mandate. The Observatory can receive complaints from users, but also from agents who consider that their superiors have broken the rules.

Up until now, the Observatory has processed 83 cases for which it has received complaints or has started investigations on its own initiative.

This Observatory also allows for measuring agents' awareness regarding deontological and ethical rules.

- The automated management of payments was meant to contribute to the development of electronic governance and to help improve the quality of services provided to users by dematerialising the issued checks and the payment slips. Its added value consists in the fact that it endorses electronic archiving (in order to find issued payments) and, in particular, that it leads to less paper documents. The automatic output of documents means more speed and ability to manage human error and to secure the effects of payments. This, in turn, helps in the fight against fraud and forgery of means of payment. The objective is to reach zero physical archiving, which means more office space.

- As regards the SIGFP (the Integrated System for the Management of Public Finances), it is supposed to go all the way, but for the time being is only responsible for the "authorizing officer" part, the "budgetary monitoring". Aster is used for the accounting part.

- From an administrative point of view, the DGD (Customs Directorate General) and DGI (Directorate General for Taxes) accounting agents are included in the organization charts of the DGD and the DGI, but, from on accounting matters they report to the Treasury and Public Accounting Directorate General because they accounting positions and because all accounting items are included in the Treasury general balance.

- The Balance Committee already has IT applications at its disposal but these do not solve all problems. The Committee meets on a weekly basis to examine the accounting records fed to the system (the accounts for accrued expenses and the transfer operations which need to be monitored). The Committee's members are essentially chiefs of accounting services and they examine whether or not accounting closure is completed, whether there are records waiting for conclusion or errors of cost allocations. These elements are used for the drafting of the Treasury general balance, as well as the for the financial administration's general account.

- The Treasuries Judiciary Agent defends the State's interests and has the mission of following up on all files, flat-rate fines etc in cases where the State is rightly or wrongly condemned.

Lotfi MISSOUM answers the questions that were addressed to him.

- Regarding the compensation scheme for oil products and basic commodities, the Government has also come to the conclusion that the part of the budget allocated to it had become too large (55 billion dirhams represent a little over half of the wage burden borne by the State). The decision was taken to use part of these funds for investments which are more productive.

- How do Treasury services intervene? By means of the ministerial treasury within the Ministry in charge of finances (compensation schemes are included in the budget, in the chapter for joint expenditure of the Finance Ministry).

- Regarding the Treasury's banking activity, this is dating from the time of the French protectorate and is based on a text passed in 1949, according to which the General Treasury of the Kingdom of Morocco is authorised to receive private funds representing funds transferred to the Public Treasury against a fee, which covers the cost of services and the remittances granted to the Public Treasury employees who have facilitated this banking activity. The Treasury holds full personal and financial liability for these funds and there is no subsidiary guarantee granted by the State.

This decree was followed by a law passed in 1963 according to which the depositing of funds with the Treasury became mandatory for public bodies. A certain flexibility is nonetheless allowed for, since according to a decree by the Finance Ministry, public bodies may place 10% of their fiscal surpluses with commercial banks (this is meant to allow public bodies which have activities of a more commercial than sovereign nature to place their funds with commercial banks and thus have some room to manoeuvre).

- Morocco was also faced with the problem of redundancy of control performed by public accountants and financial controllers. Based on a decree passed in 2008, the two bodies have merged. This leads to harmonisation of control and helps avoid redundancy.

Vincent MAZAURIC answers the questions that were addressed to him.

- Dematerialising: all decisions regarding the State or local authorities were agreed with the Court of Auditors. Of course the security, soundness and coherence of the information systems had to be proven.

- Regarding the control of the 5%: we mean 5% of expenditure documents which should be scrutinised more rigorously than other operations.

-Regarding redundancy or the difficult collaboration between financial and accounting control: in France, at ministerial level, the two functions are embodied by the same person, whereas at local level (170 000 accounts to be produced), from a formal and a judicial point of view, budgetary control is the responsibility of the prefect. In practice though, the one who signals the danger of voting an unbalanced budget is the public accountant. Bringing these functions closer, in time and in practice, represents a step towards good governance.



II. Treasury cooperation with other Ministries for a better public finance management

Presentation by Vincent MAZAURIC, France



Vincent MAZAURIC lists some examples of progress and innovation in the relations with authorizing officers:

- In order to save a lot of time, a supplier invoice should go to those responsible for paying it, i.e. to the accountant, not the authorizing officer. In 2017, this measure will be implemented in all central and decentralised State services. This will lead to more discipline; it will improve settlement periods, as well as the relation between accountant and authorizing officer.

- In France, the maximum settlement period for State payments is 30 days (on average 36 days in 2011; 23 days in 2012; 19,4 days in 2013). This leads to lower spending on late payment interests.

-The factors that need to be considered for a better procurement policy are the following: environmental quality, the choice of either buying or leasing, maintenance on purchased equipment, the various degrees of dependence created by a purchased item compared to another. In the field of IT equipment, if you decide on a single IT supplier, you become entirely dependent on that particular supplier for things that might be of strategic importance for the State. This type of dependency can also cost a lot of money in the long run. In each Ministry, a person responsible for procurement should work together with the authorizing officer and the appropriate questions should be asked at the earliest stages of the procurement process.

The improved procurement policy should enable France to save 2 billion euro over three years. This type of improved policy leads to better management and joint responsibility.

Presentation by Lotfi MISSOUM, Morocco



Lotfi MISSOUM decides to start by presenting the internal organisation of the Moroccan General Treasury before going on to discuss the nature of the relations established between the Treasury and its partners.

Since 1978, the General Treasury of the Kingdom of Morocco was reorganised 9 times. From two directorates in 1978 (a Directorate in charge of Public Accounting and Centralisation and a Directorate in charge of Budgetary and Banking Operations), we ended up with six directorates in 2008.

Being one of the three large directorates general that form a network, the General Treasury has an important place in the organisational chart of the Ministry for Economy and Finance. In terms of administrative hierarchy, the Kingdom's General Treasury has a secretary of State role.

Nowadays the organisation is structured around 6 directorates:

- 1- The Directorate for Research, Regulation and international Cooperation;
- 2- The Directorate for Public Finance;
- 3- The Directorate for Staff Expenditure;
- 4- The Directorate for Public Accounts;
- 5- The Directorate for Resources and Information Systems;
- 6- The Directorate for Control, Audit and Inspection.

The changes in the organisation were due to the evolution of the General Treasury's operating methods and to the increasing number of institutional partners that orbit around it. To be in line with the various modernisation processes, the General Treasury has reviewed its structures' organisational framework, at the central, as well as at the decentralised level. This organisation model has the objective of separating the various missions: conception, implementation and feedback (control, audit and inspection). Central services are responsible for steering missions and decentralised services attend to operational tasks.

This organisation model is the result of a new systemic approach to focus the General Treasury's structure on a directorate in charge of conception, legislation and research, on various operational directorates and on a directorate responsible for control and correction. The listed directorates are steered by the Kingdom's General Treasurer (who decides on the institution's strategic orientations and controls their implementation). A Steering Committee fills in for the General Treasurer. The members of this Steering Committee are the directors and any other person the General Treasurer considers necessary to take part in discussions on a particular topic.

Recent changes:

- re-centring the new Directorate for Public Accounts focus on its accounting mission given the newly implemented State accounting plans;
- creating a Division in charge of finance statistics for State and local authorities. This highlights the importance of financial and accounting centralisation and of the use of financial and accounting information. The Division publishes a monthly newsletter on the State budgetary implementation and a corresponding newsletter for local authorities;
- realigning the actions of the newly established Directorate for State and Local Authorities' staff expenditure (with the implementation of a new integrated management system for staff expenditure and a future enlargement of the scope for the Directorate's actions to all types of staff expenditure other than wages);
- separating project management from the project owner functions, allowing for a good management of information systems.
- optimising the General Treasury's human resources (by reinforcing training activities and creating a service for social action);
- creating a body responsible for international cooperation and communication which proves the General Treasury's openness towards foreign experiences in the field of public finance.
- regrouping of internal control, management control, audit and inspection missions within the same directorate. The direct link between the Directorate and the General Treasury is meant to promote good governance at economic, financial and accounts presentation level.

This structure will fully exploit its potential once its mission will extend to the network devolved services.

The latter are organised on three levels:

- regional : 8 regional treasuries in the Kingdom's main cities in charge of support activities (they represent the General Treasury), resource management, inspection and audit missions, monitoring of accounting officers and budget implementation at regional level;
- provincial: treasuries at prefectures and provincial level, in charge of operational missions such as control and implementation of State and local authorities expenditure, monitoring of recovery, bookkeeping and banking activities recording;
- local: tax collectors in charge of collecting State and local authorities taxes.

What is the nature of the relations between the Moroccan General Treasury and its partners?

- With regard to public expenditure, the General Treasury deals with spending Ministries whose expenditure it controls at commitment level, but also at payment level;
- as the representative of the Ministry for Economy and Finance within the commissions in charge of the call for tenders, the General Treasury participates in awarding public contracts to companies (the Treasury is also responsible for the payment of services provided, in the benefit of companies, and for the payment of remunerations to civil servants);
- regarding the recovery of public claims, the General Treasury works in close cooperation with the Directorate General for Taxes (whose role consists of clearing public claims and sending tax rolls to public accountants in order for the claims to be recovered). In this context, the Treasury's accountants deal directly with taxpayers, in their quality as natural or legal persons;
- in the field of local finances, the General Treasury is involved in the execution of local authorities budgets as well as in the execution of State budgets at regional level. The General Treasury has a privileged relationship with the Ministry for Internal Affairs who is in charge of local authorities' management;
- regarding the banking activity, the General Treasury manages the public bodies deposits (who are required by law to deposit their funds with the General Treasury) and private deposits of natural or legal persons.
- Given its role as State's financing arm, the General Treasury has close relations with a number of partners: the Budget Directorate, when adopting the settlement legislation; the Al-Maghrib Bank, the State's central bank, where the Treasury holds its current accounts; the Treasury and External Finances Department (which holds ex ante knowledge necessary for the investment of excess liquidity and ex post knowledge, representing information regarding the monthly evolutions in terms of budget act execution); the Court of Auditors as superior control authority for public finance (receives the accounts of State services and local authorities from public accountants, as well as the general documents and other documents needed for the preparation of the report regarding the Budget Act execution and the general declaration of conformity).

In the field of expenditure management, Treasury services must act as facilitators, advisors and not censors. Accountants must contribute to the efficiency of projects implemented by ministerial departments by shortening the deadlines for control, payment and by paying the interest on arrears, in the cases where a financial penalty is imposed on the State for non payment of public spending within regulatory deadlines.

Despite the decree regarding interest on arrears, in Morocco, the average period needed for settling payments is 200 days. It must be said that companies usually decide not to demand the interest they are entitled to, fearing retaliation from State services. Moreover, in order to bypass legal deadlines, authorizing services mark the invoice with the "service provided" stamp not when they receive it, but when they have the means to settle it.

The Treasury must be a liquidity provider for the economy to help companies that were awarded public contracts and to promote economic activity. In 2014, due to failures in the settlement system (the State's failure to settle received invoices lead to a "snowball effect" which meant that the private sector had difficulties in settling its own expenditure) 7 500 SMEs had to close. This is a huge loss in terms of fiscal revenue for the State, creativity and added value.

Regarding public expenditure control, comprehensive controls (for which a lot of human resources are needed) must be replaced by simplified controls depending on the risks and the stakes of the expenditure. In 2008, Morocco introduced a modulated control system for public expenditure. According to this, all authorizing officers can use a common set of simplified control procedures for expenditure lower than 20 000 dirham, certain types of recurrent expenditure and staff related expenditure. After an audit of their management capacity, authorizing officers were divided in two categories: those who can use a simplified control and those who can use over-simplified control.

A monitoring system is foreseen, in the form of a Finance Ministry order, which allows for the previous rules to be used again if it is observed that a certain number of authorizing officers fail to authorize expenditure in a correct manner.

The involvement of Treasury services in awarding public contracts ensures an equal treatment for all competitors and safeguards a certain national preference for national companies involved in calls for tender.

Information systems have a crucial role in the transparency of information regarding public expenditure. The integrated management of expenditure allows for a single data entry at authorizing officer level (the accountant is no longer supposed to enter data and the public expenditure volume is known at national level and by all accountants). This way the Directorate for Treasury is informed in due time and can forecast and raise the necessary funds. The information system also allows all suppliers who have sent their payment files to the authorizing officer or the accountant to learn about the progress of their file at all times.

Public procurement has been computerised due to the creation of a public contracts portal. Each authorizing officer or secondary accounting officer can transmit its offer via the portal. This represents huge progress in terms of financial information transparency.

In order to consolidate public accounts, local authorities were included in the integrated management system for public expenditure. There is a plan to expand the system to agencies abroad in order to have a consolidated system at diplomatic and consular chancelleries' network level.

Regarding ethics, a code of conduct and a code of ethics were drafted. They clarify the role of each player, their limits, missions and responsibilities. This moral system is backed by audit services, in order to prevent risks, and by inspection services, in order to check correct execution.

Presentation by Lassina FOFANA, Ivory Coast

Lassina FOFANA lists the relations the Directorate for Treasury and Public Accounting has with other public bodies and other partners:

- The Directorate General for Budget and Finances, together with the Directorate for Treasury and Public Accounting, are part of a standing committee in charge of implementing public finance reforms decided by WAEMU. The two directorates also organise working sessions for the purpose of harmonizing the numbers necessary for the preparation of the Finance Settlement Bill, based on the finance administration general account.



Balance is under the jurisdiction of the Balance of Payments Directorate, which reports to the Budget Directorate General. The Directorate for Public Procurement deals with everything to do with public procurement contracts and reports to the Budget Directorate General.

- The Directorate General for Taxes (DGI) in terms of accounting, control and liquidity management relations. The DGI has set up a joint committee which meets on a regular basis to discuss all tax and accounting issues of interest to both bodies. In the field of accounting, the Treasury Directorate feeds all DGI operations into the Aster software. The DGI is responsible for liquidity management and all revenues cashed in by the DGI are transferred daily to the general financial revenues account.

- The Customs Directorate General (customs collectors are state accountants): activity and control reports, accounting integration reports. All customs revenues are transferred daily to the Treasury main account.
- The Accounts Chamber (which recently became Court of Auditors and enjoys more autonomy and more resources for a better control of State financial management).
- The State-Private Sector Cooperation Committee. The private and the public sector meet on a regular basis to discuss issues of common interest. The meetings give the private sector the chance to express concerns (fiscal, parafiscal, etc.). Proposals are made and their feasibility is studied. The Cooperation Committee thus helps to strengthen links and build confidence.
- Local authorities for whom the Treasury Directorate administers the budget and the accounting issues.
- The Treasury Committee, a body made up of representatives from the Tax, Customs, Treasury Directorates General and the Central Bank. The Committee meets every Tuesday to study bank statements and to produce the liquidity plan.

Presentation by Alexandre RANDRIANASOLO, Madagascar



Alexandre RANDRIANASOLO wants to come back to two points mentioned previously: the improvement of procurement policy and the duality between financial controller and public accountant.

1.- The establishment, in France, of a public procurement agency which receives the purchase orders of all public central bodies, caught his attention. This is meant to lead to more quality and lesser costs in public procurement.

A similar project was implemented in Madagascar, but is only in the starting phase.

An experiment conducted at the Finance General Secretariat level consisted in collecting all purchase orders at operational activity services level (small units in charge of managing and awarding public contracts). The General Secretariat kept a record of most widely-used supplies in order to have a market price list.

2.- The financial control responsibility granted to the Directorate General for Public Accounting represents a solution for activating expenditure and shortening the procedures.

Hierarchical control of expenditure commitments will lead to a simplification of procedures and will allow financial controllers to pay more attention to the expenditure of major social and economic importance.

In relation to financial good governance, two comments regarding the strengthening of the rule of law and of management transparency:

1.- a law was recently passed on the procedures applicable to budgetary and financial accounting offences involving public funds. This law involves the control bodies, the State Inspector General and, most important of all, the Public Treasury which will act as a law enforcement officer in order to identify offences involving public funds, to gather the necessary proofs, to identify the authors and to draft the necessary reports;

2.- a Debtor's Act was passed as well, putting an end to legal uncertainty in this field. This law provides a legal and technical framework for public debt and introduces a document on debt management strategy which becomes an annex to all Budget Act drafts. It creates an institutional debt management framework and, most important of all, allows for budgetary and accounting traceability by means of an annual report presented to the Government, the Parliament, the Court of Auditors and to citizens.

The Public Treasury achieved important progress these past 5 years. But change and good governance are not achieved solely by passing a law. Implementing legislation is needed without delay. This legislation should grant Public Treasury all financial and technical instruments, as well as competent, highly trained, objective, impartial and upstanding human resources needed to implement the system as soon as possible. If good governance is indeed an objective, the State also needs to protect its agents, because their mission is risky and they are faced with hazards, constraints, blockages, even various kinds of pressure (political, technical, interpersonal).

Debates

A delegate asks the panellists to go back to the topic of authorisations which are only issued towards the end of the year (October-November) and to explain how this influx of authorisations is treated.

The delegate also asks who is responsible for drafting local authorities' budgets and if the Public Treasury is involved in the process.

Jean Donat ANDRE indicates that in Haiti the financial year ends on September 30th and that towards this date the number of purchase orders, received by authorizing officers via an automated system, grows exponentially. But purchase orders also have to pass a budgetary control before arriving at the Treasury. Towards the end of the financial year, purchase orders for operating and investment expenditure represent around 2 months of fiscal revenues. Faced with this situation, those responsible try to select priority purchase orders, leaving the others for the next financial year.

One participant believes that some of those involved in the process still think in terms of resource budget, disregarding the already implemented concept of program budget, and try to use up as many of the available credits as possible towards the end of the financial year, even though liquidity becomes scarce by that time.

Via the liquidity and the treasury committees, the financial administration tries to balance payments and revenues towards the end of the financial year and tries to ensure a balanced budgetary execution by setting a budgetary adjustment rate depending on expenditure and revenues to be recovered.

In its relations with the other directorates, the Treasury is faced with comments that arise from the financial court. The budget is adopted by the Parliament and there should not be any restrictions for its execution: decisions about budgetary adjustment should be taken by the Parliament and not by the Government.

Are the reforms regarding expenditure execution and the reform regarding the Centres for Treatment and Payment of Invoices implemented by France an option for countries which already have a financial supervising agency? Would the budgetary actors involved before the accounting level not be reluctant to such reforms?

Vincent MAZAURIC considers that much explaining is needed before such reforms are accepted. The authorizing officer must be reminded (politely, but firmly) of its mission. The Parliament expects him to manage the public policies he is responsible for in the best possible manner. In order for the Centres for Treatment and Payment of Invoices to be accepted, the DGFIP has stated in the texts that, from now on, the centre assessment means a decision to pay. There is no question of giving the competence and the responsibility to decide on a payment to someone other than the authorizing officer.

Referring to expenditure being executed towards the end of the financial year, a representative from Cameroon explains that a current practice in his country is that of "safeguarding credits". This practice creates problems for the Treasury which is faced with amounts remaining due.

For the last two financial years, the President of the Republic has extended, by decree, the deadlines for authorizing expenditure, but the problem still exists.

A participant believes that in order to combat this practice a realistic view on available financial resources is needed.

III. Presentation of specific cases: “Tools for a larger selectivity of more precise procedure of expenditures and accounting records”



Henri LOUNDOU, Director General of Public Sector Accounting in Congo, moderator of this session, recalls that the majority of countries have decided – with respect to their budget implementation – to switch from a logic of means to a logic of results. This requires an implementation of rational procedures for the management of public expenditure, but also precise and regular accounting which accounts for good budget implementation and monitoring of the evolution of the state’s assets.

The presentations of this session shall continue the ones from yesterday. We shall talk about:

- specific cases targeting problems of budget implementation, more specifically, related to expenditure;
- problems of financial and budgetary control;
- problems related to the accountability of actors in the expenditure chain.

1. Presentation of Mahamoudou BAMBONE, Director of Studies and Financial Legislation in Burkina Faso



Mahamoudou BAMBONE recalls that the legal grounds for the implementation of public expenditure in Burkina Faso are the law on finance and the implementing decrees (accounting regime, conditions for the authorizing officers...).

The rulings stipulate some aspects and they remedy ambiguities which might appear in decrees, and the circulars provide further elements.

Before January 2014, the implementation of public expenditure included:

- the administrative phase (commitment of expenditures, validation and payment order) whose actors are the budget administrators (liable for management errors) and financial controllers (who are not accountable);
- the payment phase, in which the accountants, besides their civil and criminal liability, also have a personal and compensational liability (something common to all African countries).

The strong point of this system is the existence of procedures targeting the efficient use of resources, mainly with:

- CODEP - who is in charge with monitoring deadlines and payments, as well as with a circular on payment deadlines, which is signed by the minister of economy and finance. The circular indicates processing times of the expenditure;
- the implementation of verification units in ministries (for the moment, this only targets 3 ministries, but the situation should rapidly evolve);
- arbitration proceedings for the settlement of disputes between suppliers and the state;
- IT applications that allow for the automatic monitoring of expenses and that manage the budget from its drafting to its implementation;
- the central government’s software for integrated accounting (fr. CIE - Comptabilité Intégrée de l’État), where all accounting operations are recorded up to their actual payment;
- the integrated circuit of external financing (but since there is no even intervention from funders, it is difficult to have all the information);
- the system of public procurements (which manages all procurements, starting with the drafting of procurement plans).

However, this system had its shortfall:

- the ineptitude of expenditure circuits;
- overlapping in control (all controls that were already made upstream, are done once again downstream);
- shortfall related to the accountability of actors (only the accountant has personal and compensational liability whereas the financial controller has no liability and the authorizing officer is liable only in cases of mismanagement).

The consequences of this shortfall were delays in payment (82 days in 2009, 92 days in 2010, 110 days in 2011, as opposed to the legal processing time of 62 days).

Strong actions were implemented as a response to this situation:

1. Verification units

Stakeholders in the chain of public expenditure are supported by the implementation of these verification units. The principle is that, in each ministry, there should be 3 actors – the financial controller, the authorizing officer, the accountant – in the same premises, so that they can talk to one another, to reduce refusals as much as they can.

Payment processing time for ministries where the verification units were functional decreased from 60 days in 2011, to 31 days in 2012 and 28 days in 2013.

2. Reform of public expenditure circuit and of responsibilities held by people in charge of expense monitoring.

Within the reform, it was decided that each actor (financial controller, administrator, authorizing officer, accountant) be made accountable for their respective control areas as identified, and then be held financially liable.

It was also decided to no longer have the financial controller intervene in the validation phase (since the financial controller plays a role in the commitment of the expenditure, and then there would be a problem if he disagreed in the validation phase with elements that he had already approved in the commitment phase). In the implementation phase, the invoice is sent to the administrator who initiates the settlement and who sends it directly to the authorizing officer. The authorizing officer (who used to be in charge with drafting the transfer order) gives the validation. The validation and the payment order are now simultaneous.

The management of documents related to staff that before were handled by the Administrative and Fiscal Direction is now carried out by HR managers. This separation saves time when it comes to the processing of all files.

3. Electronic format of expenditure documents.

In the short term, it was decided to switch to electronic format for all documents that were already drafted so that they could be integrated and preserved in the informatics system.

With respect to accounting data entry, Burkina has IT and regulatory tools. Accounting is a forecasting means, consequently the information processed should be as correct and comprehensive as possible. Two documents were implemented by the Directorate General of Public Sector Accounting: collection of explanation sheets for the accounts included on the chart of accounts and the set of guidelines for how accounts work.

Operations of an accounting item can be validated only if checked by account holders and these 2 documents help the account holders to better know what operations can be run on each account, and how these operations have to be carried out.

IT tools have their advantages, but the implementation of an IT system must have some prerequisites, such as the setting up of a dedicated team with people coming from the industry to offer strong support to the IT.

Public administration has to develop a quality approach when operating its procedures and so that its bookkeeping faithfully reflect its assets and financial situation, as is the case for companies.

Questions

1.- Abdoulaye ISSAKA, coordinator of the Training Unit in Niger, asks for details from the Burkina experience with respect to the responsibilities each stakeholder (accountant, authorizing officer, financial controller) has on specific control elements in the implementation of the expenditure.

2.- Mohamed El Mokhtar BALLATY, Paymaster General of the Treasury in Mauritania, asks what were the responsibilities of the general accountant in the establishment of verification units in ministries.

3.- Dourossimi Léonide AKPO, head of the accounting centralization unit in Benin, asks whether Burkina considers implementing an application that should immediately put abnormal balances in red, or automatically prevent abnormal balances.

4.- Orlando ROBIMANANA, Director General of the Treasury in Madagascar requests clarifications on the issue of controls that were overlapping in public finance. Shouldn't we target this control at executive level, with a controlling body capable to check and assess the programs, the policies, the action plans and the indicators, to see whether the objectives established by public bodies are relevant – against expected results in public policies – and to assess the performance of each public service against indicators which have to be objectively verifiable?

In terms of morality of prices, does Burkina have a price list?

Given the technical and operational capacities of the existing controlling bodies and the very large implementation scope of public budgets, can these bodies detect fake invoices?

5.- Sosthène OSSOUNGOU NDIBANGOYE, Director General of Public Sector Accounting in Gabon, asks what kind of sanction is passed if the payment is not made within deadlines and whether the supplier is informed with respect to regulations on processing payment times, from administrative phase up to payment.

Is there a link between the commitment pace and the cash availability, in order to respect the deadlines?

6.- A Moroccan representative wishes to come back on the issue of responsibility, after the implementation of the new organization of controlling points where all stakeholders of the expenditure have personal and financial liabilities. If the authorizing officer is found guilty of a crime, what sanction shall be passed?

7.- A representative of Senegal asks starting with what moment the processing time is measured and why the financial controller no longer has a role in the validation phase, since this strategy does not follow the UEMOA (West African Economic and Monetary Union) directive which grants a significant role to the financial controller who should validate before the authorizing officer issues the payment.

Answers

Mahamoudou BAMBONE replies to the questions received:

1.- The allocation of control elements per actor:

The financial controller checks whether the expenditure matches the commitment and, should there be lack of consistency, he shall be held liable.

For the completion of the contract, the authorizing officer is in charge with certifying the completion of the service.

The accountant makes sure that all documents that should accompany the payment order are there and that the creditor receiving the payment is the rightful recipient.

2.- The responsibility of senior accountant with respect to verification units, in fact, they are deconcentrated central services that operate independently and report to the general payment services, is to the authorizing officer and to the financial controller who are always in charge with the actual payment.

3.- The ministry accountant does not operate the payment, but the officers from the general payment department.

4.- On controls : there is the control of accounting operations, and for the daily monitoring of expenditure, the financial controller is in charge with the controls on the spot in order to insure the actual implementation of committed expenditures. This procedure enables the detection of fictitious qualities of elements that were not carried out.

In terms of the morality of prices, Burkina has a price list, but which is not continuously updated.

5.- If payment deadlines are not respected, there is also the late payment interest, but suppliers do not generally resort to this right they have, for fear of losing further contracts.

Payment processing time starts on the date when the invoice is received.

With respect to commitments and the cash availabilities, there is a Cash Committee that meets weekly in the Treasury and a Ministerial Monthly Committee presided over by the Minister of Economy and Finance which regulate expenditure.

6.- On the authorizing officer's financial liability: when the Court of Auditors assesses the accountants' accounts and they find problems at the level of the authorizing officer or the accountant, they are then liable for the absence of explanation or justification.

7.- On the role of the financial controller: Burkina goes against the UEMOA directive because validation and payment are simultaneous: once the authorizing officer gives the validation, he automatically issues the payment order and sends everything to the accountant. Burkina did not find it useful for the controller to intervene in the validation phase because the amount paid will not be higher than the one he already agreed to in the commitment phase.

2. Presentation of Allaoui ABASSE CHEIKH, Head of Expenditure Division/ Head of Delegation in the Comoros



Allaoui ABASSE CHEIKH explains that the Union of the Comoros is made up of autonomous islands with a central government. The autonomous islands get a budget from the central power and they implement it freely.

The legal framework comprises the order of the State Council on public accounting, the legislative framework of the Union's assembly on the state's financial operations; the decree on budgetary and accounting nomenclature; the chart of accounts; the cash plans. These documents are applied; there are others that are active but only partially applied – such as the framework legislation on quotas (on subventions coming from the central power allotted to different units).

Very useful implementation tools:

- decree on appropriations (the budget cannot be implemented if the minister does not validate the budgetary lines);
- rules on procedures for public procurement (bidding processes in public calls for tenders and not for contracts awarded by mutual agreement).

The procedures for the implementation of the expenditure comprise expenditures before the payment order, expenditures after the payment order and imprest accounts. Within this framework, several actors intervene both at central and regional level, but problems are identified. In the Union of the Comoros there is a budget director, a financial controller and an accountant making payments. And these actors are to be found at different levels. Procedures are identical, but flows are different. The feeling of belonging to the same nation is given to Comorians by shared tools, but used by different actors.

The procedure for payment after the payment order is issued follows as such: a budget director shall place a request for a supplier with the financial controller; the latter receives the file and grants or denies the visa. If he accepts the file, he sends a note to the Directorate of Budget and then, this one issues a commitment form in 5 copies that he sends to the accountant, as well as a note for the latter to make the payment.

For the payment before the order, requisition used to be, until recently, a frequent procedure in the Comoros (more than 60% of the state's commitments were paid under this procedure). With a requisition, the supplier was instantly paid whereas, following the standard procedure, this takes time and one sometimes resorted even to manipulating the payment order.

The political power's will is that all payment orders follow the standard procedure. Imprest accounts are also a procedure that enables quick payment.

With too many quick payments, it becomes difficult to pay out, and the Treasury decided to cancel the requisitions and the imprest accounts.

When a payment file gets to the Treasury, it is first checked by the accountant. Then, if the accountant validates the file that he receives, he grants the visa "OK for payment" and proceeds to issuing accounting documents and funding a class 4 account.

This visa "OK for payment" is, in fact, only a theoretical visa. The supplier shall be paid if there are available funds, but he can be put on a waiting list, if there are no funds.

The real payment visa is given when the authorities send the payment order to the cash department. This is generally decided by the Treasury Committee that meets on Tuesdays and Thursdays at the Ministry of Finance (the Committee is made up of the minister of finance, the treasurer, the budget director and sometimes by directors of financial, customs and tax units).

The consequence of this organization is an accumulation of arrears and the delays can reach more than a year (even 3, 4 or 5). These delays make the implementation of budgets difficult since there are expenditures to be paid from previous years.

There are two settlement alternatives:

- cash payment when the cash is sent to the cashier, the cashier calls the beneficiary, he writes down the number of the receipt he issues in his notebook, pays out and sends the file to the accounting department so that, within the latter, the necessary documents are drafted;
- payment by money transfer – the operation is carried out within the accounting department. They examine the file and, should the payment be made, they issue the accounting documents and send the transfer order to the central bank so that it is recorded in the beneficiary's account.

State's expenditures are made up more of salaries and less of equipment (which is financed by projects from the World Bank and other foreign banks).

Significant Treasury revenues come from taxes and customs fees.

The services which collect these revenues send them to the Central Bank the same day. This records the cash in the account of General Treasury Payer who, the next day, receives a notification certifying these transfers. The Treasury writes them down in its ledgers and, by the end of the month, proceeds at suitable budgetary assignments.

Within debt management, before, the Directorate of Debt in the ministry would issue debt reimbursement orders and send them to the Treasury. Thus, the latter did not know precisely the scope of the debt, but only settle it.

With the advent of the Directorate of Budget and the Directorate General of Public Sector Accounting of the Treasury, the Treasury is now informed in regards to the scope of the debt.

In terms of electronic handling of documents, it is only for salaries that the entire workflow got to be electronic: it starts with Civil Servants, then Budget and it ends at the Treasury (the Directorate of Budget collects the civil servants' data and sends them to the Treasury for payment).

Accounting records with the Treasury are not electronic, they stay manual.

In terms of control tools, they did not exist, or if they existed, they were not up to the level of what was expected from them. Internal control was not conducted when even the Comoros have an Inspectorate General of Finance.

External control was conducted by the National Verification Commission before, but this body was no longer efficient in its controls.

Two years ago, a Board of Auditors made up of magistrates was established, but the Board is lacking in accounting staff.

The Treasury sent the 2011 and 2012 accounts for assessment to the Board of Auditors, but to no avail. In fact, all structures were supposed to send their management account, but it was only the Union that did it and the Board could not make their assessment.

Questions

1.- Orlando ROBIMANANA, Director General of the Treasury in Madagascar, asks how much the creditors still trust the administration if the Treasury has payment processing periods longer than one year. And with respect to expenditures made before payment order, in the requisition procedure, what do control bodies think of this procedure?

2.- Lassina FOFANA, Deputy Director of Treasury and Public Sector Accounting in Ivory Coast asks who is the authority to which the accountants from the autonomous islands report to. "OK for payment" is a validation note which does not, however, equal the payment order (the latter being issued during the meeting presided by the minister). Are all payment orders subject to the minister's approval before being paid?

3.- Mohamed El Mokhtar BALLATY, Paymaster General of the Treasury in Mauritania, asks what is the role of the financial controller who, apparently, intervenes before the decree on budget is passed and the procedure of requisition settlement.

Answers

Allaoui ABASSE CHEIKH addresses the questions he got:

1.- Requisition procedures are used, for instance, by a minister who travels for a mission. Transportation costs and the mission form (containing the number of days for which per diem is to be paid to the traveler) are sent to the Treasury. There is no control: the Treasury pays out and sends the invoice and the mission order to the Directorate of Budget for payment order.

This practice may however be changed, because an invoice for transport tickets is not a cash document and may pose problems with the Board of Auditors. A new requisition procedure should normally enter into effect starting with November 1st 2014, but since it has not yet signed by the minister, it is not being implemented for the moment.

Control bodies are already stipulated by texts, but since their implementation is only very recent, they suffer from lack of staff and IT tools.

Payment processing time is theoretically 90 days and if the payment is not made within that period it becomes an arrear, and it takes a long time with the Treasury while waiting for the committee to meet and decide on the payments. Most frequently there is no information on cash availability.

2.- The accountants based in autonomous islands do not report to the central power; everybody is Paymaster General of the Treasury, on equal footing. This generates significant problems, because there is no reporting relations.

With respect to the "OK for payment", yes, it is only a validation, because there are, in the majority of cases, no available funds. The Treasury Committee meets on Tuesdays and Thursdays to decide on payment priorities.

Another representative of the Union of the Comoros brings further details on the relations between the accountants from the island and the central power. At a political level, a new constitution brought this large framework of the islands' autonomy and thus, each island has a general treasury. This leads to conflicts between the island authority and the central authority. Each treasury acts as an independent treasury and this generates difficulties for the centralization of information.

The new Directorate General of Public Sector Accounting attempts to coordinate all these treasuries – both at central and island level, and there is a plan for the new treasury general to play the role of central accounting officer, up to 2016, in order to draft a single accounting balance and a single account.

3.- Allaoui ABASSE CHEIKH explains that the controller is at the core of the system: before the document is sent to the Directorate of Budget, it is sent to the financial controller who validates the reception of the service. The problem is that the suppliers do not trust the state anymore because the state does not pay. Therefore, the approval of the financial controller is only theoretical. It is given, but in most cases, the service is not done, and the supplies are not delivered. It's only a formal reception that enables the file to advance and to get at the Directorate of Budget, and then to the Treasury. And at the 'real' moment of payment, it is possible to ask for a delivery certificate and, if the delivery certificate is shown, the money is paid out.

With respect to the regularization procedure, when the expenditure is paid, the Treasury lists the 'requisitions' and the invoices that made the object of the payment and sends them to the Directorate of Budget. Upon the reception of these documents, the Directorate of Budget issues a receipt or a payment order and is sent to the Treasury to be settled in the accounting books.

3.- Presentation of Mohamed Saïd AHMED OULD ABDY, Technical Consultant of DGTCP Mauritania



Mohamed Saïd AHMED OULD ABDY will talk specifically on the relation between budget and accounting.

Generally speaking, the budget is organized according to destination and means. Destination: the State structures that use the budget. In result oriented management, destination refers to assignments, programs and actions. Result oriented management presupposes an interesting progress, because it associates the central budget with governmental policies (programs run by ministries in public institutions) and facilitates the understanding of the budget for the citizen.

The types of funding were established by the organic law on financial legislation (Fr. LOLF) and they are limited by an average budget. The budget of the program is meant to bring more flexibility because it gives the authorizing officer the possibility to choose the types (Fr. nature) that enable him to better meet his objectives. The budgetary types will go on existing, even within the program budget, since they represent inevitable links between the State's accounting and the budget: the authorizing officer must record the expense in order to allow the accountant to properly keep the books.

The classification of budget types, before the reform, was made up of budgets and actions. The finance law prevailed over the decrees defining the budget types, whereas the expenses changed each time since actions are limited in time. In this context, it is impossible to record in a standard-based accounting and this shall not accelerate the expenditure flow (where attempts are being made to automatize the maximum of accounting procedures). 9 classes were used, first in various budgetary types, but this nomenclature was a real blocking point in an accounting reform.

Analyses were conducted on how to have a norm-based chart of accounts in order to generate a budgetary nomenclature. There was then, a matching problem between the accounts and the nomenclature. The IMF wanted the classification (salaries, subventions, transfers, amortizations, interests) to be maintained. The chart of accounts that was drafted is inspired from the general chart of accounts of Mauritanian companies, inspired from the OHADA chart of accounts and the French chart of accounts.

This new chart of accounts has 8 classes:

1. result, 2. fixed assets, 3. stock, 4. third party, 5. financial, 6. costs; 7. products; 8. off balance sheet.

This chart of accounts is made of aggregated accounts (that oversee, for example, the 2 digit accounts) and expenditure accounts (3-4 digit accounts). The budgetary nomenclature is built up against a new chart of accounts, the latter implemented with a matching table between the two.

The system enables the switch between the budgetary nomenclature and the JISSR chart of accounts. It creates the link between the flow of public expenditure and the accounting system. JISSR presupposes 3 phases:

- The accountant's approval (phase which uses the table);
- Objections (when there are complaints from the tax service or from the justice)
- The settlement (which is automatically recorded).

The paymaster general does not issue accounting documents directly, but he relies on a workflow that sends the payment order to the Treasury (that processes and checks them) and when there is the approval, the paymaster notifies the expenditure system which gives the information via the interface to the accounting system and the interface sends the documents. The process is also valid for the two other phases: the objections and the settlements, an automatic flow which is more efficient and rapid.

Questions

Amadou Birahim GUEYE, Head of the Division of Modernization and Strategy in Senegal asks whether it is OK to have a class 2 account called “office furniture”, whereas it should be part of fixed assets and he asks whether there are amortization rules in Mauritania.

Within the UEMOA reform, there is a plan to implement the switch to accrual accounting with which there is the principle of direct recording of revenues and expenses in class 6,7, 1 and 2 accounts. Actually, Senegal has a modified cash basis (with recording of revenues and expenditures in class 9 accounts) and these accounts make it possible to draft the profit and loss account. Starting from 6,7, 1 and 2 class accounts, from which account is it possible to establish the profit and loss account?

Mohamed Saïd AHMED OULD ABDY replies that “office furniture” class 2 account is indeed a fixed asset account. But Mauritania does not wish to switch to modern accounting tools in order to solve this fixed asset problem because the tool in place brings a clearer overview and facilitates financial reporting. In the context of a new accounting plan based on assets, the result will be a deduction between expenditures and products.

Vincent MAZURIC asks whether Mauritania is confronted with payment delays and how the accounting reform estimates integrate amounts that are still yet to be paid.

Mohamed Saïd AHMED OULD ABDY replies that Mauritania reached the conclusion that it will never manage to get its public finance system healthy while it does not settle its cash problems. The Mauritanian treasury service guarantees that payments can be made so not to affect prejudicially the state’s suppliers. The Mauritanian treasury service respects a payment period of 5 days and on December 31st all ongoing budgetary orders are settled. There may be cash vouchers with delays in payments, but the Treasury tries with utmost effort to limit this type of payment. The credit balances for this type of payment are regularly settled every 4 years and they are considered as exceptional income.

Questions to all panelists

A participant asks Mohamed El Mokhtar BALLATY, from Burkina, what the Court of Auditors write in their audit report if all information on foreign financing coming from funding bodies is not available.

Mohamed El Mokhtar BALLATY answers that foreign financing was managed in by the Directorate General for Cooperation in the past which monitored all negotiations up to payment and there are many discussions so that the Directorate general of the Treasury could record all operations. The Court of Auditors did not question the accountants on this topic, because they analyze the documents and, because they are accountants, the documents are present.

El Hadj Moustaphe DOUMBIA, Inspector – Auditor from Mali, asks Mohamed El Mokhtar BALLATY from Burkina whether the implementation of the single Treasury account could reduce the settlement periods. He also asks whether the verification units have difficulties and whether they are logged in to IT networks so that the workflow can be automated.

A representative of Madagascar asks for more details from Mohamed El Mokhtar BALLATY, Burkina, on the accountant’s liability when the auditor from the Court of Auditors discovers an irregular expenditure while the authorizing officer ignored this irregularity.

The same Malagasy representative asks Allaoui ABASSE CHEIKH from the Comoros whether a 4-year prescription applies to delays in payment longer than 4 years.

A Senegalese representative asks Mohamed Saïd AHMED OULD ABDY from Mauritania how the process that generated the opening balance with the new nomenclature unfolded.

Christian Engelbert OGOUNGBE, Deputy Head of Expenditure Service from Benin, asks the Burkina representative whether there are project coordinators and, in this case, whether there is still the Directorate for Finance Management that provides the service.

A delegate from Mauritania asks the Burkina representative whether the arbitration body between suppliers and administration also intervenes in the payment order and payment phase.

Lassina FOFANA, Deputy Director of the Treasury from the Ivory Coast asks all panelists who are actors in the expenditure chain in decentralized municipalities what is the information system that underpins the management of these municipalities.

The 2nd question he puts, again to all panelists, is whether they can share experiences on the security of means of payment and the prerequisites that have to be implemented in order to switch to electronic processing and avoid paper containers at the Court of Auditors.

A Malagasy representative asks the Comoros delegate whether the information system for the management of the public sector balance is linked also to the budget and to the Treasury and whether the accountant can monitor the administrative status of a public servant and stop the payment in case of doubt, and whether this electronic workflow was a solution for “phantom” public servants.

Answers

Mohamed Saïd AHMED OULD ABDY, Mauritania, answers the questions he was asked.

- Yes, there were problems with the opening balance and practically all administrative staff had to be involved. The Treasury made the choice to modernize its tools and to push this reform so that it reaches all levels. The Treasury did not draft a real opening balance but for the inventory for its output balance for 2008 (that was to be found in the former accounting system) and with the help of experts, the Treasury identified the funds which were significant (the data on the funds dated back to the independence time and did not match the reality). All these debts were settled with the help of a law on debt settlement.

The Treasury will have to tackle all these problems when the political will is ready to activate accrual accounting there.

- To answer the Ivory Coast question: the expenditure workflow in municipalities is made up of the authorizing officer and accountant, who is the accountant and financial controller simultaneously. Now, the workflow was simplified: the accountant benefits from a new system which facilitates the management from the beginning to the end, including the budget, the control of spending limits with well monitored procedures, etc.

- With respect to payment periods, first cash problems that lead to public finance dysfunctions have to be solved. Measures are to be taken, especially the setting up of a monetary market so that loans can be taken locally. In 2005, the Treasury together with the central bank set up a local monetary market where banks could buy Treasury bills with their available cash and, with this tool, the Treasury managed to solve the problem of outstanding payments.

- On making check payments secure: there is the obligation to get a preliminary certificate and the bank can make the payment only upon presentation of this certificate.

Some other security mechanisms are in place, as well: specimen signatures, management of check numbers and series, etc.

- With respect to the switch from print to electronic, the Treasury's management account is regularly turned to electronic format for the paymaster general (95% of the state expenditure). The accountant's management account – for the accountant in charge with chancellery positions and that of the accountant in charge with de-concentrated expenditures in the provinces – are also about to be switched to electronic formats (with an IS and with online posting).

Allaoui ABASSE CHEIKH, the Comoros, answers the questions he was asked:

- With respect to payment orders that are not paid for a 4-year period, they are not settled.

- With respect to the expenditure flow at decentralized level, it follows the same steps as the one previously described at central level.

- With respect to security of payments, only the paymaster general can present a check at the central bank and cash it in. With respect to making the expenditure flow secure, it was switched to electronic format up to the Treasury, before the process of book entry. Before the switch to electronic format, some could get paid twice or thrice, but once the data was switched to electronic, there are no more "phantoms" among the civil servants, although there may be "phantoms" from one island to another (being a public servant at the same time at central and local level).

Mahamoudou BAMBONE, Burkina Faso, answers the questions he was asked:

- It is difficult to establish a direct link between the single Treasury account and overdue payments. With respect to the mechanism for the assessment of cash availability: for each accountant a cash availability threshold is established each year and, each morning, information on all availability on the territory is sent by fax.

- With respect to the security of means of payment, Burkina Faso wanted to make the step towards check certification, but there was opposition. However, a mechanism was set in place with banks that accepted this procedure in order to monitor the transfers made by tax and customs collectors.

- The difficulties with which verification units are being confronted come from the fact that they cannot be generalized since there are insufficient premises. In their daily work, there are not any particular difficulties. They are interconnected by a software that makes the automatic monitoring of the expenditure.

- With respect to consistency: the accountant makes sure that all documents that should be accompanying the payment order are there and that they are being sent to the right person.

- With respect to "delivered service": in the regular procedure, a reception form issued by the authorizing officer replaced the simple stamp on the overview of the invoice.

- The arbitration body does not interfere when payments are made, but only in the settlement phase.

- With respect to the management of municipalities: for Burkina Faso, the central government is involved in the drafting of their budget. This budget starts taking shape once the budget memorandum is signed by the Minister of the Economy and Finance and by the Minister in charge with Decentralization. With respect to the drafting of the municipalities budget, two structures from the ministry of Economy and Finance are involved: the Directorate for Tax and the Directorate of the Treasury, in charge with the collection of revenues. Once the budget is issued, it is submitted for validation to the central government and to the inter-ministry regional committees
- With respect to the switch to electronic format of documents for the Court of Auditors: the account management of the paymaster general and all the supporting documents add up to two truck-loads and the Court of Auditors is associated in this process for the switch to electronic format.



IV. Round table: “difficulties in carrying out the missions of the Treasury: resistance to change within the institution”

1.- Presentation of Ms. Viviane HOUENOU KANEHO, Director of the Training Center within the Treasury and Interim Director of the Directorate for Accounting Intelligence and Regulation of the Republic of Benin



Viviane HOUENOU KANEHO's presentation on the difficulties in carrying out the missions of the Treasury shall have two parts:

1) Internal resistance to change and the relations with other directorates within the ministry.

Currently, Benin is about to start a provisional change of the new directives within the harmonized framework of public finance within UEMOA. For the moment, no resistance has been noticed, but in order to avoid it, staff are involved in communication meetings – if the structure they work in and its functions are impacted.

However, we should point out that resistance to the implementation of the system according to which the positions of authorizing officer and accountant should be dissociated in diplomatic missions, and resistance among IT staff and other technicians to the change of the IT app.

There is also resistance in the application of the single Treasury account, especially with respect to reporting to the Caisse des Dépôts et Consignations, about to be set up, or to the National Amortization Fund, a structure within the Ministry of Finance and in charge with the management of external public debt.

With respect to the relationships with other directorates within the ministry, there is resistance in the observance of the correlation between available resources and commitments to expenditure, the lack of automated inter-connection between the public Treasury, on the one hand, and the Directorate for Tax and Customs, on the other.

This situation imposes manual connections which, very often, are not very reliable.

The non-integration of autonomous fund for amortization of the public Treasury led to the appointment of a public sector accountant of the Treasury in the institution managing the amortization fund, the receiver of the debt.

The policies targeting good governance are coordinated by the office of the minister in charge with Finance via a unit of public finance reform management and a unit responsible for the monitoring of economic and financial programs.

2) Difficulties in the relations with national and international partners, as well with the control bodies and the parliament.

At the national level, there are the following categories:

- social partners (trade unions) that do not always recognize the UEMOA norms or those of other world institutions and who put pressure on political actors for the recruitment of civil servants or raises – of salaries or of bonuses;

- companies that are suppliers for the state and that think the payment terms are sometimes too long;
- local authorizing officers that do not cooperate with certified public sector accountants in order to supply the supporting documents needed for expenditures made by municipalities through exceptional settlement procedure, nor do they always involve the public sector accountants in drafting the budget of municipalities.

At the international level, there are the following categories:

- technical and financial partners, with whom the troubles have to do with difficult and sometimes inaccessible conditions, and sometimes the lack of comprehensive information on external donations;
- the control body and the Parliament – the relations with the internal control body, the administration and the Parliament are well structured.
- At Parliamentary level, the LOLF of Benin stipulates that the draft bill on management regulation should be submitted to vote in the 1st day of the budgetary session of the year n+1, otherwise the draft bill on finance for the year n+2 shall not be studied or voted.
- The difficulties are more related to the financial jurisdiction, since the latter does not really take into account the deadline when the regulation draft bill has to be submitted to the National Assembly to give full discharge for the report on the implementation of the finance legislation and to issue the statement of general conformity. The jurisdictional control of the state's management account and local municipalities is still only beginning.

2.- Presentation of Mr. El Hadj Moustaphe A. DOUMBIA, Inspector-Auditor, the Control Division within the National Directorate for Treasury and Public Sector Accounting in Mali



El Hadj Moustaphe A. DOUMBIA recalls that, a few years ago, Mali started a series of reforms of public finance and the difficulties with which the Treasury were confronted in carrying out their mission are ongoing.

A governmental action plan for the modernization of public finance is coordinated by a unit within the ministry of Economy and Finance and all questions related to a better management system of the public finance benefit from an inter-ministerial and inter-disciplinary approach via this unit.

The Treasury is in charge with the financial and accounting function of the central government and of 763 local governments. A national directorate coordinates the activities of 3 specialized accounting titles (general payment of the Treasury, central accounting agency of the Treasury, and general revenue of the Treasury).

- At regional level, the Treasury has regional branches with senior accounting officials.
- At local level, the Treasury has more than 100 prefects that implement a part of the central government budget, as well as that of local municipalities.
- In the diplomatic missions of Mali, the Treasury has 44 accounting headings abroad.

What are the difficulties related to budgetary and accounting actors?

Some thematic committees were put in place in order to support the ongoing reforms, in order to have as many staff involved in the analysis on the reforms of the Treasury.

- All applications specific to a profession were integrated in a common application within the Treasury that comprises the whole revenue and expenditure workflow for the accounting centralization.

- With respect to these reforms, the main problem comes from the shortage of staff. The 2nd difficulty lies in training: the Treasury does not have continuous training center for its staff.

- The computerization process faces the problem of internet and electronic networks not fully deployed all over the territory and the accounting titles cannot be connected. Consequently, the deadlines for accounting are not respected, since the transmission of accounting information generates very many problems.

What difficulties are there in relation with the national and international partners?

- Within the expenditure flow, there is a problem related to the interface between the Treasury application and the one used by the authorizing officers. Information is downloaded directly by authorizing officers in the accounting application for the processing of payment orders. The general payment department is thus connected through this interface with the Treasury which has the advantage of haste. However, the interface generates problems for the other accounting headings that present connectivity issues.

- Another major difficulty in the expenditure flow is that the complimentary period (which has to be an accounting period) is used by authorizing officers for mandatory payments.

- Scarcity in budgetary regulation is another problem. Cash plans are observed, information is sent to all, but budgetary regulation is not carried out consistently which leads to accumulation of arrears since there is no classification of payment orders correlated with revenues.

- In the revenue flow, the difficulty comes from the fact that collection services are late with the accounting data (since there are cashed in monthly and sometimes, in order to record them, they wait until the next month) and the Treasury's accountants get the full information only on the 5th or the 10th of the month.

3.- Presentation of Mr. Jean-Luc HELIS, Chief economist within the Public Finance Division of the IMF Public Finance Department.



Jean-Luc HELIS speaks about the resistance to change within services of the Treasury, relations with other partners and difficulties that emerged at the implementation of a good governance of public finance.

In all countries, Treasury services are a self-contained institution and a bit passive when it comes to reforms. This is probably related to its functions (“guardian of the temple”, pedestal of public finance management, last bastion ...), it is difficult to move a pedestal and a guardian is more on the defensive! There is therefore reticence to reforms that aim at making civil servants accountable. Is this probably related to the fear of losing some of the power and command of information, or probably they are perfectly aware of the management of public finance and of the difficulties reforms could engender?

The IMF has the feeling that Treasury services could be more proactive getting involved in all reforms related to public finance so that they should not suffer from negative consequences afterwards.

The organizational aspect - if the country is very deconcentrated - also represents a constraint when the reforms are to be implemented, should there be need of a single cohesive voice.

Reforms of the public Treasury are often extremely sensitive – on topics such as transparency, efficacy and efficiency of the expenditure – and directors do not always want that. Transparency brings along or dangerous consequences with which some do not want to be confronted.

There are economic aspects as well: to adapt the reforms when there is a crisis or if the resources are scarce, sometimes also with staffing, means connectivity problems as well.

There may be also bad practices: no observance of the complementary period, extra-budgetary expenses... How can the Treasury (which has been trying to implement a pro-active cash management system) correctly manage the cash when we demand the payment of a significant extra-budgetary expense that comes to disrupt the implementation of the expenditure?

In terms of relations with other directorates within the Ministry of Finance, if the budget is not credible or complete the Treasury has many difficulties in implementing it.

Likewise, accounting is a tool used for budget forecasts. Consequently, economists need reliable, complete and rapid data on budget implementation in order to prepare the following budget.

Consequently, economists and accountants, as well as the Budget and the Treasury need to work together in order to prepare the budget.

In terms of implementation, there are sometimes gaps in the expenditure or information flow, including within the Ministry of Finance or between the different units of the Ministry of Finance.

When the Budget gets involved in the budget implementation, the IMF notices that information on commitments, payment orders or mandates can be obtained, but not on payments. In return, the Treasury does not often have access to information on commitments. A gap in the flow can come either from the IS or from some kind of information hoarding.

There are also problems related to tax and customs administration: the accountants from this institution have a dual role: customs officer and accountant. Beforehand, accountants of the Treasury were to be found in these administrations and insured certain centralization and accounting quality.

In many countries worldwide, tax and customs administrations become more and more independent, they are paid according to how much they collect and we realize that these agencies largely increase tax and customs collection and, inversely, there is less accounting data and data on collection.

What can be done in order to fight against these difficulties? The Treasury can be very proactive and get involved in all suggested reforms. There is room for development of reforms which should be pragmatic and cater completely to needs and capacities, to be correctly coordinated and which can take into account the economic and political context.

1st series of discussions

Mariama ABDOU ABODO, Coordinator DGCPT, Union of the Comoros, makes the following remark: each participant is confronted with difficulties generated by national and regional requirements, requirements from donors and lenders, regional directives (UEMOA, CEMAC, etc.) and they have difficulties in meeting all these requirements. The Treasury is at the end of the line and it is always concerned by the implementation of these measures. Transparency is also difficult to implement in the Treasury where employees are beholden to the duty of professional secrecy.

A Burkina Faso representative asks El Hadj Moustaphe A. DOUMBIA if in Mali, an accountant can manage at the same time local and central government operations.

A Haitian representative highlights Jean-Luc HELIS's remark that the Treasury should be proactive. During IMF missions, all recommendations are sent to the Ministry of Economy and Finance and the Directorate General of the Treasury is supposed to report on budget operations, but it is difficult to get information from certain areas (big investments, etc.).

Jean-Luc HELIS grants to Mariama ABDOU ABODO that the Treasury officials are simultaneously under the pressure of national and regional constraints, but also under that of donors; something which is not always easy, for the authorities of a country to implement reforms and also to meet all these requirements and constraints.

Donors are very happy to meet, when they go to a certain country, individuals who know what they want to do and who are ready to supply some information. Transparency to donors is one thing, but a decision maker needs all the useful information in order to make a decision. Transparency is a topic to be analyzed at the national level, not only in relation to donors.

Many countries have some type of budget duality with a specific unit in charge of preparing the public investment plan, of the investment budget and which often implements external financing, and the Treasury is often helpless when it comes to centralizing all the information and consolidating all the data.

El Hadj Moustaphe A. DOUMBIA answers that the collectors are senior accountants in municipalities and 2nd rank accountants for the state budget. They are the link between budget implementation at central level and budget implementation at local level.

2nd series of discussions

Serigne Amadou SEYE, Director of public sector accounting in Senegal, discusses the presentation delivered by the Benin representative on the difficulties with which public sector accountants are confronted in their relation with authorizing officers, especially for the accounting and financial management of local municipalities. For the mayors who do not want accountants of the Treasury to participate in the drafting of the budget, contrary to the law, maybe the accountants of the Treasury shouldn't ask for the drafting of the budget at this level.

Mohamed Saïd AHMED OULD ABDY, technical counselor DGTCP Mauritania, adds recommendations in order to find solutions to the difficulties of centralization in a large country: the collection accounting headings offer input for cash management and must be distinct from the expense accounting heading in order to optimize their role, and the accounting headings that record many operations must be linked in priority to the network.

In terms of collection units and the Treasury, the receipts issued by the Treasury are the basis for this interaction.

In terms of IMF recommendations on cash management with more cash, this is difficult because the debt is reimbursed with interests, but without revenues; first partners have to be persuaded to deposit money with the Treasury, because deposits generally do not stay with the Treasury.

Lotfi MISSOUM, Director in charge with Control, Audit and Inspection in Morocco, notes the persistence of expenditures towards the end of the year, despite circulars encouraging a breakdown of expenditures during the whole year.

In terms of matching the financing lines with the real financing possibilities of the Treasury, each year the Treasury should be asked to settle its expenditures towards the end of the year in order to meet its objectives.

Because of lack of tax compliance (the amicable collection rate for Morocco is 55%, the other revenues coming from forced recoveries), the General Treasury made use of third party notifications, because – via its central recovery treasury – it knew how to consolidate recoveries carried out by all collection officers in the Kingdom. This generated some turpitude in the Parliament and banks were sending messages to the Treasury explaining that some customers would withdraw their cash and store it in safes. This challenged the legitimacy of using third party notifications.

There is also the problem of inadequate recovery tools for some taxes. The Recovery Code applied for debts of the state is equally applicable to local municipalities, where some quotas – related to local taxes – cannot be increased. When the debtor refuses to pay voluntarily, they do not make the object of penalties.

There is also the issue of getting justice to be moral: some taxpayers, that owe important debts to the Treasury are reluctant to pay, and they make use of their influence with the justice in order to escape their obligations, therefore the need for an in-depth reform of justice is there.

Local municipalities find it difficult, because of their limited administrative power, to be autonomous from the central government in mobilizing their own resources and they have the tendency to rely exclusively on the Treasury services to recover their taxes

Viviane HOUENOU KANEHO addresses the question given by Serigne Amadou SEYE: accountants will not take the mayors' place. They are in the mayor's committees of budget drafting, and if the budget increases by 80% year to year, or if there is a significant imbalance between revenues and expenditures, who is supposed to pay for the mayors' expenditures? The accountant. That is why he is the mayor's consultant. He must be in the budget adoption committee.

With respect to project-based donors/lenders, Jean-Luc HELIS grants that, sometimes, these are not even coherent: they ask, on the one hand, to have a complete budget, to maximize the revenues and to be able to have a more active cash management and, on the other, they deposit their funds with commercial banks and they implement projects without always releasing all the information.

For the fact that some countries decided to have autonomous tax and customs administration, an institution that has its own budget and is partially financed according to the performance it has in tax collection, this works very well in terms of collection, but, in terms of accounting, since there is no public sector accountants, this turns into a bit of black hole where corruption problems develop. It is worrying to see how revenues increase, on the one side and, on the other, how much information is released. Some countries became aware of the problem and made it mandatory for these agencies to deposit all revenues in the single Treasury account and to supply accounting information. And, it is only after having checked this information that performance related bonuses are granted. Thus there should be a good balance between possible solutions in order to maximize revenues preserving reliable, complete and relevant information on operations.



V. Roundtable: “difficulties in carrying out the Treasury mission: relations with other directorates in the ministry, national and international partnerships, control bodies and the Parliament”

Viviane HOUENOU KANEHO explains that, with respect to difficulties experienced during controls, many countries have problems switching from the Audit Chamber to the Court of Auditors: it generates debates and even, from a political point of view, it creates huge problems.

Viviane HOUENOU KANEHO asks whether the switch from Audit Chamber to Court of Auditors necessarily leads to a change in Constitution.

El Hadj Moustaphe A. DOUMBIA explains that for Mali, difficulties lie at the central level, with the Central Bank of West African States (Fr. BCEAO) (which works with Mali for the process of implementation of the single Treasury account) and the Treasury is about to sign a temporary agreement for the management of the single account.

The difficulty in cooperating with this institution is that the BCEAO is only present in 2 regions out of eight in Mali. Consequently, the idea of implementing a single treasury account is blocked because, in the other regions, where there is no BCEAO presence, Mali would be forced to work with local commercial banks. This is one of the difficulties experienced in working with this bank which, for the moment, does not want to get into a tripartite partnership so that the Treasury could have a system which includes, in those regions, primary banks in the implementation of the single treasury account.

The main partner of the Treasury in Mali is West AFRITAC which assists Mali in the implementation of public sector accounting and its modernization.

What can be puzzling with these partnerships is that sometimes, a piece of advice is given in a precise industry, whereas the opposite is advised in the neighboring country.

In Mali, there is a directorate general that manages the public debt, independent from that of the Treasury. The West AFRITAC delegation suggested moving back this directorate within the Treasury, whereas for the Ivory Coast, the advice given was to carry out this directorate, and to make it autonomous.

One of the difficulties is the number of donor procedures, which considerably set back the withdrawals of budget supports and have a big impact on the Treasury’s cash forecasts.

With respect to the relations with control bodies and the Parliament, Mali has 4 main control bodies:

- accounts departments, reporting to the Supreme Court: Mali does not have a Court of Auditors and, as for Benin, for this institution to be created, the constitution needs to change;
- the Office of the Auditor General, inspired from the Canadian example, is an independent authority: the Office of the Auditor General is appointed for a 7 year, non-renewable mandate and he can check all the public funds; he also assesses the public policies and performances;
- general control of public services: it reports to the Office of the Prime Minister via a control body that can also control all the administration of public funds usage;
- finance inspectorate, reporting to the Ministry of Economy and Finance.

These numerous control bodies are detrimental to the Treasury public because they target public sector accountants and, also, some control assignments are overlapping, and accounting headings can be subject to 3 or 4 controls.

There are no specific difficulties with the Parliament in the absence of direct relations with the Treasury. All technical questions on settlement bills that the Treasury must draft are sent to the Treasury via the Office of the Minister of Economy and Finance.

Jean-Luc HELIS makes some additional comments.

With respect to the relation between the Treasury and the control bodies, numerous control bodies are indeed a problem. In Mali, there are more controllers and auditors than staff working for the Treasury. Sometimes there is understaffing for budget implementation whereas the controllers are much more numerous.

We focus on regularity controls, on Treasury control, and sometimes we forget to make relevant risk analyses and to try to check the real concerns and risks.

The control of the service provided is central and it is an element on which control bodies should focus.

The relations with the Court of Auditors are sometimes formal and then, the Court of Auditors expects to receive all documents, well structured, in order to carry out controls and, inversely, the Treasury complains sometimes that the Court of Auditors does not have the capacity to properly assess the accounts.

There is a real need to set up a bigger cooperation between the Treasury and the Court of Auditors, to agree on how to work, so that information can be sent gradually in order to avoid the log jam at the end of the year. Everything has to be done so that the Treasury and the Court of Auditors work together very efficiently.

Sanction systems show very little efficacy in general. Probably, at Treasury level, with personal and financial liability, the Treasury staff must feel a bit in the position of the victim, because it is this type of liability that is at stake, but we notice that for the authorizing officers' liability there is still a lot of room for improvement, but in order for the sanctions to be efficient, they need to have an impact on the implementation of a better governance of public finance.

With respect to IS integrated and shared by all partners, it is absolutely essential to computerize all actors of the expenditure flow and to get the data electronic and safe. However, it is rare to see integrated IS for public finance management that work entirely.

The IMF supported, in a country, a fully integrated IS for the preparation and budgetary implementation. All actors were connected, control bodies included suppliers as well as donors. This tool seemed extremely efficient, but the reality in the country was forgotten: sometimes there was not even electricity and the suppliers would not agree to provide their services until they had first been paid. Consequently, the expenditure flow could not be monitored and seen in the information system. We forgot that when the service was disconnected, people continued to work on printed documents and, once the connection was re-established, we did not integrate this data in the IS.

The result: an excellent tool, very reliable, but difficult to use. Not to mention that we forgot to include the budget for maintenance.

It is essential to take into account the country's realities, its needs and its capacities. These types of reforms have thus to be very well planned, while staying very pragmatic and cautious, and should plan on sufficient time and means in order to carry out these reforms.

With respect to the relations with international partners, the issue of deposits in commercial banks and delays in budgetary withdrawals was debated. The IMF spoke with other donors on the necessity to adapt to the national context (for instance, to each country's calendar for budget preparation) in order to help them have the best budgetary preparation possible and to better plan their withdrawals.

With respect to technical assistance, there are coordination problems between different technical and financial problems so that, sometimes, lack of consistency in recommendations and overwhelming technical assistance can be detrimental to the functioning of services. However, during these last years, some improvements can be noticed.

The IMF understood that its missions of diagnostics and advising were not enough and that countries needed partners to support them implement this advice.

Even if diagnostics became less important, tools can be very interesting, PEFA can give an overview, at a certain point, on strengths and weaknesses of the management system of public finance. The new transparency code of the IMF made authorities' interest for this type of tools that focus more on financial risks visible.

The moderators ask Viviane HOUENOU KANEHO whether the management coordination of public finance in Benin is attributable to political bodies or to the Ministry of Finance itself.

Viviane HOUENOU KANEHO answers that the coordination is operated at the office of the Minister of Economy and Finance.

The moderator asks El Hadj Moustaphe A. DOUMBIA if there were any problems with the implementation of reforms in the relation with the Court of Auditors.

El Hadj Moustaphe A. DOUMBIA answers that the Court of Auditors in Mali has been having difficulties in its functioning for more than 50 years and that it did not really assess the accounts of public sector accountants until 2010 when it implemented an accelerated system of assessment of these accounts. It used to be a smaller structure of the Supreme Court and it did not have all the necessary human resources for this activity, but it is about to be restructured.

Questions

Bachirou MOHAMADOU, deputy director for regulation of the state budget and accounts of Cameroon, shares experiences from his country on the issues debated.

With respect to the relation between the Court of Auditors and the Treasury, Cameroon has a Court of Auditors, which is in fact a 3rd subdivision of the Supreme Court. CEMAC directives require for each country to have a Court of Auditors. If the Court of Auditors in Cameroon does not show opposition to its transformation, politicians are more reluctant for the change. This body is in competition with another control body, the ministry in charge with superior control of the state, a delegated ministry in charge with control (equivalent to the inspectorate general of finance).

With respect to the relation between the Court of Auditors and the Treasury in Cameroon, a permanent consultation framework between the Court of Auditors and public sector accountants was set up. This was done following a decision of the Minister of Economy and Finance in 2008 and the justification given was that the institution was new. Its primary role was to assist public sector accountants in their assessment of accounts.

With respect to the IS, AIMF provided Cameroon with the Simba software, a software for the management of municipalities' budgets and accounting. Since this software is in use in municipalities, a significant improvement of the management and budgetary system of municipalities could be noticed.

An Ivory Coast representative takes the floor and speaks about the recent setting up of a Court of Auditors, after the constitution was revised. Indeed, the Ivory Coast set up its Court of Auditors on October 30th, 2014, as it was stipulated but the institution is not functional yet.

This pertains to the Government's transparency policy in the management of public funds. Given the significant number of ongoing investments and the President's medium term policy, a commercial court was set up, something which enables to do away with obstacles. The Ivory Coast was in fact ranked 10th in the "Doing Business" list of the World Bank. The transformation of the Office of Auditors into the Court of Auditors was done in the spirit of transparency. This new Court of Auditors will be more independent with larger powers and should succeeded in setting up a State Council and a Court of Cassation.

A representative of the Union of the Comoros explains that if they undertake funds from the World Bank, for instance, they are allotted based on the project and have to be reimbursed by the state. The reimbursement is recorded by the Treasury as expenditure, whereas the funds are not recorded as revenues.

The subventions for the state should be recorded as such in accounting records issued by the Treasury, because otherwise they distort the Treasury's data and analyses.

Abdoulaye ISSAKA, Coordinator of the Training Unit of the Treasury in Niger, comments on two elements discussed during this meeting.

Until 2009, Niger had an Office of Auditors within the Supreme Court, which was in charge with the assessment of public sector accounts.

Starting with 2009, the new constitution enabled the setting up of the Court of Auditors. The switch from the Office of Auditors to the Court of Auditors was managed by the Ministry of Justice in cooperation with the Ministry of Finance and its establishment was not overwrought. However, the new structure does not always have all the necessary staff to be able to carry out its missions.

The management of public debt is currently done by the Directorate general of the Budget. The reform process follows the UEMOA guidelines for reforms, so the public debt should be taken into consideration by the accounting system.

The Treasury suggested that debt management could be transferred to the Directorate General of the Treasury and Public Sector Accounting, but the suggestion was not taken into observance.

Consequently, the general accounting of the Treasury does not monitor the public debt. The debt is recorded only at the phase of receipts and withdrawals, but there is no assessment of the country's debts in the Treasury's accounts.

The setting up, in 2012, of a Planning Ministry only made things worse, because this ministry manages all external financing, including the debt service. There is lack of cooperation between the Ministry of Finance and the State's Planning Ministry with respect to which of these is to manage the debt.

A Moroccan representative takes the floor and talks about the relations with lenders and about constraints in the implementation of reforms. He speaks about mutual trust and adaptability of planned reforms to different environments and to the capacity of implementation of certain reforms, to which additional demands of highlighting certain financing sources for projects that get financing come, and thus accounting harmonization is at risk.

For the technical assistance, the country knows very well what it wants, but it needs an expert to say the words "this is what the country wants". The country also needs to go through a process of calling for applications in order to recruit the experts or to resort to a consultancy company that might help the country to obtain assistance, and this process takes a lot of time.

With respect to indicators, PEFA or OECD/DAC indicators are often used, and they change a lot, without any consistent method in this changing processes.

With respect to regular reviews: for projects financed by lenders, sometimes more time is spent to answer the questions than to carry out the process itself.

A Burkina Faso representative shows that there is no major problem in the relation between the Court of Auditors and the Treasury. He mentions some conflicts inside the institution, because there are two categories of staff: those with a financial background and those with a legal background.

With respect to agreements with lenders that stipulate that an account should be opened with a primary bank in Burkina, the ministry concerned makes a demand for the opening of a bank account with the Ministry of Economy and Finance. The former then opens a Sub Account of the single Treasury account with the BCEAO and all transfers are made mandatorily via this Sub Account. The Treasury can thus monitor these finances before it makes the transfer to the suitable bank account.

With respect to how present the Central Bank is in the regions, in Burkina, all regional treasury offices have an account with the BCEAO (Sub Account of the single account).

A Malagasy representative asks for Jean-Luc HELIS's opinion with respect to difficult periods, when the state often blocks financing, this in relation to the Keynesian theory according to which the state should step in, to inject liquidity in the economy through orders or programs of public expenditure in recession periods. Is this blocking a good practice for a state that has budgetary difficulties, given the fact that programs of public expenditure have a multiplier effect for investments?

Answers

El Hadj Moustaphe A. DOUMBIA says that Mali followed the Burkina Faso example for the implementation of a single Treasury account and proposed to BCEAO a management transition agreement in order to make this process secure.

Viviane HOUENOU KANEHO shows that all countries undergo difficulties in having a single Treasury account without accounts opened with primary banks and asks Madagascar to make recommendations, because there they seem to have made it.

Tianamandimby RAJAONARIVONY RAMANOEL answers that the reform for the implementation of the single Treasury account is not finished yet in Madagascar. The main text that regulates the approach is a 1962 decree on cash management that makes it compulsory for all public bodies to deposit their funds with the Treasury. Starting with 2013, the decision was taken based on this decree, to close down all unauthorized deposit accounts and to recover the funds of public bodies from primary banks that did not have the authorization of the Ministry of Finance and Budget. It was a first step in the setting up of a single account.

A second step referred to the relations to be implemented with the central bank of Madagascar via the compensation system with this bank. Once the funds get back to the Treasury, they have to insure the financing of the Treasury and of all public bodies that report to the Treasury. This proactive cash management system will be carried out with the Central Bank of Madagascar.

Jean-Luc HELIS addresses the questions he was asked.

- Is the blocking of budgetary funding a good practice? If the funding is not blocked, what happens? This can generate significant arrears and the medium term impact be even more serious. If every year, after 6 or 8 months, the funding is blocked, this means that the budget is not realistic and that the budgetary forecast needs to be reviewed in order to adapt the budget to revenues.

However, if this is only a temporary situation, related to a crisis or to a natural disaster, it is probably better to regulate for a certain time, in order to avoid problems or more dramatic consequences. Everything depends on the nature of the difficulty.

- With respect to the stability of indicators, it is clear that in order to assess the progress made, there should be stable indicators on medium and long terms. PEFA's policy is not to change all indicators, but rather to introduce some new ones that are not to be found in the current framework.

- With respect to the single Treasury account, there always is a grand view on this topic. Obtaining a real single account of the Treasury with all governmental accounts, and for the lenders to deposit their funds using this money, is a situation that can be found in very few countries. It is a goal, but then there are different phases to go through until it is reached. We should be pragmatic and realistic: are we sure to have a global view on all accounts opened on the name of governmental institutions? The priority is to have a list with all these accounts. A single treasury account is a medium term process and plenty of things can be done before this happens.

A Senegal representative talks about his country's experience with respect to the relations between the Treasury and Court of Auditors. The Senegalese Court of Auditors was set up in 1999. In the beginning, there were some issues between the Court of Auditors and the Treasury because of the settlement bill, but relations got on a smoother path and this enabled them to catch up on 14 years of delay in the drafting of the settlement law.

- With respect to the accountants' personal and financial liability for the presentation of management accounts and the assessment of these accounts, there are still efforts to be made with the Court of Auditors because there is understaffing and lack of premises.

There are also difficulties related to the interpretation of texts related to the production or lack thereof for the administrative account of the authorizing officer or the general account of the finance administration. In 2011, the declaration of conformity was issued for the administrative account and the management accounts run by public sector accountants. In 2007, this law was modified in order to record the general declaration of conformity among the accountants' accounts, with the general account of administration and finance. Since then, the Court of Auditors considers that the declaration of conformity is no longer relevant and that the general account of administration and finance is the complete overview of all management accounts run by public sector accountants.

Can the relations with technical and financial partners sometimes contribute to resistance to change? Some reforms are conditions imposed by these technical and financial partners and the state is sometimes made to implement reforms, without the latter being ready for them, and this generates difficulties. Within UEMOA, the reform was ready at the end of 2007-2008 and directives were adopted in 2009. These reforms stipulated some regulations the states were not yet ready to enforce.

For Senegal, the directive stipulated for the implementation of accrual accounting that revenues should be recorded according to income statements or, should that fail, after issuance of the security. When the directive was transposed, the order was changed because it was not possible to record revenue when it was declared.

Jean-Luc HELIS considers that UEMOA directives did not come from some kind of a superior authority. The countries participated actively to the drafting of these directives, they could express themselves and talk about their problems. Technical and financial partners want the situation to progress in a realistic manner, but countries should be pro-active and suggest reforms, that they should come with their own proposals for improvement so that a true discussion can take place.

VI. Presentation of specific cases illustrating the topic of: “Accounting reform: purposes and implementation difficulties. National accounting standards converging towards international standards”



Abdoulaye DIENG, Director General for Public Sector Accounting and Treasury in Senegal, the moderator of this session, points out that accounting standardization contributes to the reinforcement of economic and financial governance, producing credible, transparent and reliable accounts drawn up following an accrual-based approach. Accrual-based accounting is capable of providing a precise and complete representation of countries’ financial positions.

In multi-country organizations comprising economic and financial communities, the unification of public accounting standards ensures reliability and comparability of financial and macroeconomic data used for multilateral surveillance or budgetary policies’ monitoring.

1st PART

1. Morocco’s presentation



Lotfi MISSOUM, head of the Directorate for Control, Audit and Inspection in Morocco, explains that the current underlying basis of public sector accounting rules (and their purely budgetary and cash-based underpinnings) have been severely rattled in recent years by the:

- the international financial crisis and excessive debt (100% or even 200% of GDP in certain countries);
- the increasing expectations of international rating agencies (whose ratings are decisive for countries’ access to international borrowing at reasonable interest rates);
- the need to establish public aggregates starting from a homogenous and consolidated basis (IPSAS Board);
- the need to prevent the fraud inherent to the handling of financial data.

This leads to the establishment of international accounting standards in the public sector. The purpose consists in unifying existing public sector standards by turning to non-governmental accounting standards and envisaging, if appropriate, their implementation in the public sector.

The 2011 Constitution has brought about significant changes to the political climate in Morocco by means of:

- a new vision of power-sharing between the executive, the legislative and the judiciary;
- the supremacy of the House of Representatives, elected by direct universal suffrage, was established;
- the responsibility and accountability of decisions, which compel public managers to be accountable;
- the control that the Parliament exerts over governmental actions and the new role of assessing public policies attributed to the Parliament;
- citizens’ right to receive financial information.

The new Constitution stipulates in article 154 that “public services are bound by quality, transparency, financial reporting and accountability standards”, and article 155 adds that “public bodies report on their management of public funds and, in this respect, are subject to control and evaluation”. Reform of public sector accounting plays a major part in rendering this new public financial management effective.

With this switch in the accounting paradigm and the transition from cash-based to accrual-based accounting, the reporting on public cash-based accounting will focus solely on monetary flows and will entail the documentation of operations upon cash inflow and outflow. Accrual accounting entails documenting operations and other events as they occur, not upon inflow or disbursement, and it seeks to contribute to the understanding of the state’s financial position by underscoring all of its liabilities and resources.

Public accounting reform in Morocco centered on a set of accounting standards, comprising 13 accounting standards as well as a chart of 13 public accounts outlining the modus operandi of the accounts.

The preparation works for the opening balance sheet based on the new public accounting philosophy were carried out both in what concerns the inventory of state assets and the valuation of its assets and liabilities.

Questions

Abdoulaye DIENG, Director General for Public Sector Accounting and Treasury in Senegal, expressed his surprise with the presence of class 9 accounts within the classes of accounts (its purpose is to track budget implementation and to render the budgetary outturn) and would like to know the reason behind maintaining class 9 in Morocco’s chart of accounts given the steps taken towards the set-up of accrual accounting.

Serigne Amadou SEYE, Director for Public Sector Accounting in Senegal, was very interested in learning more about the process leading to the drawing up of the opening balance sheet in the framework of accrual accounting (aimed at the inventory, registration and valuation of state assets) and wonders about the assets that could not be counted in: certain assets pertaining to the state whose valuation might be problematic.

Hortense Béatrice BONI, Deputy Director General for Treasury in Burkina Faso, wants to know how Morocco managed the transition from public to private accounting.

Mahamoudou BAMBONE, Director for Studies and Financial Regulations in Burkina Faso, wants to know what was the method used for assessing the value of infrastructure.



2. Cameroon's presentation



Julien ABOUEM, Senior Inspector for Financial Rules with the Treasury in Cameroon indicates that his country is implementing a series of reforms meant to standardize public financial management with a series of standards being implemented in order to improve reporting quality and credibility in the eyes of international lenders.

In what concerns public accounting, Cameroon is in a transitional phase from the 2007 framework on government finances to the CEMAC plan. It has set up a reform committee and a working group on the implementation of accrual accounting.

In order to mitigate institutional risks, given the absence of an act incorporating CEMAC directives, based on its regulation powers, the Director General for Treasury includes data related to the reform of the chart of accounts and to the directives in the instructions it issues. This prevents the reform from being stalled, the other alternative – an amendment of the act and the application of decrees – being extremely strenuous. In Cameroon the public budget is viewed as a redistribution and geographical planning tool while in OECD countries it is more of an instrument meant to regulate the economy. Consequently, people in Cameroon fear this reform that will alter certain practices related to the distribution of national wealth and there is hesitation with politicians when it comes to fully implementing the directives.

There is no inter-ministerial body coordinating the reform when, in fact, a highly-positioned body is needed in order for the reform to be implemented properly.

There is also a lack of the required expertise for the inventory and valuation of state-owned assets, an ineffective cooperation with the heads of public bodies, and little adaptation of the information system.

In terms of training, it is difficult for accounting officers to abandon the old cash-based management practices and to stop seeing things from the perspective of state payables and receivables, while financial data is of critical importance for investors and lenders.

Questions

A representative from Madagascar would like to know what the current accounting system in Cameroon is: cash-based accounting, a revised cash-based system or an accrual-based accounting system whose implementation is in progress. What is the classification of accounts?

One attendant wonders about the strategy used for reform implementation from the perspective of the hierarchy of regulations and how the Court of Auditors feels about this.

3.- Presentation by the Council for Public Accounts Standardization



Marie-Pierre CALMEL, Secretary General with the Council for Public Accounts Standardization (CNoCP), indicates that this body is tasked with standardizing the accounts of the whole of public bodies and with private bodies also getting most of their funding from public resources.

CNoCP is an advisory body with no regulatory powers and will just issue opinions that are forwarded to the minister for budget and public accounts.

CNoCP was set up by means of the 2008 law on government finances, supported by a strong political will.

France has two accounting standardization bodies: the Authority for Accounting Standards (that draws up accounting rules for the private sector and reports to the ministry for Economy); the CNoCP that reports to the ministry for Budget and Public Accounts. Coordination between the two is ensured because the President of the Authority for accounting standards is a member of the Council for Public Accounts Standardization (this arrangement is to be found also at international level with the IFRS standards for the private sector and the IPSAS Board standards for the public sectors).

CNoCP comprises about 20 members, amongst which a representative of the Court of Auditors, a DGFIP representative, a representative of the Directorate for Budget, a representative of local governments, a representative of the local sector, a representative of the social security body...which allows for proper coordination and renders accounting standardization more dynamic.

CNoCP is not a department within DGFIP, but reports to the ministry for Budget and Public Accounts. This was a bold political choice that sometimes leads to heated debates between DGFIP (that is tasked with the financial reporting on governmental accounts) and the Court of Auditors, and there were instances where the CNoCP arbitrated between the diverging opinions of the other two stakeholders.

CNoCP's "core business" consists in drawing up accounting standards and is currently working on the publication of governmental accounting standards. Another publication that it is working on will comprise a collection of standards for public bodies. CNoCP is also very present internationally within the IPSAS Board.

Private and public accounting systems have been distinct for a long time because they fulfilled different purposes and needs.

Traditional public accounting only consists in recording budget-related operations whereas private accounting provides information on wealth and debt.

This evolution of public accounting entails both organizational adjustments with a consistent change in culture and a new set of accounting standards covering both recording and control practices.

Where governmental accounting standards are concerned, France is extremely willing to engage in accrual-based accounting. Accounting records are no longer triggered by cash inflows and outflows and will consider wealth and debt. Accrual-based accounting is an accounting system typical of companies, but adjusted considering the particular features of the public sector (a system with an enormous quantity of subsidies and transfer operations, absent from the private sector, that need to be addressed).

The collection of governmental accounting standards comprises 17 standards and will comprise 19 in the near future as standards' revision is a permanent process. The standards do not contain any account number or classification, they consist of explanatory instructions. The accounting standardization body devises the accounting strategy and decides whether an asset should be valued at market value or at its historical cost. Then, it hands it over to the DGFIP that will establish the chart of accounts and accounting schemes in line with the accounting strategic guidelines decided by CNoCP.

The standard is set based on all the existing factors: the general French chart of accounts, the international IFRS private standards and will incorporate the features that are most suited to the French regulations. A set of accounting standards for public bodies is in preparation and will be issued as a ministerial decree.

Questions

Vincent MAZURIC wants to know what is the political impact attached to reporting directly to a minister and whether CNoCP can, out of its own initiative, conduct benchmarking against other countries or European institutions.

Bachirou MOHAMADOU, Deputy Director for State Budget and Accounts Regulation in Cameroon, wonders about the legal value of standards and about the body that will rule, in case of disagreement, over a certain standard.

Answers

Lotfi MISSOUM answers the questions addressed to him:

- Regarding the reason behind keeping class 9 accounts in the classification of accounts: it was useful to keep it in order to show the results of the implementation of the law on finances in terms of revenues and expenditure for the operating budget, as well as for the autonomously managed governmental bodies and for the Treasury's special accounts.
- Concerning the process leading to the drawing up of the opening balance, we went for a practical approach entailing the contribution of directorate managing state property, which operates within the Finances Ministry (and is tasked with managing all state properties). Certain corporeal assets were not inventoried: forestry production, historical patrimony, certain stocks etc. The ISPAS standard allows for a 5 year term for a country to complete an exhaustive inventory of its assets.
- As regards the methods used for assessing infrastructure, the value of an asset takes three forms: the value at the entry date; the current value; the value at the balance closing date.

Julien ABOUEM answers the questions addressed to him:

- Regarding the current accounting system, Cameroon is in a transitional phase and applies simultaneously the two methods, cash-based accounting and accrual-based accounting, the CEMAC classification being used since 2013 besides the old classification.
- Concerning the progress of the reform in the absence of a regulatory framework: Cameroon is lucky to have a judicial body within the Chamber of Auditors that is pushing to expedite the reforms that, once completed, would enable it to become Court of Auditors (as envisaged in CEMAC directives).

Marie-Pierre CALMEL answers the questions addressed to her:

- Regarding the political impact: every reform aiming to introduce accrual-based accounting needs a very strong political support.
- With regard to benchmarking, Anglo-Saxon countries have been strongly infused with accounting standards for over several decades and have taken private sector IFRS standards and applied them to governmental accounting while France chose not to copy and paste private sector standards over to the public sector, but to take into account the specific features of the latter.
- As concerns the legal value of accounting standards, DGFIP's instructions – that include the chart of accounts, accounting schemes – are derived from a decree issued by the minister for Public Accounts. The upcoming collection of accounting standards for public bodies will also be issued under the form of a ministerial decree.
- As for the interpretation of standards: this occurs often (when drawing up the governmental financial reports, DGFIP may realize that a standard is poorly written and will construe it differently from the Court of Auditors).

2nd PART

1.- Morocco's presentation

Lotfi MISSOUM, head of the Directorate for Control, Audit and Inspection in Morocco, indicates that the accounting information system constitutes the ideal tool for the governmental accounting reform to become effective as it renders accounts more readable and transparent.



The purposes set for the system are:

- to reunite all governmental accounting activities under one accounting application accessible to all managers and accounting officers;
- simplify and modernize governmental accounting cycle, particularly the accounting centralization process;
- reduce the duration required for processing governmental accounting operations;
- produce summary financial statements (settlement rules, accounting summaries, balance and profit and loss account, management statements, accounting dashboards);
- reinforce the control and security of accounting operations and thus strengthen the quality of accounting and the audit trail;
- facilitate the work of internal auditors so as to enable the transition towards the first certification of governmental accounts;
- emphasize the results achieved and performance of future project managers in connection with the new results-oriented approach.

Morocco opted for the software package proposed by Oracle. The implementation of the information system started on May 25th 2009 and unfolded over 15 months, comprising four phases. This reform constituted a real opportunity to “clean up” governmental accounts and start from a sound basis within this new framework of governmental accounting. The implementation of internal control and audit process, including a control of accounting quality, allows us to be confident about the upcoming accounting certification process that the organic law on public finance has set for 2019. A vast change in the management program has been designed with the purpose of making sure that all managers and actors concerned are on board and get involved in the process.

There is a series of technical and notional questions that arise with the implementation of accrual-based accounting in the public sector:

- the accounting of physical and intangible assets (among which are the rights pertaining to a State, such as levying tax and control over natural resources), of liabilities (the liability of the Government as an insurer of last resort for local governments and public bodies, or in terms of access to education for all, security or continuity of public service);
- adapting private sector accounting to the public sector is proving to be a daunting task as the specificity of the public non-commercial sector differs significantly from the defining elements of a private enterprise: the notion of collective interest prevails over the notion of profit, sovereignty is exercised instead of a contract, a vast number of public services are supplied without any compensation required, and the public domain is generally inalienable;
- the informal economy is not accounted in the GDP.

The implementation of the accrual-based public accounting encountered several pitfalls that had to be surpassed:

- the criteria for recording tangible and intangible assets in the asset account of the balance sheet. As opposed to the IPSAS standards that recommend the control (authority) criteria, Morocco opted for the criteria of legal ownership because it had found that a certain number of public actors still organize their public accounting according to the national accounting framework which favors the legal approach over the economic one; the assessment rules adopted for tangible assets when recorded as state property were the following: the purchase price for those acquired for valuable consideration, the production cost for those produced by public or state owned bodies, and market value for those acquired without valuable consideration, total replacement costs for road infrastructures – taking into consideration their depreciation given their condition;
- the rule for matching sovereign proceeds to the financial year: the down payments for corporate tax and the income tax are recorded against the year the payment was cashed in and the adjustment balance is recorded in the following financial year;
- inventory of the stocks held by all the ministries' departments: out of convenience, the opening balance listed, to begin with, only the data transmitted by the ministries' departments that held significant stocks;
- for assessment purposes, government commitments were grouped in three categories: commitments deriving from clearly defined agreements, commitments deriving from enacting the Government's responsibilities or liabilities acknowledged by the Government, and pension liabilities; not all these commitments that should be featured off-balance sheet have been fully inventoried and properly understood by the actors concerned;
- as for the reassessment upon year end, there are three specific points that need to be emphasized: loans taken out in currencies, for which the exchange rate risk provision is determined considering the amount of reimbursements scheduled in the following financial year; the value of government-owned shares considered is the one indicated in the shares balance of public bodies and companies, and not the one resulting from the market value of the share, as would be sensible; it was decided that paper profits on tangible and intangible assets are not to be accounted, contrary to the provisions of the IPSAS standards;
- the information system consisting in a software package: it requires users to observe the same standards. It allows for a small customization margin compared to a custom-developed system. Moreover, the system that needs to supply all the data necessary for the production of occurrence reports and to then feed the accounting systems, needs to be upgraded.

This comprehensive reform of governmental accounting upset the habits formed and the most common relations so far between authorizing officers (managers) and accounting officers. It pushes public sector accounting officers to build very tight relationships with authorizing officers since, from now on, accounting is the latter's foremost concern, with the latter becoming a stakeholder.

This reform needs to be accompanied by the internal control of all the procedures and chains of assets and liabilities related operations. Internal control needs, in fact, to be linked to the accounts' certification process, and the all the stakes lie with knowing whether managers-authorizing officers will accept this accounting related responsibility, allowing the accounting officers to perform ex-ante and ex-post controls of their operations so as to ensure greater reliability of public accounts.

Questions

Thierry MOUGIN, project manager with l'AIST, wants to know who coordinated the reform at political level and what choices were made at that level.

Is there a management tool for real estate so as to be closely monitored?

Was Morocco confronted with the issue that for certain public real estate assets there was no actual market and was there another way of valuation than the one adopted, based on market price?

A delegate from Mauritania asked whether the implementation of the reform had an impact on the credibility of the Moroccan public finance system.

A delegate from Cameroon asks whether the assets ownership criteria that was used is difficult to put into practice, and what happens to the assets that, when the transition to accrual-based accounting occurred, were not included in governmental accounting?

2.- CnoCP's presentation



Marie-Pierre CALMEL talks about international accounting standards, together with IPSAS Board (International Public Sector Accounting Standards Board). IPSAS Board is a committee initially set up by IFAC, a global association of the accountancy profession.

IFAC set up a committee entrusted with the mission of establishing accounting standards for the public sector, an utterly private initiative that started about 15 years ago the of the private accountancy profession. Today, the IPSAS Board has relatively limited resources (6 staff members within the general secretariat and a budget of 1.7 million dollars) and is essentially financed by Anglo-Saxon countries. IPSAS Board drafts accounting standards and submits them for public consultation in order to collect opinions.

IPSAS Board Standards are not compulsory in France. Accounting requirements are stipulated in acts (LOLF – Organic act on finance laws – for the government) or in regulations. The accounting standardization body draws up standards abiding with higher legislative texts (acts or regulations), except when the law commands that IPSAS standards must be applied. For the sake of comparisons, it should be noted that, in Europe, private corporations listed on stock exchanges apply IFRS standards because the European Commission has issued a regulation requiring that these standards be applied. There is currently no country that imposes IPSAS Board rules as a reference framework.

It is a relatively new topic, and in Europe there are very few countries using accrual-based accounting and none that apply the IPSAS Board standards. Some use them as a reference they rely on to implement an accounting system, but none have made them compulsory.

IPSAS Board is a private initiative and when it was thought that their rules should apply to all countries, some strongly questioned the legitimacy of this body: how can accounting standards be imposed on countries, given that the former are neither coordinated nor controlled by a country? Europe examined whether these rules should be imposed to its Member States, and several countries have called upon international organizations (World Bank, IMF, OCDE, IOSCO, INTOSEID) to reflect on how the governance of the IPSAS board could be improved, how it could be overhauled in order for its scope to be extended to include government representatives, not only the accounting profession.

CNoCP conducted a study in order to determine its position to the IPSAS Board code of standards and its position is that there should not be a convergence towards the IFRS. If the purpose is to build a public accounting code, the focus should be on financial (general) accounting. The IPSAS Board should not issue standards on budgetary sustainability, financial management reports or other topics that exceed the scope of accounting standards.

The European Commission is seeking, after the Greek crisis (Greece was reproached with submitting doctored financial statements), to make public accounts more reliable. The only way to make them reliable is to ask governments to keep accrual-based accounts as this a pre-requisite for certification (that can be then awarded or not). Thus the data published in the framework of financial accounting would be reviewed by an external auditor and will give the assurance of knowing whether the data is reliable or not.

CNoCP considers there are essential topics that are not approached with the IPSAS Board (social security, retirement pensions for civil servants, subsidies and government transfers to public bodies...) and believes that two thirds of the standards in the code could not be accepted without significant changes.

For instance, the standards concerning financial instruments are IFRS standards that apply to private corporations, and that originally were drafted for banks and insurance companies. Governments borrow on markets, the lending is substantial, but its mechanism is relatively simple.

As concerns consolidation, the standards are based on a capitalistic relationship between the mother company and its subsidiaries which is not in no case with the relationship between the Government and public bodies.

Debates with the audience

Bachirou MOHAMADOU, Deputy for State Budget and Accounts Regulation in Cameroon, adds to what his colleague said about the accounting system in place in this country being based on a 1974 chart of accounts that had laid down the principle of accrual basis accounting.

As for the transposition of directives, there are a number of ongoing reforms. Cameroon is currently working on a project for a code of standards, comprising 14 standards, and on a project aiming to review the general specifications for government accounting.

Vincent MAZURIC wonders what would be the benefits of IPSAS standards for countries that have just started working on accruals accounting.

Are EU Member States likely to head towards European level standardization?

An attendee asks if it was possible for French speaking countries to lobby for higher influence in the IPSAS Board dominated by Anglo-Saxon countries.

Amadou Birahim GUEYE, Head of the Modernization and Strategy Division in Senegal, asks Mrs CALMEL whether the guide for public bodies is meant to prepare France's consolidated financial statements

Dourossimi Léonide AKPO, Head of the Accounting Centralization Bureau in Bénin, asks whether the notion of "true and fair view" can be relative, given that the asset assessment criteria vary from country to country?

Benin, for the time being, displays a profit and loss account with a significant intermediate financial balance and Dourossimi Léonide asks what the IPSAS standards recommend in this respect.

Lotfi MISSOUM answers the questions addressed to him:

- Concerning the political coordination of the reform, this was first ensured by civil servants within the ministry for Finance and General Treasury. It was then supported on the political level of the finance ministry. A draft law on public finances was submitted to Parliament and is currently under scrutiny. The Court of Auditors and a series of partners were consulted before the accounting changes were introduced.
- There is no State assets management tool, but there is nevertheless constant inventory work being carried out.
- As for another valuation mode besides market value, assessment rules were adopted for tangible assets when entered into state property.
- Did accrual-basis accounting allow Morocco to increase its "rating"? It contributes, but it is not enough and we should always keep in mind economic fundamentals.
- Morocco adopted the ownership criteria instead of the control criteria envisaged by the IPSAS standards in order to be in line with its General Accounting Standardization Code.
- As for the assets that are not included in government accounting, this becomes an issue when the asset account is undersized.

Marie-Pierre CALMEL answers the questions addressed to her:

- The main interest to IPSAS standards is that they are there and labelled as international. They have been drawn up by highly qualified people and there are numerous analyses and debates going within this body.

- The EU, that in 2011 had envisaged imposing IPSAS standards to its 28 Member States, has changed its mind and is currently contemplating the establishment of a European standardization body for the public sector “EPSAS”, which stands for “European standards for the public sector”.
- Concerning the lobbying with the IPSAS Board given the supremacy of Anglo-Saxon countries, this is of interest for CNoCP; that is why it participates in the works.
- The target of the upcoming collection of standards for public bodies is, it is true, combined accounts.
- As for the “true and fair view” and comparability, it is certain that not all countries will necessarily have the same approach with respect to their accounting policy. There can be discrepancies even within the same state with cultural assets that are little valued, and recent purchases that are valued at the cost of capital employed.
- Concerning the profit and loss statement and the intermediate financial balance in France, it should be said that the accounting result is highly negative and the budgetary deficit is quite significant. IPSAS rules do not standardize balances as it is not set to track the added value gross operating profit, but to track the whole of tax and other state proceeds minus transfer payments.

With respect to the issue of the relative nature of the “true and fair view” raised by Benin, Julien ABOUEM indicates that certain private accounting concepts have no counterpart in public sector accounting and a state should not particularly track its accounting result.

A delegate from Madagascar would like to know more about the record of certain expenses in a suspense account so as to understand the responsibility of the accounting officer with respect to such operations, given that in such cases there had been no budgetary appropriation preceded by regular commitments and that the adjustment of these operations in the suspense account could take a certain time.

Vincent MAZAUERIC notes that in the case of abnormal balances, oftentimes the only possible clearance is a non-accounting one that can be carried out either by means of a discharge bill or by an act of the Parliament. The classification of accounts could be modified in order to single out abnormal accounts and to ensure a normal operation of accounts.

In the case of non-incorporated assets, the first action to undertake consists of inventories and financial valuation.

Jean-Luc HELIS indicates that the IMF thinks that the implementation of accruals accounting is indispensable and it strongly encourages it. The requirement to use the IPSAS is under debate. Countries are to decide whether they use it or not. Jean-Luc HELIS asks panelists what approach was chosen for the gradual implementation of this reform.

Julien ABOUEM indicates that concerning the responsibility of accounting officers as regards the execution of expenditure unanticipated by the law on finances: usually the accounting officers receives written instructions on this type of expenditure, but he is required to keep – within its subsidiary accounts – a summary record of this expense so that when called in by the Court of Auditors, they can provide the necessary explanations.

Lotfi MISSOUM indicates that in what concerns the valuation of immovable assets, Morocco relies on the Directorate for State-owned Property. Morocco envisages implementing its accounting standardization reform within 5 years.

Marie-Pierre CALMEL indicates that for France, the 1962 decree implemented the general regulation on public accounting, imposed already on public bodies and affiliates to keep an accruals accounting. In 2001, LOLF (organic law on public finance) has accelerated this reform backed by the Government’s and Parliament’s will to support it.

VII. Round Table: « Specificities of public accounts and particular features in the framework of the accounting reform »

1.- Senegal's presentation



Amadou Birahim GUEYE, Head of the Modernization and Strategy Division in Senegal, mentions that many countries have not solved some issues related to the implementation of accrual-based accounting, and he goes on to mention three elements: the backdrop in Senegal, the evolution of the specific features of the State and the difficulties related to the reform implementation process.

Senegal is Member of UEMOA, a regional organization comprising 8 States, which is carrying out the modernization process of the public management and accounting. UEMOA adopted 6 Directives, the harmonized framework for public financial management, and Senegal has succeeded in transposing all these Directives.

In view of their implementation, Senegal set up an institutional framework, with a Steering Committee headed by the Minister of Economy and Finance and sectoral technical committees, such as the technical committee for the implementation of the accounting reform.

But the mere transposition of these Directives is not enough: the legal and regulatory frameworks have to be supplemented, the opening balance sheet has to be prepared and the reform of financial reporting should be supported by the establishment of the public financial operations dashboard. For some years now there is this tendency for the rule of private law to take over the public sector, and thus to reduce, more and more, the field where the State introduces specific regulations.

A first Decree was issued in 1991 which, on grounds of modernizing State accounting, was bringing the private law rules into the public sector. Between 1997-1998 it was deemed that stock management was a specificity of the State. Therefore, UEMOA, when it first issued the Directives, did not find it necessary to take on the rules applicable for the private sector and to implement them for the public sector, deeming that a State is not to manage and value stocks.

But the modernization of financial management and the new harmonized framework made the previous point seem obsolete and lead the government to reconsider its role with respect to the management of stocks. The new regulation requires for accrual accounting to be implemented from now on and stipulates that stock management be tracked in public accounting.

Despite the trend for the rule of private law to expand all throughout, some specific features of the public sector remain in those areas where the rule of private law don't seem able to master: for example, all activities related to State sovereignty (difficulties valuating the right to levy tax, intangible assets...).

There is the need to ensure coherence between national standards and regulations. Within a State, the collection of standards should have legal value and be binding for those producing financial statements. The issue here is to know which connections could be made between the collection of standards and the regulation already in place.

These questions have led to an analysis on specific publicly owned assets that are highly regulated by means of the law. They should be addressed in the collections of standard norms and in the opening balance.

Real estate is an important wealth component, both for individuals and for the State. In Senegal, real estate issues were regulated by a Decree issued on July 16th, 1932, and, following its independence, Senegal adopted a Law on the national domain, according to which, all land that had not been registered prior to it coming into effect shall become public domain land.

In 1996, the laws of decentralization were voted on, transferring the management of real estate to local administrations.

In terms of real estate assessment, the concerns focused on harmonizing the rules and the national regulation. UEMOA refers to liberal assessment methods, consisting in the acquisition cost or the market value for tangibles assets. By the decree of the 1964 law, a large share of the land came into State ownership through the administrative mechanism of registration, and there was the issue of evaluating it: should this be done based on the market value or on the acquisition value? If the market price criteria is applied, we are faced with the provisions in a decree by which land prices are set based on the zone. Should we apply the market price rules and be in breach of the decree, or should we adjust the latter as to reflect the market price?

After the national domain, another analysis was conducted for the public domain. The Senegalese law makes a distinction between the natural public domain (forests etc.) and the anthropic (man-made) public domain (roads etc.).

The solution that seems to arise is to eliminate the natural public domain from the scope of accounting.

Standardization is a progressive activity, and Senegal advanced from 13 Norms in 2004 to 19 today. As part of the implementation process, Senegal decided to start from the information it already managed and postponed addressing the more difficult issues.

National resources, and especially the mines, are heavily regulated. The issue of assessing and valuating these resources was raised and the regulation sets a distinction between land ownership and ownership of underground resources. Ownership of underground resources stays with the State and, for the purpose of applying the control criteria, the economic beneficiary of these natural resources has to be identified. The State grants exploration and exploitation rights for its natural resources, and this takes us to issues related to concession.

UEMOA has not yet drafted standards on these concession-related issues, which leaves room for discussion on whether public accounting should include the proceeds from natural resources or their stocks, or whether it should draft standards on concession.

Questions

Mahamoudou BAMBONE, Director for Studies and Financial Regulations in Burkina Faso, listed the common points shared by his country and Senegal and feels that in-depth, substantial work should be carried out on the entire regulation in order to reach a certain degree of homogeneity.

Vincent MAZURIC asked whether in Senegal there is a problem related to the property deeds and, maybe, with the non-registered land on which State real estate is built. Were those decrees setting the value of land issued for the purpose of expropriations?

Serigne Amadou SEYE, Public Accounting Director in Senegal, added that the public accounting reform is a field full of pitfalls and difficulties, especially when it comes to the valuation of certain State assets.

Answers

Amadou Birahim GUEYE agrees with the two comments made and answers the questions addressed to him.

Senegal faces no problems related to property deeds because law 204 clearly states that the land in the national domain belongs to the nation and the State holds this land. So, whenever the State wants to use a piece of land from the national domain, it shall register it under its name and, thus, the issue of ownership is solved. If the State needs to build infrastructure on land in the national domain, it will first solve the ownership issue by registering the land under its name.

Serigne Amadou SEYE, Public Accounting Director in Senegal mentions that, in terms of expropriation, the exclusive prerogatives granted to the State to expropriate are provided for by specialized mechanisms. But, once the State decides to conduct an expropriation, it should be preceded by the payment of an indemnity which should cover the financial and non-financial loss incurred by the party expropriated.

A French representative feels that, although the State is responsible for the entire territory, this does not mean that it has to value everything.

Marie-Pierre CAMEL adds that the issue of inventory of assets and their valuation are still under debate at CNoP and they are extremely complicated.

With respect to the public-private partnerships and concession contracts, CNoCP issued an opinion on a new standard for public-private partnership agreements, which shall be included in the collection of standards for public bodies that are to be issued in the form of a ministerial decree. For instance, for a motorway, the State can grant the operation of the highway to a private operator through a contract by which the state assigns the maintenance to a private company, in exchange for a toll paid by the users of that highway. Consequently, in this situation, the accountancy shall retain the contract, not the asset or the exploitation right.

Amadou Birahim GUEYE mentions that, in respect to concession contracts, in Senegal a first highway was built under a public-private partnership and wonders whether it should be included in the State balance. Some said no, based on the control criteria, others yes, because it is on its territory and the State is the one that gets benefits through the royalties.

2.- Presentation of Congo



Henri LOUNDOU, Director General for Public Accounting in Congo, mentioned that in September 2012 his country adopted a new organic law on the State's financial regime, inspired by the CEMAC Directive on finance laws which provides for the implementation of accrual-based accounting.

In this organic law, the actual implementation of the full accruals accounting was planned for January 1st, 2020, thus allowing for 8 years to meet all the pre-requisites of the accrual-based accounting.

A Steering Committee was created for the progressive roll-out of the accrual-based accounting. Initially, this was only within the Ministry of Economy and Finance, but later it was expanded to other ministries as well (Ministry of Forestry Economy and Sustainable Development, Ministry of Mines and Geology, Ministry of Hydrocarbons).

In Congo, forests are an important part of state wealth (25 million hectares of forests cover about 70% of the national territory; about 12 million hectares of forests in exploitation and 4 million hectares of forests for biodiversity conservation).

Given the fact that Congo does not have a domestic national accounting council, it turned to OHADA standardization committee in order to have standards drafted.

The Ministry of Forestry Economy also issued guidance on the valuation of forest resources and an inventory center for the management of forests and wildlife.

As for hydrocarbons, a new code is about to be enforced, for the purpose of also tackling mining reserves.

Questions

A Senegalese representative was wondering about which standards collection to adopt: OHADA's or CCOA's, given that they diverge.

Answers

Henri LOUNDOU indicated that there is a debate between OHADA and CCOA on the various standards, and mentioned the need to have a single accounting standards collection, even if this means that one of the two bodies would disappear.

Marie-Pierre CALMEL mentioned that when the State gives a private operator the right to operate an infrastructure, or the natural resources, this is done in virtue of a contract, and the private operator enters such contract only after having assessed all impacts and financial risks arising from this operation. And in this respect, the accounting only tracks the terms of the contract.

Amadou Birahim GUEYE thinks that in respect to the valuation of mineral assets, the Government's financial statistics manual should be seen as an accounting standardization collection. The value of these reserves is usually estimated based on the present value of the net returns generated by their commercial exploitation.

Marie-Pierre CALMEL comes back to this and states that the value of the field/deposit which is the subject matter of a contract should be recorded in the asset account given that it is operated by a private operator. There are several methods of evaluating these assets, either based on the estimated royalties, or based on market price. International experts know how to assign price ranges for these types of deposits as to allow an evaluation.

A representative from Niger thinks that the accounting of mining and energy resources of a country is a sensitive topic that accounting officers don't master fully. The issue of trying to set the value of mining and energy resources unsettles an accountant and goes beyond their day-to-day tasks, although they might be deemed as strategic resources but, in some cases, the States don't master the trading mechanisms.

One of the participants thinks that mining resources are strategic proceeds and should not be excluded from the opening balance sheet without, at the same time, needing to integrate all the reserves and exploitation permits and agreements, but taking into account those elements for which information is available which could be incorporated gradually.

3.- Presentation of Mr. Amadou Birahim GUEYE



Amadou Birahim GUEYE, Head of the Modernization and Strategy Division with the Directorate General for Treasury in Senegal, focuses his presentation on financial assets and liabilities and the implementation the process adopted by Senegal which involves the assessment of government owned shares and the sovereign debt.

The first stage of implementation, the "2014 milestone" should have been started in January 2014, but it was postponed by a year.

The second stage, the “2017 target” should see the implementation of a significant part of the accrual accounting with a possible postponement until 2019, as UEMOA allowed States to enforce certain regulations until 2019.

The objective of the “2014 milestone” is to familiarise the actors involved in accountancy with the new chart of accounts (the chart of accounts used currently is based on modified cash-based accounting – revenues and expenditures are recorded in class 9 accounts, which makes it possible calculate the budget outturn).

The new chart of accounts will record directly in class 6, 7, 1 and 2 accounts.

The second objective is to incorporate in public accounting wealth-related information that has not been included so far. The idea now is to collect from the Treasury the information regarding state wealth, including financial debt, managed by the Directorate for Public Debt, reporting to the Treasury. Government owned shares are managed by the Directorate for the Para-governmental Sector which is also within the Treasury. The inventory and valuation of this information relies only on Treasury services, thus the risk of meeting resistance to change is probably lower.

The third objective is the enhancement of accounting information: by integrating the financial debt and the Government owned shares, the statements will be enhanced with information regarding the state wealth.

Making users familiar with the new chart of accounts is not very complicated. It is just a question of configuring the Aster software so that the application automatically generates an entry every time an order is authorised.

The Bureau of inventory and valuation of state owned shares and financial debt had several questions. Regarding the state owned shares, the question concerned the value of the amount to be integrated in the balance sheet. The Mining Code stipulates that the state owns 10% of the shares of mining companies. In the beginning, it was difficult to have a comprehensive overview of the shares owned by the state in mining companies, but this is no longer the case.

Regarding the assessment, the directive, in the didactic guide, stipulates that, in order to establish the balance sheet of the first financial year, the shares owned in entities created or controlled by the state should be assessed using the equivalence rate or equivalence values. The equivalence cost is different from the purchase value, thus the companies must be assessed in order to determine the cost of the shares. A 1987 law stipulated that before selling a company, the state must, first of all, assess it. Thus, these enterprises were assessed before they were integrated.

The Director of the Para-governmental Sector manages the state’s government owned shares as well as the shares owned by public administrative establishments and agencies that perform public services financed by State grants.

How should we integrate the assets owned by the Para-governmental sector (public national agencies and establishments) in public accounting? Behind state transfers, there may be assets which belong to, or are controlled by, the state.

UEMOA standards recommend the consolidated financial statements and they indicate that, for the consolidation of the financial records of the two entities, it is necessary to draw up the financial statements following the same methods and close the books at the same date.

The national accounting framework must draft the collection of accounting standards before the validation process.

The regulation stipulates that the para-governmental sector observes the rules of the West African Accounting System (SYCOA - Système Comptable Ouest-Africain) applicable to companies. In the implementation, the rules of the private sector are not directly applicable to the enterprises in the para-governmental sector, especially to agencies.

In the SYSCOA, the outturn obtained makes it possible to determine the taxes, as well as the dividends of the administrators. However, in the para-governmental sector, sometimes the outturn is purely budgetary and applying the SYSCOA accounting plan to the para-governmental sector may generate several problems.

In addition to the set of accounting standards applicable at government level, it is high time we begin to think about an accounting framework applicable to the para-governmental sector.

Regarding the financial debt, the “2014 milestone” objective is to integrate it in the national accounting. A part of this debt is known, namely the entire debt resulting from operations where the Treasury is the designated public accountant. What are the conditions under which lenders transfer money to private banks? Generally, the provision of these funds in private banks excludes the Treasury from the settlement. As the Treasury was not the designated public accountant, it is not aware of these operations and a large part of this debt was managed by a directorate which is not attached to the Treasury.

The moment this Directorate was attached to the Treasury was also the opportunity to integrate the financial debt in public accounting. This implied the inventory of the debt and its integration in general public accounting. It shall be assessed for 2015 at its nominal value and shall be integrated in public accounting beginning with 2015.

The integration of the financial debt of the state triggered further reflection concerning the accounts payable (debts to suppliers). Debts to suppliers result from the process of executing public expenditure. A supplier provides a service/product to the State and waits for the payment. The payment can be very fast or it may take a long time. According to the UEMOA regulations, these operations were classified according to the length of the delay: budgetary float if the delay is less than 90 days, and arrears if the delay exceeds 90 days. The arrear may be regarded as state financing by the private sector. This leads us to the question of how to process these arrears, if they are to appear in Senegal in the near future.

The agreement Senegal has with the International Monetary Fund stipulated that there should no longer be any arrears, and established a mechanism to ensure the payment of the expenditures within the 90 days stipulated by the regulation.

Questions / Answers

Lassina FOFANA, Deputy Director General of the Treasury, Ivory Coast, asks for more details about the measures implemented by Senegal in order to avoid the accumulation of arrears.

A representative from Madagascar also asks for more information regarding the inexistence of arrears. From the perspective of accrual accounting, does Senegal reflect in its balance liabilities which had been undertaken by the state and which – within the process of their execution– have not been settled by the Treasury? Are there any liabilities besides the files sent to the Treasury for payment? Are there not off balance commitments at the level of Senegal Public Treasury? Are they expenditures which were already settled but not notified to the Treasury, are they recorded in the general accounting of the Senegal public treasury in order to lead to the inexistence of arrears?

Amadou Birahim GUEYE answers the questions raised.

- Regarding the measures implemented in order to avoid the arrears, they were created in time, over several years. The first measure was to set up a revenue committee which meets every Tuesday at the office of the Minister of Economics and Finances, in order to summarize and update the information on collected revenues and expected revenues. Besides this revenue committee, there is a committee for expenditure modulation whose mission is to modulate ongoing commitments, on the one hand, the basic balance, and the available funds on the other hand. This system makes it possible to dispense the commitments in relation with the basic balance. In the framework of ISPE (Economic Policy Support Instrument), we must prevent the situation where the basic balance does not correspond to the state commitments.

- In reply to the question from Madagascar: Senegal shall not implement accrual-based accounting before 2017. Regarding the recording of revenues and expenditures in class 6, 7, 1, 2: the Treasury did not modify the operative event (settlement, the authorisation of the order for expenditures by the public accountant and the take-over by the accountant in case of revenues).

The expenditures notified to the Treasury are recorded in the Treasury accounting in class 4, but the question regards their reclassification: as long as the expenditure is in class 4, it is part of the budgetary flow, a short term payment. But if the amount recorded in class 4 is still not paid after 90 days, the UEMOA classifies it as an arrear. The arrear is similar to a financing of the state by the private sector. Would it not lead to a reclassification of the amount recorded in class 4 in a long-term debt account?

A participant asks whether the payment in less than 90 days leads (in relationship with the budget forecast) to a high rate of non-authorizations (which may mean that the budget forecasts are not reliable). The budget is drafted to be executed both through regulating mechanisms and through market intervention.

Amadou Birahim GUEYE admits that, indeed, this is an issue of budget accuracy, but there had not been any studies on this topic. But since the creation of the modulation committee, the budgetary outturn is in surplus. From 2003 to 2011, the outturn of the budgetary execution was in deficit. But since the creation of the modulation committee (which modulates the revenues according to the basic balance and the available funds), the budgetary outturn is in surplus, the total revenues exceed the total expenditures. An analysis must however be conducted as the proceeds of borrowing are considered as a budget revenue while, in implementing accrual accounting, they are considered treasury revenues, which have no influence on the outturn. The subtraction of the proceeds of borrowing would lead to deficits and, in this case, the findings above would no longer stay true.

A participant indicates that there was a shift insofar as concerns the domestic debt. A period shorter than 90 days is defined as “flow” and exceeding 90 days, “arrears”, but the counting of days starts with the processing work done by the accountant. This calculation system would allow the state to camouflage the arrears by means of the authorisation process. A supplier may provide services/ products, and submit the invoice but, if there are not sufficient funds in the Treasury, the authorising service is asked to delay the authorisation. However, according to directive 9 of the UEMOA regarding the PCE (Plan Comptable État), the operative event is no longer the visa of the accountant, but the settlement; and the countdown is done even before the accountant intervenes (the countdown of the 90 days begins with settlement).

Thierry MOUGIN, project manager with AIST, adds more information about the state owned shares and domestic debts.

Regarding the domestic debt, there are: accounts payable (debts to suppliers) which are not paid or turned into debts on the balance sheet in certain states; cross-debts: the supplier who was not paid obtains a countermeasure and does not pay the taxes he owes to the state. In the opening balance, this probably leads to high bottom balance sheet debts and account receivables.

The first thing to do with respect to the debts to suppliers is to make sure that they actually correspond to debts which had not yet been paid (which requires a clean-up of accounts), and to make an inventory, together with the Tax and Customs General Directorates, of the amounts that are still owed, and then move to the second phase which supposes trying to “clean-up” cross-debts (but be aware that these operations are not necessarily easy, as the suppliers would not accept to pay their tax or customs duties until the state paid its part). One possibility would be to make compensations, or to pay the debts in full and to recover the receivables in full.

Regarding shares valuation, certain regulations, such as CEMAC, propose several valuation methods, including a possible equity valuation. If I own 100% of the capital of a company, my valuation in the company is 100% of equity.

In some budget directorates, in certain states, there are balance sheets and company statements that mention the shares. The first thing to do is an inventory of state owned shares and the second one is to find out if I can have access to the financial statements of a company where the government owns shares. When I look at the balance sheets, I have to ask myself three questions regarding the equity (regarding both the share capital and other equity elements such as provisions, investment grants and the amounts carried forward).

There are three elements that need to be considered before the valuation in order to avoid the overvaluation of the state owned shares: the provisions (make sure the provisions which remain on the balance still need to be there); the investment grants (private standards, adopted by OHADA, stipulate that the investment grants paid by a third party must be depreciated in the same manner as the goods acquired through the investment grant), otherwise the investment grants do not move and artificially increase equity; the amounts carried forward where the focus is on the surplus (make sure that the surplus does not come from balancing subsidy or operating grant given by the state to the company where it owns 100% of the capital).

The valuation of state owned shares must be preceded by an utterly comprehensive inventory. In some countries, the budget directorate tracks state-owned shares. Then, it is important to precisely analyse the equity, as, if we enforce the standards as such, we may risk over- valuating state owned shares while those companies live on state subsidies.

Amadou Birahim GUEYE mentions that regarding the supporting documents, the body in charge of the inventory is different from the body in charge with accounting. He further states that it is necessary to have the mining companies – where the state is the shareholder by law, without documents of title for these shares – produce the documents of title for the state owned shares in these companies, in order to enable the accountants to record them.

Henri LOUNDOU mentions that regarding the question of under- or overvaluation, concerning the specific case of the CEMAC directive, this issue was identified as all the CEMAC member states were proposed to refer to a unique framework created by the CEMAC commission in order to avoid the overvaluation or undervaluation from one country to another.

Regarding the comprehensive inventory of shares, Congo has just set up a General Directorate of Public Portfolio which is about to make a comprehensive inventory of shares before they are included in the state wealth.

The moderator asks Marie-Pierre CALMEL whether the volatility of the sovereign debt rate can represent a problem for the valuation.

Marie-Pierre CALMEL mentions that the issue of volatility may be analysed at two levels: the level of debt and the level of financial stakes. From the debt point of view, if a country issues funds on the market, depending on how the borrowings are indexed, it may be subject to fluctuations in the market rates - depending on the borrowing conditions. Given that financial markets evolve and fluctuate, the accounting transcription of the said borrowings shall lead to a certain degree of volatility. For instance, for borrowings in foreign currency, the variations of the exchange rate may generate a positive or negative exchange rate income which is intrinsically volatile. An accrual accounting brings a volatile character to the balance (given that the entity for which we keep the books has volatile items, especially complex loans with options that need to be valued).

As for the integration of state owned shares in the balance, if the shares are controlled by the French state, they become a part of the state assets at the value of the net asset (or at least this is the practice of the CNoCP).

If the results of the said company fluctuate, this fluctuation shall reflect in state assets. Thus, by its nature and construction, the accounting outcome can be volatile given that the operations carried out by the entity are volatile.

The volatility increases if we turn to the financial markets, where there is the case of volatility by accident - if we integrate a company which, in a certain year, undergoes significant losses recorded in accounting, then these losses are reflected in the state accounts.

Cérémonie de clôture du colloque

Speech by Mr. Didier CORNILLET AIST Secretary General



**Mister Finance and Budget Minister,
Madam Secretary General of the Finance and Budget Ministry,
Mister Treasury Director General, AIST President
Ladies and Gentlemen Directors General,
Ladies and Gentlemen Delegates of the AIST member states,
Ladies and Gentlemen Representatives of international organisations,
Distinguished guests,
Ladies and gentlemen,**

Here we are, at the end of the 8th seminar organised by the International Association of Treasury Services, after five half-days of high-level exchanges and debates, dedicated to the role of Treasury Services in improving the management of public finances, together with the topic regarding accounting standards.

Here, at AIST, we are used to rich and substantial debates and I am confident in saying that this was also the case during this seminar. This is thanks to the excellent moderators and speakers who knew exactly how to raise the interest of the participants and display their high competency. I would like to thank them very sincerely for their involvement in this event and for their willingness to help. I would also like to extend my thanks to all the delegates who animated the various sessions through their many pertinent questions. The enriching exchanges prove the high interest of the AIST member states in the topics we discussed during the past three days.

I hope that once you get back to your countries, you will benefit from our works and from the contacts that you had established with other countries and international partners. Please make sure that you give us feedback about what you implement, so that all the AIST member states can benefit from it. Moreover, I would like to ask each member state to please send us without hesitation all the documentation that you consider useful to share with all the member states and that we can integrate in the database of our website.

Mr. Orlando ROBIMANANA handed over the AIST Presidency to Mr. Abdoulaye DIENG, the General Director of Public Accountancy and Treasury in Senegal at the end of the General Assembly.

I want to pay a special and friendly tribute to Mister Treasury Director General, who was a very active and dedicated President, very involved in the life of our association. I would like to stress that it was a real honour and pleasure to work with him during this year of collaboration, during which I had the opportunity to appreciate his excellent personal and professional qualities.

I should like to welcome our new President who takes up his duties as of now and to assure him that it will be a pleasure for me to work with him during his term of office.

A very warm thank you to all the members of the Executive Bureau for their involvement, the support they showed to the General Secretariat and for the pleasure of working together over the whole year. I would also like to welcome Mr. Laurent ROUSSEAU, of the French DGFIP, our new auditor, who succeeds Mr. Jacques ORTET, whom I salute for his involvement and professionalism.

I would also like to thank the Malagasy authorities at the highest level of government, his Excellency Mr. President of the Republic and Mr. Minister of Finances and Budget for the exceptional support they show our association, not only by providing extraordinary resources, contributing to the perfect organisation of this seminar, but also by honouring all the members with their presence during the opening ceremony and Mr. Minister at the closing of our works.

I also wish to express my gratitude to each member of the Organisation Committee, chaired by the Treasury Director General, Mr. Orlando ROBIMANANA and to salute them for their involvement which resulted in the perfect conduct of our seminar and for the warmest welcome shown both to the General Secretariat team and to the participants, during our stay.

I stressed, in my opening speech, the amazing work and collaboration of the Organisation Committee; there are no words to express how impressed I was by each and every one of you in all the commissions, by your remarkable professionalism, your profound commitment and extraordinary warmth that you offered, not to mention your time, in order to ensure the success of our yearly seminar.

Besides our works, you helped us discover Madagascar and its culture through magnificent music and dance shows during the wonderful reception you offered, but also yesterday during the very interesting visit to Ambohimanga. It gave us the opportunity to relax in a magnificent environment, before returning to our hard work.

And last but not least, I thank the interpreters and all the technicians for their high-quality services and the AIST General Secretariat team, Stéphanie PHILIPPE, Christelle VOLPI, Thierry MOUGIN and Odile PAOLETTI, who, as usual, did an amazing job in a perfect collaboration with the DGT Organisation Committee and who worked assiduously from early in the morning until late at night, we thank you sincerely for all your efforts.

It is now time to say goodbye and to invite you to join us again in Senegal, in 2015, for this great reunion of our international organisation which is the annual seminar. But before that, I want to underline our call for applications for hosting an AIST action beginning with 2017. I also wish to remind you that, as usual, we shall soon send you, through your courier services, an evaluation questionnaire, where the last question is about your proposals of topics, I would invite you to fill them in, in order to help us improve and to decide the topic of the 2016 seminar. I hope this call will be heard. May you enjoy the end of your stay in Antananarivo and have a safe journey back to your countries.

Symbolic Handover to the next President of AIST
Speech by Mr. Orlando ROBIMANANA, outgoing President of AIST



**Mister Finance and Budget Minister,
Madam Secretary General of the Finance and Budget Ministry,
Mister Secretary General of the AIST,
Ladies and Gentlemen representatives of the AIST Executive Bureau member states,
Dear Directors General,
Dear Delegates of the AIST member states,
Dear friends participating from Madagascar,
Distinguished guests,**

I would like to continue the series of thanks. First of all, I would like to warmly thank the participants for their contribution to the works. We are profoundly grateful for your contributions which enriched the exchanges and debates and increased the quality of this 8th seminar in Antananarivo.

I wish to thank both the local Organisation Committee and the team of the General Secretariat for their dedication and willingness to help during these four days and also long before, and I know that, especially the Malagasy team but also the team of the General Secretariat in Paris will continue to work, if only just to do the debriefing, the review and the evaluation of all the works that took place during these four days.

I also wish to thank the Malagasy authority of all levels, without exceptions, for their collaboration, and especially the Ministry of Foreign Affairs, the Ministry of Public Security, the Ministry of Transportation and Meteorology, etc. I would also like to thank the Finance and Budget Minister, Madam Secretary General of the Finance and Budget Minister for their support and especially the President of the Republic of Madagascar for his encouragement and for his presence during the opening ceremony which confirms his commitment to these types of meetings where we exchange and share our experiences and know-how, as this is the only way to progress given that no country can evolve by cutting itself off from the world.

I hope that the expertise and experiences that we exchanged as well as the good practices and other solutions that we discussed and shared during the seminar will be useful for all the countries, and that the know-how and experiences may be inspiring for designing and especially implementing changes for a better management of public finances.

The end of this seminar represents the end of my term of office and I would like to express my gratitude and my heartfelt thanks to all those who supported and encouraged me throughout this mandate. I especially refer to you, the members of the Executive Bureau, I also refer to you, Mister Secretary General and to your whole team in Paris, I especially refer to the International Cooperation Mission of the Directorate General for Public Finances, under the leadership of my friend Josiane LANTERI, Ghislaine BALA and the entire team.

Furthermore, I cannot conclude without thanking my dear collaborators within the Directorate General of Treasury, who stood by me day and night to support me and help me undertake my different responsibilities whenever necessary, both here in our country and abroad. You know I wear many hats, but you were always there for me and, without you, I wouldn't have managed to accomplish my tasks and my responsibilities.

I wish my friend, the General Director of Public Accountancy and Treasury in Senegal, Mister President, the best of luck in the term of office which has now begun. I am particularly happy that Senegal was elected to host and welcome the next seminar. I have visited almost all the African countries and I have many Senegalese friends, but I have not yet had the opportunity to visit this country. Therefore, see you in Dakar and thank you for accepting to host the next AIST seminar.

Speech by Mr. Abdoulaye DIENG New President of AIST



**Mister Finance and Budget Minister,
Madam Secretary General of the Finance and Budget Ministry,
Mister Outgoing President, dear friend Orlando,
Dear administrators,
Mister Secretary General of the AIST,
Ladies and gentlemen,**

On this solemn occasion when my friend Orlando, the Treasury Director General in Madagascar hands the torch over to me, my first words would express my profound gratitude to all the AIST members, through its General Assembly, for their vote of confidence in electing me as the President of our association.

The honour you conferred upon me also reflects upon my country, by deciding to hold our next seminar in Senegal you all express your respect and consideration for my country and I would like to thank you for that.

For our part, we assume this choice with responsibility, as we are aware of the great responsibility it bestows upon us, especially after the 2014 edition that we have just experienced under the leadership of our friend Orlando, who, with the help of the General Secretariat, set the bar high, by skilfully managing an almost perfect organisation. I would like to take the opportunity to congratulate and to thank him and, through him, all the members of the Organisation Committee and of the General Secretariat.

I also wish to thank the Head of State and his entire Government for the special appreciation they showed us during our seminar.

Providing the same level of organisation quality may seem a real challenge, however, I would like to tell you that we shall take all the necessary steps to ensure a resounding success for the 2015 edition. Moreover, I would like to stress again our full support and deep commitment to contribute to the success of the honourable ideals promoted by our august Association. Consequently, we shall spare no effort so that, together with the General Secretariat and the members of our Association, we surmount the many momentous challenges of modernising the management of public finances in an international environment, characterised by a globalisation full of constraints, but which also provides plenty of opportunities.

Our mandate shall continue the meritorious actions taken so far, it could hardly be otherwise, as the paths created and strengthened by our predecessors cleared the way and created the paths that will surely take us to a better, wonderful tomorrow.

Thinking of the size of this event that, by the grace of God, we are experiencing now on this wonderful and legendary Island of Madagascar, impressive through its vast area but also, and especially, through the genius of its people and the wealth of its culture, which is the fruit of a fertile melting pot. By evoking the sense of this ceremony, I resorted to a parable, by borrowing the imagery of passing the baton from the field of athletics.

The magical formula of rotating presidency that we adopted in our statutes conveys the image of a relay race where each runner, with an ingrained team spirit, launches himself in the race, gives his best and then passes the baton to his partner who does the same.

This metaphor perfectly renders the feelings I have now that I take over the mandate that you kindly entrusted to me. I would like to take the opportunity to salute the work that had been done so far and to pay tribute to the present and former administrators and, beyond that, to all the representatives of the AIST member states.

Regarding the topic of innovation, we shall closely collaborate with the General Secretariat and we shall take actions according to the guidelines of the Executive Bureau, in order to reinforce the dynamic of our Association. We shall thus continue the efforts to enlarge our association through the accession of new members.

I would like to invite you, on behalf of the high-level authorities in my country, to participate, in large numbers, with the annual seminar scheduled for next year in Senegal, the land of Teranga, land of hospitality. I should like to end on this hopeful note, thanking you for your kind attention.

Speech by Mr. Jean RAZAFINDRAGONA Finances and Budget Minister, Madagascar



**Mister President of AIST,
Mister outgoing President of AIST,
Madam Secretary General of the Finance and Budget Ministry,
Mister Secretary General of AIST,
Dear guests,
Ladies and gentlemen,**

Our dear President and our dear Prime Minister allowed me to leave the Council of Ministers sooner in order to be present at this closing ceremony. We arrived at the end of the 8th seminar organised by the International Association of Treasury Services and it is a real pleasure for me to speak in front of you during the closing ceremony of this big event. And by big I refer not only to the quality and the number of countries represented, but also to the crucial importance of the topics discussed.

Over these four days, you debated topics of current interest: public finances governance, correct information about public operations, the types of technical and financial partnerships and their advantages, the management of public debt and projects, the production and analysis of government accounts within the time frame, dematerialised accounts and account modernisation. All these topics, which are common to Treasury services, members of the AIST, were processed and presented from every angle. You also emphasised and focused your attention on reforms, which do not consist only in adopting these texts, changing the organisation, or imposing new procedures. They represent a continuous process, requiring the commitment of all involved parties in executing the public finances by taking into account the specificities of each country and each legal system.

I think that the AIST reached the objectives set for these four intense days, the participation and willingness to exchange of each and every country allowed them to take into account the efforts that they need to make, or that they already made, in the field of financial governance. May all your proposed solutions, problems raised, realities lived, and future perspectives shared be used as reference for all the Treasury services, in the efforts they need to make in their countries.

I hope you took it upon yourselves to take advantage of this seminar in order to define the multilateral or bilateral cooperation development perspectives - this is an opportunity to use the research studies between the Treasury services, to assist those who still aspire to advance in the field of good governance.

I reiterate my thanks to the AIST, given that organising such a seminar shows the commitment of Treasury services to further contribute to real development in the member states.

Allow me to offer my congratulations to the new President of AIST, we wish that, under your guidance, AIST enjoys the same success and that the activities or thematic meetings continue to be fruitful and useful for all the members; in any case, Madagascar will remain available for AIST.

May I also turn to the Organisation Committee and salute the engaged organisation and the expertise you showed. We were privileged to host such an important international event and, besides the work part, you also gave our dear guests the opportunity to enjoy the beauty of our country.

Ladies and Gentlemen, I declare the 8th international seminar of AIST in Antananarivo closed and I will see you in 2015 in Senegal.

Participants

Pays	Nom	Fonctions
BENIN	Mme Yémalin Viviane Agnès HOUENOU KANEHO	Directeur des Etudes et de la Règlementation par intérim
BENIN	Mme Rakiatou ADAM CHABI SIDI	Administrateur du Trésor - Chef Service Solde
BENIN	M. Christian Engelbert OGOUNGBE	Chef Adjoint du Service de la Dépense
BENIN	M. Dourossimi Léonide AKPO	Chef du Bureau de la Centralisation comptable
BURKINA FASO	Mme Hortense Béatrice BONI	Directeur général Adjoint du Trésor
BURKINA FASO	M. Mahamoudou BAMBONE	Directeur des Etudes et de la Législation financière
CAMEROUN	M. Julien Serge ABOUEM A BOULL	Directeur de la Comptabilité Publique
CAMEROUN	M. Bachirou MOHAMADOU	Sous-directeur du Règlement du Budget de l'Etat et des Comptes
COMORES	M. Allaoui ABASSE CHEIKH	Chef de Division Dépenses
COMORES	M. Ali Said MBAE	Fondé de Pouvoirs du Trésorier
COMORES	M. Abderemane ALI AHAMADA	Trésorier Payeur général de Ngazidja
COMORES	Mme Mariama ABDOU ÉPOUSE ABODO	Coordinatrice DGCPT
COMORES	M. Said Allaoui ALI	Trésorier payeur de l'île autonome d'Anjouan
COMORES	M. Koudouroi HUMBLLOT	Chef de service Dépense
COMORES	Mme Ali Said NATHARATIE	Trésorière
COMORES	Mme Kais CHADIA	Chef Service Comptabilité Trésor Anjouan
COMORES	M. Ahmed BACAR	Chef de Services Dépenses
CONGO	M. Henri LOUNDOU	Directeur général de la Comptabilité publique
CONGO	Mme Monique MBOULOU NEE ISSONGO	Première Fondée de Pouvoir
CÔTE D'IVOIRE	M. Adama KONE	Directeur général du Trésor et de la Comptabilité publique
COTE D'IVOIRE	M. Lassina FOFANA	Directeur général Adjoint

Pays	Nom	Fonctions
FRANCE	M. Vincent MAZAURIC	Directeur général Adjoint des Finances publiques
FRANCE	Mme Josiane LANTERI	Chef de la Mission de Coopération internationale
FRANCE	Mme Ghislaine BALA	Adjointe à la Chef de la Mission de Coopération internationale - Chef du Pôle Gestion publique
FRANCE	Mme Marie-Pierre CALMEL	Secrétaire générale du Conseil de Normalisation des Comptes publics
GABON	M. Sosthene OSSOUNGOU NDIBANGOYE	Directeur général
GABON	M. Aimerik LEBOUSSI ALIBALAH	Directeur de la Centralisation et de la Production comptable
GABON	M. Pierre ETOUGHE	Secrétaire permanent Conseil national de la Comptabilité
GABON	Mme Mouvangui Yangui DOUPAMBY MATOKA	Directrice des Règlements
GABON	M. Joel OBAME NANG	Chargé d'études du Directeur général
HAITI	M. Jean Donat ANDRE	Directeur général Adjoint
HAITI	M. Jean Will LAMOTHE	Coordonnateur Adjoint des Postes comptables et de la Normalisation Comptable
KUWAIT	Mr Jamal ALSAHLI	Controller Cash Management
KUWAIT	Mr Abdulrahman ALSAGHEER	Head of Revenues Division
KUWAIT	Mr Khaled ALAJMI	Financial Specialist
KUWAIT	Mr Mubarak ALMUTAIRI	Financial Specialists
MADAGASCAR	M. Orlando ROBIMANANA	Directeur général du Trésor - Président de l'AIST
MADAGASCAR	M. Tovoheri ANDRIANTSIRIHASINA	Directeur de la Brigade de Vérification et de l'Audit
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