

**INTERNATIONAL CONFERENCE**  
**IMPLEMENTATION OF THE NEW CONSTITUTIONAL BY-LAW**  
**ON BUDGET ACTS IN CHAD : ISSUES AND CHALLENGES**



**CONFERENCE PROCEEDINGS**

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N'Djamena  
Kempinski 29-30 October 2012

ORIGINAL IN FRENCH

ENGLISH TRANSLATION

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## Preface

During the last decades, public finance management has undergone a genuine revolution. Program Budgeting has replaced line item budgeting which had, for centuries, been the financial management tool “par excellence”. The emphasis is now placed on services delivered to citizens, and government performance is appraised in comparison with the attainment of objectives that have been pre-determined.

Once the basis for this new paradigm was established, the model has progressively evolved, redefining as well expectations in the field of performance evaluation, thereby graduating from the analysis of effectiveness and economy to that of efficiency. The notion of efficiency itself has been transformed. From an initial concept related to the maximization of services delivered by unit of expenditure expressed in the currency of the country, governments have evolved toward “Doing more with less” and now « Doing differently with less ».

« Doing differently with less » means allocating budgets to objectives and not to the activities that are supposed to allow reaching these objectives. Is this a problem of semantics? It goes beyond semantics. Such an approach supposes i) the existence of a shared vision on how to maximize social values; ii) a quantifiable organization into a hierarchy of societal objectives; iii) an allocation of resources that corresponds to the importance of these issues; iv) carefully screening all government services in order to keep only those that offer an efficient contribution. In this respect, the British Centre for Social Justice noted in its response to the 2010 Spending Review Framework:

*There needs to be a clear recognition that the government’s priorities should be about the societal outcomes it hopes to achieve and not the services it provides: what matters ultimately is the level of crime and people’s feelings of safety, for example, rather than the number of police or arrests.<sup>1</sup>*

This exercise seems to present difficulties, but the progression is inevitable. The enactment of the new Constitutional By-Law on Budget Acts (LOLF) in Chad is the first milestone on a long road which will allow the best use of citizens’ taxes in order to plan for a sustainable future.

Gérard VERGER, CPA, CMA  
November 2012

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<sup>1</sup> The Centre for Social Justice (July 2010). Response to the Spending Review Framework 2010: Maximising Social Value. Page 11. [www.centerforsocialjustice.org.uk](http://www.centerforsocialjustice.org.uk).

## **Introduction**

An international Conference on the issues and challenges related to the implementation of the new Constitutional By-Law on Budget Acts of the Republic of Chad was held on October 29th and 30<sup>th</sup>, 2012 in N'Djamena, by the Minister of Budget and Finance, Mr. Christian Georges DIGUIMBAYE, with the assistance of the World Bank.

The main objective of the Conference was to share with a large audience of political decision makers, elected officials, civil servants and civil society members, the experience lived by countries that have taken the road of public finance modernization with a results-based management objective. The underlying proposition was that an improved knowledge of difficulties encountered by fore-runners would allow policy makers in Chad to specify the sequencing and rhythm of necessary changes. It was also meant as an opportunity to send a strong signal that the Government is firmly determined to take the road of reform.

Under the high patronage of his Excellency IDRIS DEBY ITO, President of the Republic, Chief of State, the Conference welcomed over 300 persons, with the participation, in addition to that of Mr. Emmanuel NADINGAR, Prime Minister of the Republic of Chad, of ministers, secretaries general, development partners' representatives, members of the National Assembly, and of the administration as well as civil society representatives. The Prime Minister opened the Conference.

During two days, the Conference broached three main themes, each being covered during one session:

- Session 1 – Budget Reform in the Republic of Chad
- Session 2 – Budget Reform : international experience
- Session 3 – Budget Reform in Africa

The text below summarizes the speakers' presentations.

**Monday October 29, 2012**

## **Session 1. Budget Reform in the Republic of Chad**

*Facilitator : Bidjéré BENDJAKI, General Manager, Budget, Ministry of Finance and Budget*

### **The draft of the Constitutional By-Law on Budget Acts in Chad**

Ramadane MOUSSA, Adviser to the Minister of Finance and Budget

#### **Summary :**

Fifty years after being enacted, Order n°11-62 dated 11 May 1962 organizing Annual Budget Acts is outdated. It appears therefore necessary to design a new framework based on:

- The alignment of the public finance system in Chad to international best practices and standards;
- The establishment of a sound fiscal policy in order to ensure the sustainability of public policies;
- The performance evaluation of government action.

The draft of the Constitutional By-Law on Budget Acts (LOLF) includes the broad orientations of CEMAC Directive n°1/11/UEAC-190-CM-22, dated 19 December 2011, namely:

- Reassertion of the five basic budgetary principles : annual budgeting, universality, unity, specification, and sincerity;
- New budget structure based on the specialization of budget appropriations by programs dedicated to a single ministry ;
- Targeted public intervention : program budgets are based on specific objectives associated with performance indicators;
- Increased responsibility for officers and institutions that are responsible for the use of public funds; this responsibility is associated with new management rules, in particular the fungibility of appropriations;
- Greater budget transparency in order to better inform the selection of economic and social policies, coupled with increased decision-making power by the National Assembly.

The draft law includes ten sections and nineteen chapters broken down into ninety three articles.

**Key words :** Annuality – Budget – CEMAC – Finance – Indicator – Law – LOLF – Performance – Principle – Program – Public – Responsibility – Sincerity – Specification – Transparency – Unity – Universality

## **Ongoing Reforms in Chad**

Dinanko NGOMIBÉ, PAMFIP Coordinator

### **Summary :**

The objective of the Public Finance Management Modernization Support Program (PAMFIP) is to establish the conditions required for an effective and transparent use of public resources in order to increase the population's standard of living; to conquer the specter of absolute poverty and to account for the use of resources.

PAMFIP is a global multi-donor program (Government, World Bank, French Cooperation, European Union) which encompasses all budget functions. The Capacity Building in Public Finance Management Support Project (PARCAFIP) is financed by the World Bank and its objective is to help the government implement various activities that are consistent with PAMFIP's objectives. Three other donors, the African Development Bank (ADB), UNDP, and UNCTAD are also participating in the implementation of public finance reform activities.

Despite the difficulties encountered (high turnover rate in senior positions within the Ministry of Finance and Budget; slow rate of appropriations approval process; uneven progress in ownership of the reforms ; lack of flexibility in resource appropriation procedures, etc.), the project can boast various positive aspects : strengthening of the human and financial capacity of the departments involved; organizational restructuring; establishment of new procedures and tools; implementation of new communication tools, and creation of an Information Technology Center (Centre Informatique) responsible for the modernization of information systems.

The objectives of the main reform activities being currently implemented are as follows:

- Consolidate achievements to date and continue the activities undertaken to build capacity in all the departments and units of the Ministry of Finance and Budget;
- Continue the reform process of the public finance legal framework through the enactment of the Constitutional By-Law and of its regulations (budget classification system; general public accounting regulation; chart of accounts; government financial operations table);
- Reorganize Government services: establish higher-level regional treasuries; devolve financial control.

The next phase of the State's public finance modernization, which will witness the By-Law's implementation, requires the update of PAMFIP. Our attention will be entirely focused on this task during the coming months.

**Key Words :** ADB – European Union – Finance – French Cooperation – Management – Modernization –PAMFIP – PARCAFIP – Program – Public – Reform – UNCTAD – UNDP – World Bank

## **The CEMAC Directive relative to Annual Budget Acts**

Hassan Adoum BAKHIT, Commissioner responsible for the Economic, Monetary and Financial Directorate (DPEMF)

### **Summary :**

During the past few years, the CEMAC Commission has undertaken an ambitious public finance reform project among its member states. The work of the Commission has resulted in the design and the adoption, on 19 December 2011, by the Council of Ministers of the Economic Union of Central Africa (UEAC), of six directives on :

1. A Transparency and Good Governance Code ;
2. Annual Budget Acts ;
3. A General Regulation for Public Accounting (RGCP) ;
4. A Government Budget Classification System (NBE) ;
5. A Government Chart of Accounts (PCE) , and
6. The Summary Fiscal Table (Tableau des Opérations financières de l'État - TOFE).

The Constitutional By-Law on Budget Acts Directive introduces four major innovations : transition from a line item budget to a results-based budget; accountability of budget officers and devolution of payment authorization; update of the government's public accounting and statistical frameworks, and strengthening the role of Parliament and of the Audit Office.

Going from a line item budget to a results-based budget places performance at the heart of the new system. As a consequence, the following concepts are introduced: program, accountability of budget stakeholders; sincerity principle; mention of multi-year budgeting within annual budget acts, emphasis on consistency between the content of Annual Budget Acts and convergence criteria.

The establishment of results-based budgeting and the performance process have resulted in making public managers accountable. This accountability implies setting up new management processes that enable managers to reach their objectives: devolution of the power of the chief authorizing officer, fungibility of allocations, budget regulation. In addition, this new accountability reinforces the emergence of a new stakeholder, the officer responsible for a program, and entails a redefinition of the financial controller's role.

The reform introduces an enlarged accounting framework, related to the transition from cash accounting to accrual accounting, which is based on the record of rights and obligations, and to the fact that public assets are now accounted for. These major innovations in the modernization of public accounting go hand in hand with the establishment of a new public chart of accounts, and the harmonization between the economic budget classification system and the chart of accounts.

Parliament is entrusted with increased power to control the effectiveness of public expenditure and can exercise this power either during debates on budget orientations, during the review of Annual Budget Acts, or within its mandate of on-going control. The role of the Audit Office is strengthened as well, particularly as it relates to control and evaluation, as well as in sanctioning management errors.

The establishment of a culture of performance associated with increased flexibility in public management paves the way for a new management style. The elbow room thus acquired enables policy makers to lead and orient public policies toward the achievement of specific objectives, which is an assurance for a trend toward higher quality in public service.

The reform's success depends primarily on the commitment and involvement from the highest authorities championing its implementation within every CEMAC member state.

**Key Words :** Accounting – Appropriation – Authorizing Officer – Cash – CEMAC – Controller – Convergence – Devolution – Effectiveness – Finance – Governance – Law – Multi-Year – NBE – PCE – Performance – Program – Responsible – Responsibility – Result – RGCP – Sincerity – TOFE

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### ***Road map for the integration of CEMAC Directives into the legal framework in Chad and for the implementation of the Constitutional By-Law on Budget Acts***

Tahir Souleyman HAGGAR, Secretary General of the Ministry of Finance and Budget

#### **Summary :**

During the past few years, the Monetary and Economic Community of Central Africa (CEMAC) has committed itself to a public finance management reform process. A package of six directives, which constitutes the harmonized framework for CEMAC public finance, was approved on 19 December 2011.

Like every other member state, Chad has the obligation to integrate this package within its legal system within a timeframe of twenty four months from the date on which these directives were adopted. Therefore, the deadline is January 1<sup>st</sup>, 2014.

In order to reach this objective, Chad has established the following timetable:

1. Phase 1 – Integration of the directives into the laws of Chad

- a. Activity 1 – Integration within the legal framework of Directive N° 01/11-UEAC-190-CM-22 relative to Annual Budget Acts
    - Step 1 – Technical Validation Workshop for the draft Constitutional By-Law on Budget Acts : October 4 and 5, 2012
    - Step 2 – Presentation of the draft By-Law to the CEMAC Commission for its appraisal : October 2012
    - Step 3 – Organization of an international conference on the issues and challenges of the By-Law's implementation: October 29 and 30, 2012
    - Step 4 – Presentation of the draft By-Law to the Government for review, approval and transmittal to the National Assembly : November 2012
    - Step 5 – Review and adoption of the draft By-Law by the National Assembly during its budget sitting : December 2012
    - Step 6 – Enaction of the By-Law : February – March 2013
    - Step 7 – By-Law Publication : April 2013
  - b. Activity 2 – Integration of other directives into the legal framework
    - Step 1 – Technical validation of the draft Budget Classification System : June 2013
    - Step 2 – Technical validation of the draft General Regulation on Public Accounting : June 2013
    - Step 3 – Technical validation of the draft Government Financial Operations Table : July 2013
    - Step 4 – Technical validation of the draft Government Chart of Accounts : July 2013
2. Phase Two – By-Law Implementation / Preparation of Results-Based Budgeting
    - Step 1 – Rewriting CID to take into account the new Budget Classification System : 2013
    - Step 2 – Using the new Budget Classification System

Respecting this timetable supposes that Chad satisfies the following pre-conditions:

- Setting up a technical team to assist national professionals in public finance management in order to facilitate the transposition of directives into the legal framework within the established deadline ;
- Involving all public finance stakeholders, including parliamentarians, civil society and universities ;
- Agreement on the part of national political decision makers on the issues and challenges of a community approach ;
- Putting in place all systems required for the implementation of the directives, within the timetable that was decided upon by the CEMAC Commission;
- Organizing an awareness and communication campaign on the implementation of the new directives

**Key Words :** Accountant – Assembly – Awareness – By-Law – Budget – CEMAC – CID – Communication – Directive – Draft – Implementation – Integration – National – Phase – Plan – Promulgation – Publication – Step – Time Table

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## Session 2. Budget Reform : International Experience

Facilitator : Manassé NGUEALBAYE, Consultant

### **Modernization of the State and Budget Reform**

Alexandre ARROBBIO, Chief Specialist Public Sector and Governance for West Africa, World Bank

#### **Summary :**

The introduction of results-based budgeting management is a major reform which entails numerous challenges that go beyond budget considerations. It requires at the same time a long-term and firm commitment on the part of governments as well as the mobilization of significant resources. Finally, it implies a change in government culture.

The Government budget must become a tool for the implementation of public policies that aim to satisfy society's expectations. The public finance management system must be built upon three fundamental principles : (i) strong budget discipline based on realistic economic growth perspectives; (ii) strategic resource allocation that is consistent with short- as well as medium-and long-term priorities; (iii) effectiveness during budget implementation : economies in expenditures coupled with an efficient provision of services.

Thus, budget reforms aim to contribute to improving public policies; to reinforce the provision of services; to improve budgetary decision making and the allocation of resources as well as reinforcing transparency and accountability. These reforms necessitate a strong commitment on the part of the decision makers at the highest level: the Office of the President who guarantees the achievement of national plan objectives; the Ministry of Planning, which is responsible for the completion of programs that are specifically linked to public investment programs; the Ministry of Finance, which is responsible for the monitoring of sector programs; the line ministries; the National Assembly and the bodies responsible for external audit.

The introduction of results-based management rests on the existence of five pre-conditions:

1. Implementation of a program-based budget classification that mirrors public policies
2. Introduction of a multi-year budget framework
3. Implementation / strengthening of a computerized public finance management system
4. Strengthening of the performance audit and of monitoring/evaluation coupled with a strengthening of financial accountability on the part of the spending institutions that are responsible for implementation
5. Quality control of information linked to results

A comparative study of various countries, that are either OECD members, or that are located in Central and South America, or French-speaking Africa, indicates that the implementation of

results-based budgeting takes on many forms, both in the approach taken for implementation, as well as in its level of achievement, or its effective use as a decision making tool.

Among OECD members, the situation is varied. A few countries have adopted a gradual implementation, while others have selected a « big bang » strategy. The scope of the reform may be all-inclusive or partial (when only certain aspects are implemented). If, from the point of view of the five preconditions' implementation, it is noted that, as a rule, the systems are performing, a 2003 survey indicated that:

- About three quarters of OECD members include data on results in budget documents, but :
  - Only half adjust their targets during the budget process;
  - A third of the members indicate that the results are not used to establish appropriations.
- Over 40% of member states report that it is unusual for political decision makers to use results data in order to make decisions.
- In about half of the member states, no sanction or reward is linked to results achievement.

In Central and South America, it is mandatory in many countries, including Brazil, Columbia, and Mexico, to link budget objectives with national development plans, and various countries have set up sophisticated monitoring and evaluation systems (Columbia : SICOB/SINERGIA; Mexico : SED; Brazil : SIGAF). While financial management information systems are being strengthened, on the other hand, controls are still mainly oriented on compliance and the use of inputs.

In French-speaking Africa, regional bodies (UEMOA and CEMAC) have adopted a number of directives whose aim is to introduce multi-year budgeting (CDMT), program budgeting and performance indicators as well as to introduce strengthening measures in the areas of transparency and control.

In Chad, the objective of the Capacity Building in Public Finance Management Support Project (PARCAFIP), which is financed by the World Bank, is to support the establishment of the preconditions to the introduction of results-based budgeting. The support targets four components: program budgeting, multi-year budget framework, computer-based public finance information systems, and internal control (IGF).

Disbursement of the World Bank loan will be linked to the results which will be obtained during implementation. In addition to linking disbursements to technical assistance which will be conducted following a traditional approach, a significant portion of the funds will be linked to the attainment of targets that are based on disbursement trigger indicators that measure the project's results achievement.

This mechanism, intended to stimulate reform activities, is perfectly suited to a process whose objectives are the implementation of results-based management at all levels of the public administration of Chad.

**Key Words :** Administration –Audit –Big Bang – Budget – CEMAC –Control – Credit – Decision – Disbursement –Effectiveness – Efficiency – Finance – Indicator – Management – Multi-year – National Assembly –OECD –Policy – Program – Public – Reform – Results – Target –Transparency – Trigger-WAEMU –World Bank

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### **Budget Support as a EU Aid Tool**

Anna RENIERI, Chief Social, Economic and Good Governance Unit, European Union Delegation

#### **Summary:**

Budget support is a tool which allows financing a partner country's budget thanks to the transfer of resources from an external financing organization to the Treasury of a partner government. The funds that are thus transferred are managed according to the budget procedures of the target country.

The general objectives of the European Union Budget Support (Art. 61 Cotonou; Communication Oct 2011) are to eradicate poverty, to promote sustainable and inclusive economic growth, and to strengthen democracy.

The formulation of specific objectives is based on two principles: (i) alignment with the policies, priorities and objectives of the partner country; (ii) consistency with the European Union development policies.

Budget support can be provided according to three types of contracts:

- Good governance and development contracts (CBGD), aiming to promote a national development strategy and reform at the national level;
- Sector reform contracts (CRS), aiming to implement sector policies and reforms, and to improve service mandates;
- Contracts related to the creation of a machinery of government (CCAÉ), aiming to: strengthen fragile States, provide the essential basic public services and functions of the State, and to support the transition toward democratic governance.

Specific objectives and expected results will determine the type of contract, while the content of the political dialogue will determine the performance indicators as well as disbursement conditions.

The eligibility criteria are first of all linked to partner governments' commitments toward fundamental values as stated in Article 21 of the European Union Treaty, that is to say the respect of human rights, the promotion of democracy, and respecting the rule of law. They include:

- A relevant and credible development strategy at the national, or sector level, centered on the fight against poverty;
- A macro-economic polity oriented toward stability and favorably evaluated by the main technical and financial partners;
- A reliable and effective management of public finance (or a relevant and credible public finance reform program);
- Transparency in the process and budget supervision (Budget publication).

During implementation, the loan may be disbursed according to two formulas, either fixed installments that are linked to loan conditions specified in the contract, or variable installments, the disbursement of which is linked to performance.

The benefits of this approach are that it creates a climate of dialogue within which the budget is linked to development policies and to the progress of reforms. The risks of this approach lie in the difficulty to control the use of funds, due to the fungibility principle, and the difficulty to justify, to European citizens, as well as those of the beneficiary country, limited results in case of implementation problems.

**Key Words :** Aid – Budget CBGD – CCAE – Contract – CRS – Democracy – Eligibility – European Union – Finance – Fungibility – Governance – Human – Performance – Resource – Transfer

### ***Managing Change and Implementing the Constitutional By-Law on Budget Acts in France***

Jean-Yves PARSSEGNY, Controller General, Ministry of the Interior, France

#### ***Summary:***

The main budget reform milestones in France are the following : publication of the By-Law on August 1st, 2001; coming into force of the first budget voted according to the By-Law principles in January 2006; 1st certification of the Government Accounts by the Government Auditor in May 2007, and the publication of the first Annual Performance Report (APR) in June of that same year;

revision of the Constitution recognizing public finance program laws, which define the multi-year orientations of public finance, on July 23<sup>rd</sup>, 2008.

The By-Law aims at the adoption of the following new principles and new standards of presentation:

- Budget Classification system according to mandate and program;
- Budgeting and expenditure disbursement principles which include :
  - A double presentation of appropriates by destination (activities) and by type of expense (personnel, operations, investments, etc.);
  - Personnel expenditure ceilings by program, and staff complement ceilings by ministry;
  - Room for manoeuvre for managers (management of payroll and jobs, fungibility outside of Title 2, asymmetrical fungibility, etc. ) assorted with real-time monitoring (budget control);
- Budget documents that are redesigned and complete;
- Expenditure justified from the first euro;
- Presentation and performance measure;
- Activity cost analysis;
- Linking implementing agencies (statutory bodies) to programs;
- Presentation of tax expenditure;

Through these principles and standards, the By-Law's objectives are to satisfy, among the following groups:

- Elected Representatives: greater budget legibility and transparency during its implementation; ability to give means to public policies;
- Population : Citizen focuses on the effectiveness of state action: the user seeks a better quality of government services and the taxpayer wants effective management at the lowest cost (efficiency);
- Government officers: clarity of objectives linked to a wider margin of operation.

In order to implement all the By-Law's dispositions and requirements, it became essential to develop a tool for financial, budget and accounting management. The roll out of this tool, named Chorus, has taken place in six phases since 2008. Phase 6, which was rolled out on January 1st 2011, dealt with a very large number of programs, 25, 000 users were connected to the system, to which one must add 15 ,000 individuals able to consult the system, and 22, 000 users of the Forms portal.

In addition, introducing the notion of accountability has led to modifications in the nature of financial control. The Decree of January 27th 2005 has profoundly changed its nature. The objective of control is now to establish a satisfactory balance between the manager's autonomy and the issues related to stewardship of public finance and the prevention of budget risk:

- Control has been refocused on the role of budget sustainability; it is therefore essentially preventive;
- Prior approval is maintained, but within a very restricted scope;
- Legal controls are abandoned at the time of approval of legal commitments outside of Title 2;
- New modes of operation: technical advice (various legal commitments, operational program budget, asymmetrical fungibility), ex-post control and alternative evaluation of procedures.

In the future, internal control, as a set of mechanisms whose aim is to supply a reasonable assurance that organizational objectives have been met, will undoubtedly be reinforced, and this will impact the controller's mission in the long term.

**Key Words:** Appropriations – Budget – Chorus – Citizen – Classification System – Control – Effectiveness – Efficiency – Elected Representative – Financier – Fungibility – Legibility – LOLF – Mission – Performance – Population – Program – Tax Payer – Transparency – User

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**Tuesday October 30th, 2012**

### **Session 3. Budget Reform in Africa**

*Facilitator : Mayadine SALAH, Consultant*

#### **2012-2015 Strategic Development Plan**

Komindi PATRIT, Assistant Secretary General, Ministry of Planning, Economy, and International Cooperation

#### **Summary :**

The Government's strategic vision is to promote medium and long-term growth that reduces poverty and vulnerability, and that provides as well urgent and imperative responses to the profound aspirations of the population with respect to health, longevity, education, welfare, freedom and peace.

Three major challenges are to be faced. The first is ecological: there is a need to protect and manage the land in a rational manner while at the same time to exploit plentiful natural resources. The second is political: its objective is to firmly give root democracy and to strengthen peace and security. Finally, the third is economic: without sustainable growth that is shared on an equitable basis, social progress will not last.

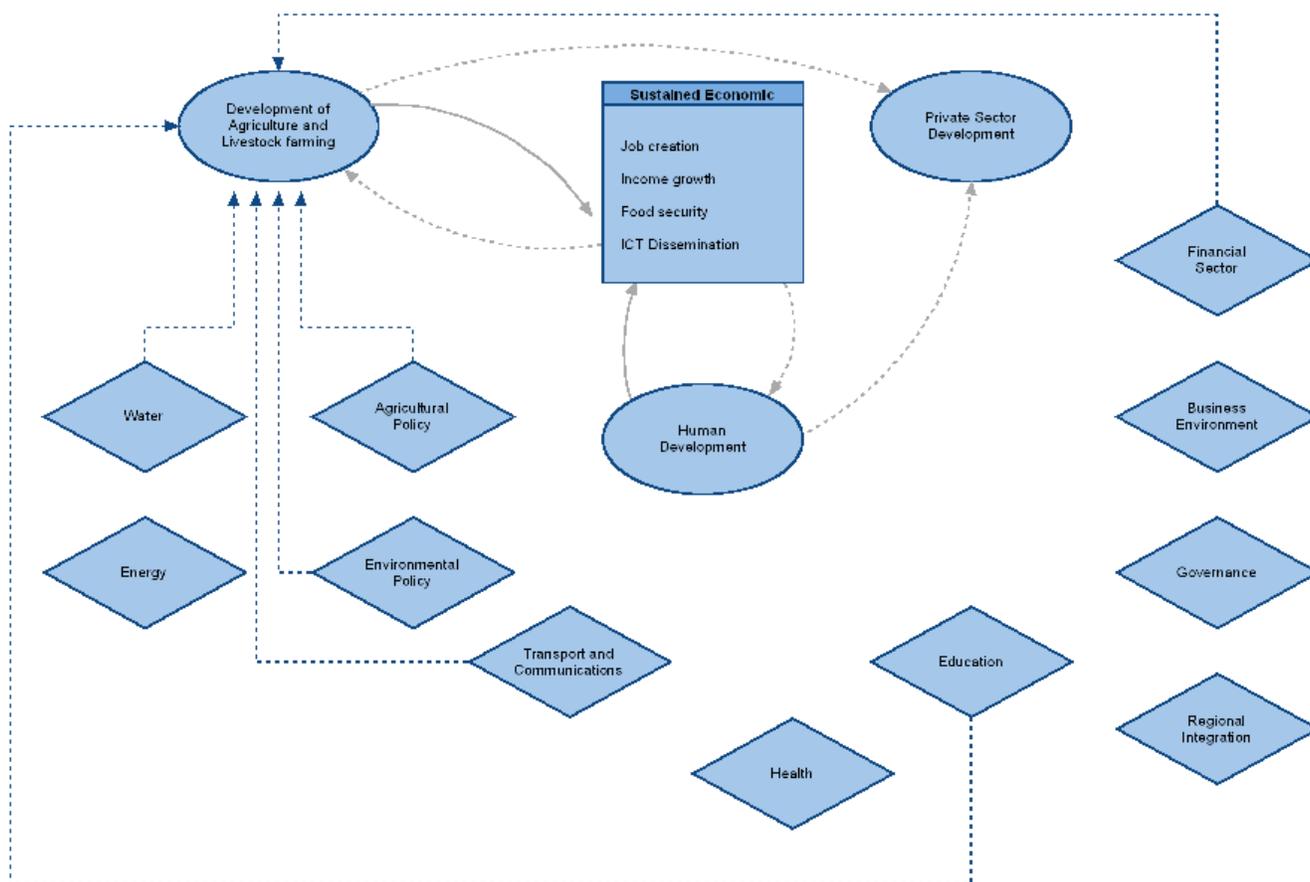
The opportunity presented by an era of oil production completes this picture with a challenge to "Develop". In 2015, the proportion of Chadians living under the poverty threshold will need to decrease to about 40 % (from 55 % in 2003).

The National Strategy for Poverty Reduction (SNRP) failed due to a set of factors that are linked to a faulty planning-programming-budgeting mechanism, to the lack of budget discipline, to weaknesses in management and in monitoring and evaluation:

- Despite reinforcing the capacities of sector ministries in the area of program budgeting and multi-year expenditure planning (MTEF), the following should be taken into account :
  - Weak program budgeting tools: the tools for defining an economic framework were put in place in 2011 only; the link between political orientations, strategy and budgeting are unsatisfactory;
  - Weak program approach;
  - Total lack of linkage between program budgets and annual budgets;
  - Weak dialogue within ministries during annual budget preparation.
  
- Budget execution marred with :

- Significant departures from the original program budget;
- High levels of disbursement that are not always linked to the implementation of activities programmed by ministries;
- A major weakness of the monitoring and evaluation mechanism: « the stewardship and sector monitoring structures are barely functional, and suffer particularly at the regional level; there is no credible and reliable management information system to monitor results indicators » (National Strategy Evaluation Report- SNRP2).

To follow up on lessons learned, the Government of Chad has designed a Strategic Development Plan (SDP) for 2012-2015. It replaces SNRP 2, which came to an end in December 2011. The SDP is made up of a global objective (strong economic growth), intermediate objectives (development of human capital, rural development and private sector development) and areas of emphasis (education, health, agriculture, livestock farming, etc.), as is illustrated below.



The implementation process will rest on a results-based management approach: current situation, diagnostic, design of strategies and action plans, identification of priority programs and risk factors, implementation time tables, results indicators, targets, budgeting, and monitoring and evaluation.

The 2012-2013 SDP is under preparation. The draft will be presented to the Minister of Planning, the Economy and International Cooperation, at the latest on October 30th 2012, for adoption by the Government at the end of November, 2012.

**Key Words:** Budget – Budgeting – Challenge – Democracy – Development – Growth – Management – Monitoring-Evaluation – MTEF – PDS – Plan – Policy – Poverty – Programming – Progress – Result – Sector – Security – SNRP – Strategy

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### **Budget Reform : The Moroccan Experience**

Brahim ARJDAL, Head of the Budget Reform Unit, Ministry of Economy and Finance, Morocco

#### **Summary:**

The Government of Morocco undertook a major reform of its public administration in 2001. This reform includes a Government budget system, within the framework of a national decentralization strategy.

The budget system reform in Morocco is characterized by 1) a participative approach: ministries have been heavily involved in the design and implementation of reform mechanisms; 2) a progressive approach: reform implementation has taken place step by step within the framework of an integrated and global vision; and 3) a pragmatic approach: reform has been tested in pilot ministries before its general roll out. In addition, reform mechanisms have been implemented without prior modification of current legislation.

The reform is built on four major thrusts: (i) multi-year programming; (ii) budget decentralization; (iii) globalization of appropriations, and (iv) reform of expenditure control.

As regards to multi-year planning, the objective was, on the one hand, to strengthen consultation between various stakeholders, and on the other hand, to ensure increased visibility on options for budgetary resource allocation depending on the priorities adopted by the Government.

The objective of budget decentralization is to rehabilitate the role of regional services in the implementation of public policies (local management). This has taken place within the framework of establishing contracts between the central government departments and their regional services as well as making the managers of regional services accountable for the achievement of objectives. This approach has necessitated introducing a regional dimension in the presentation of the budget, as well as the design of regionalization master plans.

The concept of globalization of appropriations aimed at establishing a culture of transparency, of performance and of the obligation to be accountable. Making managers accountable implied the reinforcement of the rational link between objectives, appropriations and results (clarification of sector strategies); it implied, in return, increased room for maneuver on the part of managers (fungibility of appropriations), and evaluation of their performance (evaluation reports).

Expenditure control had to be reoriented toward performance analysis. Within this perspective, building bridges between the Kingdom's Treasury General and the Expenditure Initiation Control Unit has allowed to lighten the load of various ex-ante controls. In parallel, the management capacity of public managers has been strengthened in order to allow for internalization of consistency controls. As well, the role of each Ministry's Inspector General (IGM) as regards internal control, performance measurement and risk assessment, has been confirmed.

At the present time, the rollout of multi-year program budgeting has been implemented in 19 ministries. Results-based budgeting extends to about 97 % of the investment budget; the gender approach is being progressively implemented, and the General Finance Inspectorate as well as IGMs conduct audit missions, and write performance reports.

Over the years, a global concept of budget reform that is coherent and shared has developed. The reform is well documented. Information systems have been modernized. All stakeholders (managers, controllers, parliamentarians) have taken ownership of the reform, and are convinced of its validity.

The reform had reached such a level of maturity that a reform of the Constitutional By-Law was necessary. Thus, the Budget Directorate prepared a platform for a reform of the Constitutional By-Law on Budget Acts (LOF) by benchmarking international, and in particular anglo-saxon, best practices. This platform is rooted in three major themes: strengthening public management performance; improving public finance transparency, and increasing the role of Parliament in budget debates.

The time line for implementation of the LOF is five years, which will allow the Budget Directorate to conduct a roll out of the reform in consultation, to establish and monitor the implementation of communication and training plans, as well as to refine the conditions of the reform's implementation mechanisms in order to guarantee that it will take root.

**Key Words :** Appropriation – Budget – Budgetary – CED – Control – Decentralization – Enabling – Evaluation – Globalization – IGF – IGM – LOF – Law – Morocco – Multi-year – Participative – Performance – Policy – Pragmatic – Programming – Progressive – Reform – Transparency

## **Budget Reform in Burkina Faso – An MTEF and Program Budgeting Case Study**

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### **Summary :**

The first initiative in the area of program budgeting, goes back to 1997. During the next ten years, most government departments have mastered the concepts linked to results-based management and the various stakeholders have committed to the process. However, an inappropriate legal and regulatory framework, the absence of relevant sector policies and the lack of communication have led to the creation of a hodgepodge of program budgets, and to the lack of linking program budgeting to MTEF. The annual budget law is still established, voted upon, and implemented as a line item budget.

Since 2010, the approach has been restructured. During that year, an Accelerated Growth and Development Strategy (SCADD) was adopted, as well as a Sector Policy for the Economy and Finance (POSEF), whose objectives are the promotion of a modern and competitive economy, supported by dynamic and performing public finances.

The steering mechanism put in place for the introduction of program budgeting involves the highest government authorities. Leadership is present at the highest levels: the President and the Prime Minister. The Orientation Paper as well as the implementation strategy for program budgeting have been validated by the Cabinet. The Steering Committee meets every two months, under the leadership of the Budget Minister, with the participation of the Secretary Generals from all ministries and institutions.

A series of methodological guidelines (preparing a program budget, program monitoring and evaluation, transitional table from line item to program budget, templates for budget programs), as well as strategies (communication, capacity building) have been developed.

The implementation approach is participative, progressive, and prudent. Secretaries General, technical advisers, the technical and financial partners, training schools and universities, representatives from regional services, press organizations are part of the process. Following this approach, experimental program budgets were developed in seven ministries in 2010, in seventeen of them in 2011, and in forty ministries and public institutions in 2012.

On the legislative front, Directive n° 06/2009/CM/UEMOA relative to finance laws will be integrated into the legal framework as a By-Law. Other directives : n° 01 Transparency Code, n° 07 on a general regulation of public accounting, n° 08 on a government budget classification system, n° 09 on a Government Chart of Accounts, and n° 10 on the Government financial operations table, will be adopted by decree.

Program classification is structured according to mandates, programs, actions and activities. The mandate answers a public purpose, it is perennial and constitutes the essential purpose of the organization (ministry or institution). The program is a unit of specialized appropriation and of parliamentary approval.

The program manager is a new actor in the budget process. He/she develops the program strategy and establishes objectives and targets, in agreement with the sponsoring minister. He/she allocates appropriations and jobs and prepares the program's annual performance plan (APP). He/she defines program objectives in terms of operational objectives that are adapted to the mandate of each one of the services to be offered as well as the identification of indicators to which they are linked. The program manager is then responsible for its implementation, and to write, a posteriori, the Annual Performance Report (APR). It should be noted that the program manager is not systematically the authorizing officer.

According to the Burkina Faso model, the Multi-year Budget and Economic Program Document (Document de programmation budgétaire et économique pluriannuel - DPBEP)<sup>2</sup> is a mandatory appendix to the draft Annual Budget Act. It is the basis for discussions within the budget orientation debate (BOD). The DPBEP is a tool for allocating budget resources among ministries and is a reference for the development of the multi-year expenditure programming documents (Documents de programmation pluriannuelle des dépenses-DPPD)<sup>3</sup>.

The major challenges presented by the implementation of program budgeting by 2017 are: the adaptation (rather than the acquisition) of an information system; improving the MTEF with a view to reducing gaps between forecasts and actual occurrence (particularly in the area of revenue forecasting), and, above all, a significant change in outlook and behavior within the administration, among public servants as well as in Parliament.

To ensure success, in order to obtain ownership and commitment by all stakeholders, the implementation of major communication and training plans is required. Capacity building will give prominence to change management. These efforts will only be successful if the Government demonstrates its will and commitment to the project's success.

**Key Words :** APP – APR – Authorizing Officer – Budget – Burkina Faso – Decree – Directive – DOB – DPBEP – DPPD – Finance – Guide – Line Item – Minister – Monitoring-Evaluation – MTEF – Performance – POSEF – Program – Officer Responsible – SCADD – WAEMU

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2 The DPBEP corresponds to the global MTEF.

3 The DPPD corresponds to the program budget (which is itself the same as the sector MTEF).

## **Budget Reform in Central Africa**

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### **Summary :**

Since the beginning of the year 2000, the general consensus is that the current public finance system is not adapted to face the economic and social development challenges which poor countries are facing. The countries have therefore started reflecting on the need to reform the legal framework governing their public finances. This presentation summarizes public finance reform in Central Africa.

AFRITAC Centre covers the CEMAC countries (Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon), as well as Burundi (EAC) and the Democratic Republic of the Congo (SADC). Progress of the reforms varies widely from one country to another.

In 2010, the Democratic Republic of the Congo (DRC) adopted a global three-year strategy for the reform of public finance and it set up an Orientation Committee for Public Finance Reform (COREF), which is tasked with monitoring and facilitating the strategy implementation.

DRC adopted a new Constitutional By-Law on Budget Acts (LOFIP) in July 2011, for which the regulations are currently being either prepared or adopted. A guidebook on the implementation of the corresponding expenditure according to the LOFIP mode is being prepared. The restructuring of ministerial legal frameworks is under way in order to allow them to undertake their new financial functions, which result from the enactment of LOFIP.

The objectives of other current activities are: to continue the progressive implementation of reforms resulting from the LOFIP, capacity building, raising awareness among government decision makers and parliamentarians on the establishment of an improved coordination mechanism for donor support.

Burundi adopted a three-year public finance management strategy (Stratégie de gestion des finances publiques – SGFP) in 2008, and set up a Support Unit which reports to the Cabinet of the Finance Minister, which is responsible for the implementation of the SGFP and of its corresponding action plan.

Burundi has adopted a new public finance law that is consistent with international standards. Following this, the country has harmonized its Budget Classification System with its Chart of Accounts; in 2011, it adopted the General Regulation for Public Budget Management (Règlement général de Gestion des Budgets publics – RGGBP), and in 2012 a decree on budget governance and an order governing the control of expenditure commitment.

The objectives of the main ongoing activities are to: update the public finance management strategy (SGFP 2); put in place a new computerized expenditure chain (CRD); adapt the public finance integrated information system (SIGEFI), while waiting to set up a new tool that is better adapted to the reforms anticipated by the By-Law; implement new Trust Funds in the health and public finance reform sectors and devolve the budget to two pilot ministries.

The main objectives of the CEMAC directives are as follows:

- Align public finance systems of member states with international standards;
- Harmonize the rules of budget preparation, presentation, approval, implementation, control and reporting in all member states;
- promote an effective and transparent management of public finance in all member states ;
- enable the comparison of public finance data to allow an effective multilateral monitoring of national budget policies ; and
- promote the integration process in Central Africa.

In consideration of these objectives, CEMAC countries may be classified in three groups: (i) countries which are ahead of the new directives, but in which the laws require an update (Gabon and Cameroon); (ii) countries which have started the integration of the new directives within their legal framework as soon as they were adopted (Congo and Chad), and, (iii) countries which have not yet started activities aimed at the integration of directives into their legal frameworks (Central African Republic and Equatorial Guinea).

Gabon adopted a new By-Law in October 2010, with a 2011 implementation horizon. On the whole, this law follows the orientations of the new CEMAC directives, with the exception of matters related to budget policy and the management of donor funding.

The main activities currently ongoing are the implementation of planning and programming tools, the introduction of the performance approach, and the adaption of the financial information system.

Even if the political will is manifest in Gabon, the country must still define a global strategy for public finance reform and reorganize its institutional framework, as well as put in place a partnership framework with technical and financial partners.

Cameroon has adopted a Public Finance Modernization Plan (PMFP), which is coupled with a three-year action plan, a communication plan, a reform directorate and a platform allowing dialogue with technical and financial partners. The country adopted a Constitutional By-Law on Government Finance (LORFE) in 2007; this By-Law follows on the whole the orientations of the CEMAC directives, with a transitional five-year deadline.

Current activities aim at the design of guides and training tools in order to launch program budgeting in January 2013, and to consolidate the accounting fundamentals. The main difficulties result from a limited involvement from spending ministries and from a very tight implementation schedule.

In the Congo, the new Constitutional By-Law was adopted in September 2012, while in Chad, it is being reviewed by the Government. Draft laws are at the design stage in these two countries. Finally, in Equatorial Guinea and in the Central African Republic, the work related to the integration of directives into the legal framework has not genuinely begun.

To conclude, in order to reach the main objectives of the second generation of public finance reforms, there is a need to: (i) be assured of strong political support; (ii) develop and define a mid-term global strategy for public finance reform, coupled with a rolling work plan and a communication plan for the reform; (iii) set up an institutional framework for the reform, staffed with permanent employees and with a partnership framework with PTFs; (iv) establish realistic implementation deadlines; (v) involve, beforehand, all public finance stakeholders; (vi) pay special attention to the implementation of preconditions to the reform.

**Key Words :** Action – AFRITAC – Budget – Burundi – Cameroon –CEMAC – Central African Republic – Chad – Congo – COREF – Directive – Finance – Gabon –Equatorial Guinea – LOFIP – LORF – Modernization – NBE – PCE – Partner – Partnership – Plan – Program – PTF – Public – RDC – Strategy – Technique