



Republic of Cape Verde

## **Assessment of Public Finance Management in Cape Verde 2007:**

### **Based on the PEFA Methodology – Public Expenditure & Financial Accountability**

*Final Report*

**English Version**

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## List of Acronyms

<b>AN</b>	National Assembly
<b>ARAP</b>	Regulatory Agency for Public Procurement
<b>ARE</b>	Agency for Economic Regulation
<b>BO</b>	Official Bulletin (of Parliamentary & Government business)
<b>BSG</b>	Budget Support Group
<b>CAD</b>	Development Assistance Committee (of OECD)
<b>CCIS</b>	Chamber of Commerce, Industry and Services
<b>CFAA</b>	Country Financial Accountability Assessment
<b>CGE</b>	General State Accounts (Annual Public Accounts)
<b>CMCP</b>	Praia City Council
<b>COFOG</b>	Classifications of Functions of Government
<b>CP</b>	Programme Contract
<b>CPAR</b>	Country Procurement Assessment Review
<b>CPT</b>	Provisional Quarterly Accounts
<b>CS-DRMS</b>	Commonwealth Secretariat - Debt Recording & Monitoring System
<b>CUT</b>	Single Treasury Account
<b>CVE</b>	Cabo Verdian Escudos
<b>DGA</b>	Directorate General of Customs
<b>DGCI</b>	Directorate General of Tax and Revenue
<b>DGCI</b>	Directorate General of International Cooperation
<b>DGCP</b>	Directorate General of Public Accounts

<b>DGO</b>	Directorate General of the Budget
<b>DGP</b>	Directorate General of Planning
<b>DGPE</b>	Directorate General for State Assets
<b>DGPOG</b>	Directorate General of Planning, Budgeting & Administration (in sector ministries)
<b>DGT</b>	Directorate General of the Treasury
<b>DRI</b>	Debt Relief International
<b>EC</b>	European Commission
<b>FFM</b>	Municipal Financing Fund
<b>FMI</b>	International Monetary Fund
<b>FSA</b>	Autonomous Funds & Agencies
<b>GBS</b>	General Budget Support
<b>GFP</b>	Public Finance Management
<b>GFS</b>	Government Financial Statistics
<b>IGF</b>	General Inspectorate of Finances (Internal Audit)
<b>IMF</b>	International Monetary Fund
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISPPIA</b>	International Standards for the Professional Practise of Internal Auditors
<b>LEOE</b>	Framework Law for the State Budget
<b>ME</b>	Ministry of Education
<b>MF</b>	Ministry of Finance
<b>MISAU</b>	Ministry of Health
<b>MNEC</b>	Ministry of Foreign Affairs

<b>MTEF</b>	Medium-Term Expenditure Framework
<b>NIF</b>	Fiscal Identification Number
<b>NOSI</b>	Operational Nucleus of the Information Society
<b>OCDE</b>	Organisation for Economic Co-operation and Development
<b>OE</b>	State Budget
<b>PANA</b>	National Environmental Action Programme
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PER</b>	Public Expenditure Review
<b>PETS</b>	Public Expenditure Tracking Survey
<b>PFM</b>	Public Finance Management
<b>PFM-PR</b>	PFM Performance Report
<b>PI</b>	Performance Indicator
<b>PNCP</b>	National Chart of Accounts
<b>QDMP</b>	Medium-Term Expenditure Framework
<b>ROSC</b>	Report on Standards & Codes (IMF diagnostic report on PFM)
<b>SAI</b>	Supreme Audit Institution
<b>SIGOF</b>	Integrated System of Budget & Financial Management
<b>SWAP</b>	Sector-Wide Approach Programme
<b>TC</b>	Court of Accounts (Cape Verde's Supreme Audit Institution)

## Acknowledgements & Disclaimer

CESO CI Internacional, as a member of the Consortium led by Ecorys, was contracted by the European Commission Delegation of Cape Verde to undertake an assessment of the Public Finance Management (PFM) system of Cape Verde, having for that effect, mobilized a team of 3 experts: Andrew Lawson (Team Leader), Antero Barbosa and Luis Maximiano. The work has been undertaken, under European Commission financing on behalf of the Government of Cape Verde and its Budget Support Group.

This Final Report presents the results of an independent external assessment of Public Finance Management in Cape Verde in the period up to the end of the 2007 budget cycle. The assessment applies the PEFA (Public Expenditure & Financial Accountability) methodology. It is based on (i) working meetings and semi-structured interviews conducted between 2<sup>nd</sup> September and 17<sup>th</sup>, October 2008, (ii) a detailed desk review of the data, official documents, legislation and other reports made available to the team, and (iii) the analysis of the team. The report has also benefited from comments on the first draft provided by the Government of Cape Verde, the Budget Support Group and the PEFA Secretariat in Washington D.C.

We would like to thank Her Excellency, Cristina Duarte, Minister of Finance, for her unequivocal support to the evaluation and for her encouraging words at the PEFA Orientation seminar, held in Praia on 5<sup>th</sup> of September 2008 and the Final Dissemination Seminar on the 3<sup>rd</sup> of December 2008. We would also like to express our special gratitude to Dr. Sandro de Brito, Director of the Studies Department (Gabinete de Estudos), Ministry of Finance who has assisted the team to establish a successful working schedule and helped to coordinate all the necessary inputs from the Government.

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## Summary Assessment

This report provides an assessment of the status of the PFM systems and processes of Cape Verde, up to the conclusion of the 2007 budget cycle, taking account of the accounting and audit information on past years produced during 2008. It includes a ranking of the status of PFM systems and processes at end 2007, a review of the trends emerging during 2008 and, in this Summary Assessment, an examination of the implications of these findings. It is based upon the use of the PEFA methodology, which the government of Cape Verde intends to adopt as the standard method for assessing the quality of its PFM systems. The 2007 PEFA thus lays down a benchmark, against which it will be possible to assess progress in the implementation of PFM reforms.

### *(i) Assessment of PFM systems at end 2007*

Cape Verde has for a number of years been making steady improvements in the quality of its PFM systems and processes. Both the intensity and the scope of reforms increased significantly after the Country Financial Accountability Assessment (CFAA) of 2003 and the resulting 'CFAA action plan'. Although a direct comparison between the 2003 CFAA and the 2007 PEFA is not possible because of the substantive differences in the methodologies, it is clear that significant improvements in the quality of PFM systems have been achieved.

This is in large part a consequence of the introduction of the SIGOF computerised system of integrated financial management and of the accompanying reforms to the legal and regulatory framework, most notably the development of a new budget framework law and related regulations – the LEOE (Framework Law for the State Budget). This set of reforms has had major positive impacts for all aspects of the budget cycle – including budget formulation, budget execution, treasury management, financial reporting and accounting, as well as for revenue collection and administration.

Figure I below presents an overview of the ranking of the PFM system in Cape Verde according to the 31 indicators of the PEFA methodology. Chapter 4 presents in detail the justification for these scores, while Annex One presents the same information in more summary form.

Overall, these are relatively strong scores. In particular, there are high scores for indicators relating to the overall credibility of the budget (PI 1-4), to comprehensiveness and transparency (PI 5-10), and to predictability and control in budget execution. (PI 13-21). In total there are 17 scores ranked “B” or higher out of the 31 indicators included in the PEFA methodology.

**Figure I: Cape Verde: Overview of PEFA scores at end 2007**

Indicator		D	C	B	A	
<b>A. PFM OUT-TURNS: Credibility of the Budget</b>						
PI-1	Aggregate expenditure out-turn compared to original approved budget					A
PI-2	Composition of expenditure out-turn compared to original approved budget					B
PI-3	Aggregate revenue out-turn compared to original approved budget					B
PI-4	Stock and monitoring of expenditure payment arrears					B+
<b>B. KEY CROSS - CUTTING ISSUES: Comprehensiveness and Transparency</b>						
PI-5	Classification of the Budget					B
PI-6	Comprehensiveness of information included in budget documentation					A
PI-7	Extent of unreported government operations					B
PI-8	Transparency of inter-governmental fiscal operations					B
PI-9	Oversight of aggregate fiscal risk from public sector entities					D+
PI-10	Public access to key fiscal information					C
<b>C. BUDGET CYCLE</b>						
<b>C(i) C Policy-Based Budgeting</b>						
PI-11	Orderliness and participation in the annual budget process					B+
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting					C+
<b>C(ii) Predictability and Control in Budget Execution</b>						
PI-13	Transparency of tax-payers' obligations and liabilities					B
PI-14	Effectiveness of measures for tax-payer registration and tax assessment					A
PI-15	Effectiveness in collection of tax payments					D+
PI-16	Predictability in the availability of funds for commitment of expenditures					C+
PI-17	Recording and management of cash balances, debt and guarantees					C+
PI-18	Effectiveness of payroll controls					B+
PI-19	Competition, value for money and controls in procurement					B
PI-20	Effectiveness of internal controls for non-salary expenditure					B+
PI-21	Effectiveness of internal audit					D+
<b>C(iii) Accounting, Recording and Reporting</b>						
PI-22	Timeliness and regularity of accounts reconciliation					B+
PI-23	Availability of information on resources received by service delivery units					D
PI-24	Quality and timeliness of in-year budget reports					C+
PI-25	Quality and timeliness of annual financial statements					C+
<b>C(iv) External Scrutiny and Audit</b>						
PI-26	Scope, nature and follow-up of external audit					D+
PI-27	Legislative scrutiny of the annual budget law					B+
PI-28	Legislative scrutiny of external audit reports					D+
<b>D. PR Donor Practices</b>						
D-1	Predictability of Direct Budget Support					B+
D-2	Financial information provided by donors for budgeting and reporting on project					D
D-3	Proportion of aid that is managed by use of national procedures					D

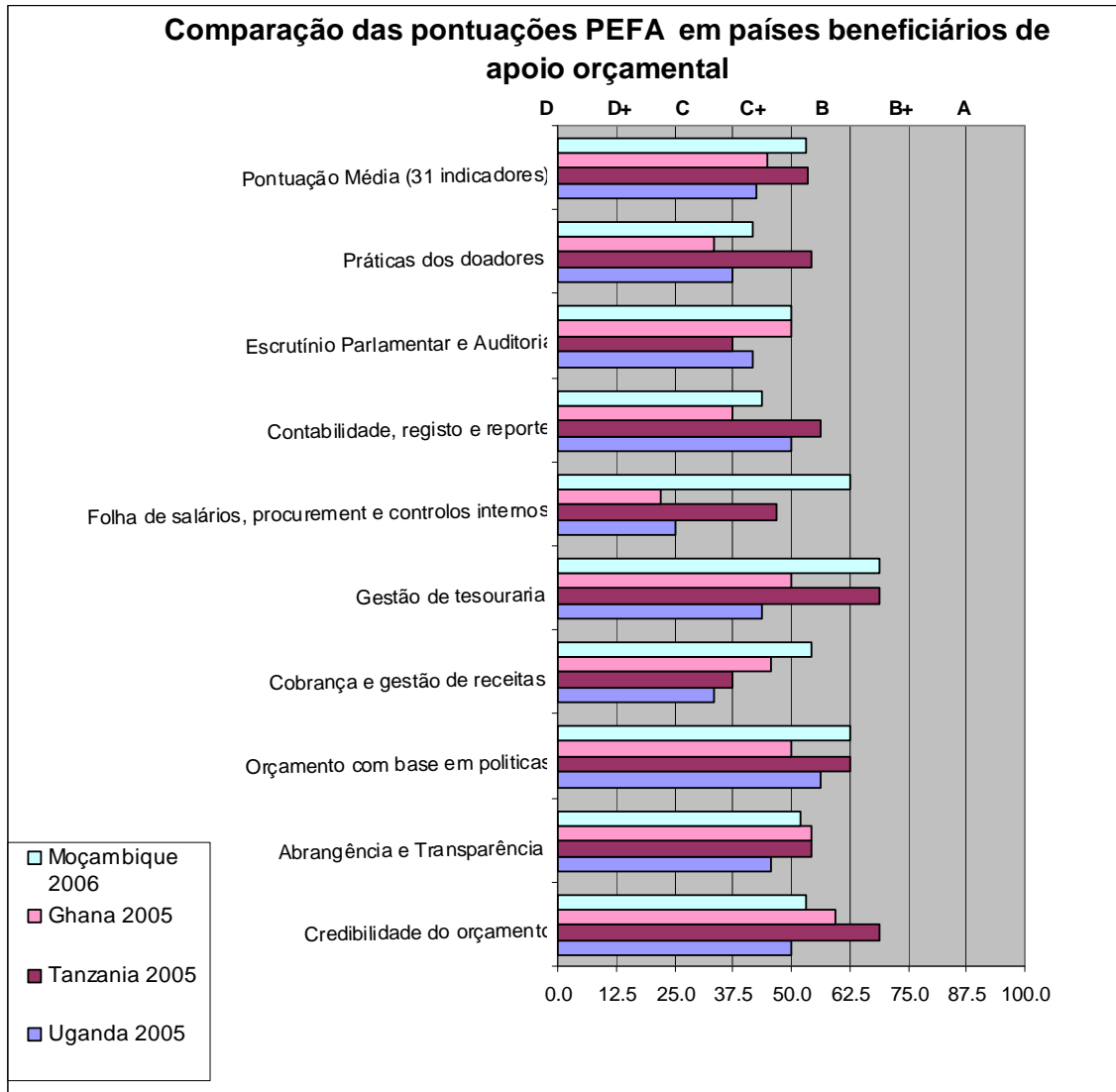
By way of contrast, Figure 2 presents a comparison with the most recent PEFA scores<sup>1</sup> achieved by four of the main countries in receipt of budget support – Ghana, Mozambique, Tanzania and Uganda<sup>2</sup>. These studies are less recent than the Cape Verde study. Moreover, these are all low income countries, which

<sup>1</sup> Indicators are grouped as follows: Credibility of the budget – PI 1-4; Comprehensiveness & Transparency – PI 5-10; Policy-based budgeting PI 11&12; Revenue collection & management PI 13-15; Cash management PI 16 & 17; Payroll, procurement & internal controls PI 18-21; Accounting, recording and reporting PI 22-25; External scrutiny and Audit PI 26-28; Donor Practices D1-3.

<sup>2</sup> The graphical presentation is derived by assigning a numerical value (from 1 to 7) to each possible score in the PEFA methodology (D, D+, C, C+, B, B+, A) and then averaging across each area of assessment.

have substantially greater shortages of high-level human resource skills than Cape Verde<sup>3</sup>. Nevertheless, there are significant differences with respect to the ranking of the Cape Verde PFM system, as presented in Figure 1.

**Figure 2: Cape Verde: comparison of 2007 PEFA scores with 4 GBS-recipient countries**



A further point to stress is that the ongoing reforms to treasury management and accounting in Cape Verde will start to impact positively on PEFA scores within a short space of time. For example, the progressive reduction of the use of commercial bank accounts by the autonomous institutions should

<sup>3</sup> A different type of comparison is provided by the case of Norway. Of the 28 indicators covered in their 2008 PEFA (excluding D1-3), 22 were scored as “B” or above.

improve the ranking of PI-17 (recording and management of cash balances, debt and guarantees) and PI-22 (Bank account reconciliation).

Moreover, there are modest adjustments to the coverage, content and timeliness of accounting reports (PI-24 and PI-25) and debt reports (PI-17), which would also serve to improve scores. Similarly, simple steps to make comprehensive and timely information available to the public could improve transparency (PI-10). With appropriate government actions, 'quick wins' can be made in each of these areas.

Nevertheless, the PEFA scores do reveal some significant weaknesses, where more substantial improvements are needed and where progress is only likely to be achieved through a significant enhancement of current reform efforts. There are four obvious areas where such attention is needed:

- Oversight of fiscal risk from public sector entities (PI-9);
- Effectiveness of Internal Audit (PI-21);
- Scope, nature and follow-up of External Audit (PI-28); and
- Donor Practices, related to the provision of comprehensive and timely information on projects (D2) and to the use of Government procedures (D3).

In relation to internal and external audit, the key problems concern a lack of capacity: basically, the number of qualified internal and external auditors working for IGF and the Court of Accounts is grossly insufficient to achieve a sufficient level of coverage of audited institutions. Allied to this, there is a problem of how work is programmed – it is important to focus audit work on high risk institutions or high risk processes, where the potential for misappropriation of resources or for grossly inefficient use of resources is higher. In addition, it is important to focus internal audit work in particular on systemic issues and problems rather than simply on questions of compliance. Where coverage is limited and it is not well targeted, then internal and external audit do not act as an effective control on resource management.

Both of these problems need to be addressed urgently, if the quality and effectiveness of audit is to be improved. In the case of external audit, improving the targeting of audit work is likely to require some legislative amendments to permit the Court of Accounts to focus only on a selection of institutions rather than trying in vain to achieve a comprehensive coverage.

In relation to fiscal risk, there are concerns both over the reporting of fiscal risks emerging from sub-national levels of government and from autonomous agencies and public enterprises (the discussion on indicator PI – 9 provides details). Regarding donor practices, the problem is on the surface a reporting problem but in practice, the real solution is for disbursements on externally financed projects to go

through the CUT and the SIGOF system. Some partners have accepted that monies be managed in this way. It seems reasonable, given the quality of the treasury and financial management systems, that other external agencies should follow suit.

Medium-term budgeting and planning (PI-12) is a fifth area of significant weakness which is perhaps not immediately obvious from its PEFA score. The initiatives which have been undertaken to date regarding the development of the Medium - Term Expenditure Framework (QDMP) have been sufficient to achieve a “C+” score but further improvements will be difficult, if not impossible, to achieve without both a conceptual re-design of current reforms and an increase in resources. The discussion on indicator PI-12 gives an indication of what is likely to be required.

### ***(ii) The Status of PFM in 2007 and its significance for budgetary outcomes***

What can we say about the relative level which PFM systems in Cape Verde have now reached? And what does this imply in terms of its ability to achieve the objectives of an effective PFM system? Effective PFM systems should be able to achieve three objectives simultaneously: the maintenance of aggregate fiscal discipline, the allocation of public resources to agreed strategic objectives and the efficient delivery of services.

The necessary control and reporting systems to achieve the first objective of fiscal discipline are well established and, indeed, Cape Verde has an excellent record of macro-economic management. Debt and treasury management systems are strong and the improvement in financial control which SIGOF has permitted makes major fiscal slippages much less likely. The quality of oversight of fiscal risks from municipalities and from autonomous public sector entities remains weak and will probably require both legal reforms and changes to reporting procedures if it is to be improved. Nevertheless, this does not fundamentally alter our judgement that the systems of treasury management and aggregate financial control in Cape Verde are robust and capable of ensuring fiscal discipline.

In relation to operational efficiency, payroll management is strong and so too is control of non-salary expenditures. Procurement structures are reasonably good and are likely to improve significantly as the impact of the reforms introduced in 2007 and 2008 starts to take effect. Thus, the basic systems of management control necessary for operational efficiency are in place. One of the roles of internal audit (and to a lesser degree external audit) is to seek systemic improvements in administrative and management systems so as to continuously raise operational efficiency. At present, the limited coverage of Internal Audit and its heavy focus on compliance issues (rather than performance or systems questions) is limiting its ability to play this role. If Internal Audit systems could be strengthened, then Cape Verde would have in place all of the systems necessary to achieve steady and continuous improvements in operational efficiency.

With regard to the strategic allocation of resources, the high scores achieved in relation to budget credibility and, in particular, with regard to the composition of the expenditure out-turn in comparison with the original approved budget (PI-2) suggest that the PFM system is effective in ensuring that resources are spent as allocated. In order to ensure that the approved allocations are themselves more consistent with policy priorities, it will be necessary to strengthen the analysis of policies and to strengthen the links between policies and budgets through improvements to the QDMP. The improvements which have been achieved in the core PFM areas of budget execution, treasury management and accounting mean that Cape Verde is now ready to graduate to a more advanced type of PFM system with a focus on results.

### ***(iii) Priorities for 2009 and beyond***

Cape Verde has reached a situation in which its PFM reforms – especially in financial management and revenue administration, are beginning to reap genuine benefits. The first priority is to complete and consolidate these ongoing initiatives and to ensure effective implementation of planned actions in the area of procurement where reforms are more recent and less advanced. In order to facilitate the focus on implementation, we would recommend that beyond normal monitoring and review processes, there should be no significant external evaluation activities during 2009. However, we would recommend that a further PEFA assessment be undertaken in the final quarter of 2010 so as to be able to obtain a timely feedback on the impact of current reforms.

New reform initiatives should focus on the five areas of weakness identified above, namely: internal and external audit, monitoring and reporting of fiscal risk, the use of national systems for externally financed projects and the strengthening of multi-year budgeting through the QDMP. It will be a significant challenge to make progress in each of these areas during 2009 and beyond, while also consolidating ongoing reforms.

In addition, we believe that more attention needs to be given to the coverage and presentation of financial reports – in particular the quarterly budget execution reports and the annual accounts (CGE). Attention also needs to be given to improving public access to fiscal information. In each of these areas, significant improvements can be achieved without major technical or administrative inputs. The opportunity for such “quick wins” should not be lost while progress continues in areas of reform which are more demanding of technical resources and administrative efforts.

# I Introduction

1. This document comprises the Final Report of the assessment of Public Finance Management in Cape Verde. It provides a ranking of the current status of the PFM systems and processes up to the end of the 2007 budget cycle<sup>4</sup>, following the PEFA methodology<sup>5</sup>. It includes a description of past and current PFM reforms, an overview of their impact over 2005 to 2007 and an assessment of likely progress up to the end of 2008. The assessment has been undertaken by a team of consultants from CESO CI, Portugal, with the close support of the Studies Department of the Ministry of Finance.
2. The Studies Department has coordinated Government's participation and input into the PEFA Assessment. Most of the relevant government actors have been involved from the beginning of the exercise, and most of these participated in a one day orientation seminar on the use of the PEFA methodology, held on 5<sup>th</sup>, September 2008. In addition to the Studies Department, these included other key departments in the Ministry of Finance, the Court of Accounts, the ministries of Education, Health and Transport and the Municipal Council of Praia. In addition, a meeting with the Chairperson of the Parliamentary Budget & Finance Committee was held during October 2008 and a meeting with the Director of the Chamber of Commerce, Industry and Services (CCIS) in late September 2008. Complete lists of the persons met and of the documents consulted are presented in annex.
3. A Steering Committee was established to manage the PEFA evaluation, with a membership drawn from the Studies Department, the CFAA project team within the Ministry of Finance, the Directorate General of Tax and Revenue (DGCI) and two representatives of the Development Partners – the European Commission and the Spanish Cooperation. This committee met on a weekly basis during the field phase of the exercise to discuss the results generated by the consultancy team and to facilitate access to additional relevant information.
4. The Steering Committee also coordinated the submission of comments from Government, the Development Partners and the PEFA Secretariat in Washington D.C. on the first draft version of the report. On the basis of these comments, this Final Report has been prepared in Portuguese and English and was formally presented and discussed at a seminar in Praia in December 2008.

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<sup>4</sup> The assessment has utilised the accounting and audit information submitted during 2008 referring to earlier fiscal years. However, as the majority of the PEFA indicators require analysis of information from a complete budget cycle, the assessment is best considered as representing the status of systems at end 2007.

<sup>5</sup> For details of this methodology, see the PEFA Public Finance Management Performance Measurement Framework available in 6 languages at [www.pefa.org](http://www.pefa.org).

## 2 Country Background

### 2.1 Economic Situation

5. The Republic of Cape Verde is an archipelago of 10 major islands located in the North Atlantic some 500km off the west coast of Africa. It has a population estimated in 2008 at 530,000 (2000 Census: 436, 821) with a population density of 126 per square kilometre. However, many more Cape Verdians are known to live abroad than in Cape Verde itself, most notably in the US (500,000 approximately), Portugal (80,000), the UK (40-70,000) and Angola (45,000) but with sizeable populations also in Senegal, Sao Tomé and Príncipe, France, Brazil, Luxembourg and the Netherlands. It has a per capita GDP estimated at US \$2,924 in 2007 (IMF, July 2008) and is ranked by the 2007/08 UN Human Development Report as a country of 'medium human development', having the fifth highest HDI ranking within the African continent<sup>6</sup>.
  
6. Since 2000, Cape Verde has achieved a major economic transformation as noted by the IMF (Article IV Consultations, July 2008): 'Real per capita GDP has increased on average by 7 per cent a year, faster than other small island economies and other countries in Sub-Saharan Africa. The unemployment rate fell by more than 10 percentage points between 2001 and 2006. Cape Verde is also on track to achieve most of the MDGs by 2015, including halving the 1990 poverty level. This is remarkable for a small island economy with no natural resources. The transformation is reflected in an economy that is increasingly becoming service-based, led by tourism and commerce.'
  
7. In recognition of its strong performance and policy credibility, Cape Verde was accepted as a special partner of the European Union in November 2007. It was invited to join the WTO in December 2007, and graduated from UN Least-Developed Country (LDC) status in January 2008.
  
8. The real GDP growth rate peaked at 10.8 % in 2006, boosted by tourism, telecommunications and construction. Based on data from INE, the IMF estimate that GDP grew by about 7 per cent in 2007 and, taking account of the effects of the global economic downturn, growth is expected to moderate to 6.5 per cent in 2008, with tourism and construction continuing to expand. The Cape Verdian Escudo (CVE) is pegged to the Euro and, as a result of this and disciplined monetary management, the twelve-month inflation rate averaged 3.5 per cent over December 2007 to April 2008. Food and fuel prices rose significantly in this period but did not lead to generalised inflation, in part because of the limited extent of indexation of wages.

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<sup>6</sup> It is ranked 102<sup>nd</sup> overall and fifth within the African continent, behind the Seychelles, Libya, Mauritius and Tunisia.



## 2.2 Budgetary outcomes 2005 to 2007

9. Cape Verde has maintained an outstanding reputation for macroeconomic management. All quantitative assessment criteria for end-December 2007 under the IMF-monitored Policy Support Instrument (PSI) were met with wide margins. Domestic public debt fell by nine percentage points of GDP and official reserves also grew fast.

**Figure 3: Summary of Central Government Fiscal Operations 2005-2007 (% of GDP)**

<b>Budget Category</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total Revenue &amp; Grants</b>	<b>31.1</b>	<b>29.4</b>	<b>30.2</b>
<b>Domestic Revenue</b>	<b>24.0</b>	<b>23.9</b>	<b>25.5</b>
<b>Tax Revenue</b>	21.3	21.6	22.8
<b>Non-tax revenue</b>	2.7	2.0	2.4
<b>Net Lending</b>	0.0	0.3	0.3
<b>External Grants</b>	<b>7.1</b>	<b>5.5</b>	<b>4.7</b>
<b>Capital Grants</b>	6.5	3.8	3.4
<b>Budget Support</b>	0.6	1.7	1.3
<b>Total Expenditure</b>	<b>36.3</b>	<b>34.3</b>	<b>30.9</b>
<b>Expenditure excluding interest</b>	34.1	32.5	29.3
<b>Interest Payments</b>	2.2	1.8	1.6
<b>Overall Balance (after Grants)</b>	<b>-5.2</b>	<b>-4.9</b>	<b>-0.7</b>
<b>Primary Fiscal Deficit</b>	<b>-3.0</b>	<b>-3.1</b>	<b>0.9</b>
<b>Net Financing</b>	<b>5.2</b>	<b>4.9</b>	<b>0.7</b>
<b>Net External borrowing</b>	3.2	3.0	2.0
<b>Net Domestic borrowing</b>	1.7	2.9	-0.8
<b>Net errors &amp; omissions</b>	0.3	-1.0	-0.5
<b>Overall Balance (before Grants)</b>	<b>-12.3</b>	<b>-10.4</b>	<b>-5.4</b>

Source: IMF, Article IV Consultations, 2006 and 2008

10. As may be seen from Figure 2 above, total domestic revenue increased by approximately 1.5 percentage points of GDP over the two year period from 2005 to 2007. This was principally the consequence of a structured programme of tax reforms, involving wide-ranging legislative and organisational changes, which have permitted an expansion in the number of taxpayers and increased collection of previously unpaid taxes. In parallel, there has been tight control of

expenditures, permitting a sharp reduction in the overall fiscal deficit and. Indeed, allowing the primary fiscal deficit to come into surplus in 2007. In parallel, there have been steady reductions in the stock of domestic debt, which has fallen from 34% of GDP in 2004 to 23,9% of GDP at end-2007, thus meeting the PSI target for 2009 two years ahead of schedule (IMF, July 2008).

11. As a consequence of these positive fiscal developments, the relative importance of external grants in the maintenance of fiscal balance has declined. Budget support grants increased modestly over the period – from 0.6 % of GDP in 2005 to 1.3% in 2007, but with the sharp decline in Capital Grant financing, the overall level of grant financing fell from 7.1% of GDP in 2005 to 4.7% in 2007.

**Figure 4: Economic classification of Central Government Spending (% of GDP)**

<b>Budget Category</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total Expenditure</b>	<b>36.3</b>	<b>34.3</b>	<b>30.9</b>
<b>Current Expenditures</b>	<b>21.0</b>	<b>17.8</b>	<b>19.2</b>
<b>Wages &amp; Salaries</b>	12.3	10.9	10.8
<b>Goods &amp; services</b>	1.3	1.1	1.6
<b>Transfers</b>	3.0	3.0	2.9
<b>Subsidies</b>	0.6	0.3	1.6
<b>Other expenditures</b>	1.5	0.7	0.7
<b>Interest Payments</b>	2.2	1.8	1.6
<b>Capital Expenditures</b>	<b>13.3</b>	<b>11.8</b>	<b>10.5</b>
<b>Other (including arrears clearance)</b>	<b>2.0</b>	<b>4.7</b>	<b>1.2</b>

Source: IMF, Article IV Consultations, 2006 and 2008

12. The pattern of expenditure restraint can be seen more clearly in Figure 3: within current expenditures, statutory transfers (primarily to the municipalities) have remained constant and a modest increase in goods and services spending has also occurred but reductions have been achieved in most other items of current expenditures. A higher level of expenditures is registered for subsidies in 2007 but a significant proportion of these outlays correspond to arrears of subsidies from earlier years. Indeed, the clearance of arrears on electricity and fuel price subsidies (and other payments) has been a major thrust of policy, to which considerable fiscal effort has been devoted.
13. The restructuring of arrangements for setting utility tariffs and for fuel pricing have been important objectives under the PSI agreed with the IMF, with the long term objective of achieving full cost recovery so as to avoid the accumulation of tariff and fuel pricing deficits, which have been a major

contingent liability for the State Budget. (See the assessment of indicators PI-4 and PI-9 within Chapter 4.) The base utility tariffs mechanism was finalised and approved by the Economic Regulatory Agency (ARE) in March 2008 and posted on its website.

14. With regard to fuel pricing, the complex cost structures of the two oil companies – Shell and ENACOL – prevented implementation of the continuous cost criterion for setting and adjusting fuel prices<sup>7</sup>. However, the ARE raised fuel prices in March 2008, clearing the implicit subsidies owed to the oil suppliers which had been accruing since the previous adjustment in October 2007 and recruited technical support to develop a new fuel pricing formula. This new price formula is based upon the unified cost structure which will be established under the upcoming joint venture between the two oil companies. At the time of writing it was pending final approval and publication by ARE.

## 2.3 The Structure of Government & the State Budget

15. Government is structured into five categories of institutions:
- 6 Sovereign entities (The Presidency of the Republic, the National Assembly, the Supreme Court, the Office of the Public Prosecutor of the Republic, the Court of Accounts and the National Electoral Commission);
  - The Head of Government;
  - 13 Ministries;
  - 38 autonomous agencies; and
  - 22 municipalities.
16. The Sovereign entities, the Head of Government, the ministries and autonomous agencies comprise the Central Government, while the municipalities comprise the Local Government. Municipalities have their own budgets and certain revenue-raising powers.

17. Both the Municipalities and the Autonomous Agencies receive transfers from Central Government.

## 2.4 Legal and Institutional Framework

18. The principal laws and regulations which govern the management of the State Budget (and which underpin all related directives, administrative circulars and other regulatory instruments) are as follows (in chronological order):

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<sup>7</sup> This criterion would require that fuel prices should be adjusted every time the price of an incoming shipment of imported oil altered by more than plus or minus 2 per cent.

- **The Constitution of the Republic** establishes in Part III the economic and fiscal organisation of the State. It establishes that: ‘The State Budget is unique and specifies all of the revenues and expenditures of the public administration sector, categorised according to organic and functional classifications. It also includes the social security budget.’ It further specifies that: ‘the State Budget may be structured by annual or multi-annual programmes, requiring in the latter case that the charges to which they refer should be recorded in the Annual Budget.’
- **The Law on the Principles of the State Budget** (Lei de Bases do OE) establishes the principles and the general rules for the framing of the budgets of administrative entities. These are applicable to the whole Public Administration Sector and comprise rules and procedures for the organisation, formulation, presentation, discussion, approval, amendment and execution of the budget and for the formulation, presentation, discussion and approval of the annual accounts of the State Budget.
- **Decree-Law no. 29/2001 of 19<sup>th</sup>, November** defines: ‘the principles and norms relating to the financial regime, the accounting and financial management controls applicable to the Central Government and to those of its services endowed with administrative autonomy, as well as those endowed with both administrative and financial autonomy<sup>8</sup>.’
- **Regulatory Decree no.01/2007 of 15<sup>th</sup>, January** regulates the use of the Contingency Fund (*Fundo de Maneio*), ‘as an instrument for the management of small-scale expenditures within each government department, institute, service or autonomous fund, with the aim of simplifying the procedures for the execution of expenditures and for the rapid fulfilment of the requirements for the effective delivery of services<sup>9</sup>.’
- **Regulatory Decree no.2/2007 of 15<sup>th</sup>, January** regulates the role, professional requirements and recruitment process for the Financial Controller.
- **Decree no. 2/2007 of 21<sup>st</sup>, January** approves the budgetary classifications for the State Budget.
- **Law no.17/VII/2007 of 10<sup>th</sup>, September** covers public purchases which are managed by contract either for the contracting of public works, the procurement of goods, the procurement of services, the licensing of public works or the licensing of public services.
- **The Budget Decree-Law:** The Budget Framework Law specifies that after the approval of the State Budget, the Government should take the necessary measures to ensure that it is executed, through the approval and publication of the corresponding decree-law, specifying the norms and procedures for the execution of the State Budget.

<sup>8</sup> Article I, Chapter I, Decree-Law no. 29/2001 of 19<sup>th</sup>, November.

<sup>9</sup> Article I, Regulatory Decree no.01/2007 of 15<sup>th</sup>, January.

### **3 Overview of PFM Reform Processes and Structures**

19. This section of the report provides an overview of Public Finance Management (PFM) reform in Cape Verde. It describes the reforms currently underway and identifies where performance improvements are being achieved. It also describes the methods of coordination, financing and monitoring of these reforms.

#### **3.1 Description of recent and ongoing reforms**

20. Although there have been steady improvements to different aspects of public finance management introduced over a number of years, the inspiration for the current programme of PFM reforms in Cape Verde derived very clearly from the CFAA study (Country Financial Accountability Assessment) of 2003. This was undertaken with the support of the Netherlands and other external agencies but was led by Government and undertaken in a highly collaborative manner, with inputs from a variety of institutions and with structured opportunities for the discussion and analysis of results. It was a highly influential study, which served to convince both political leaders and senior managers within the civil service of the urgent need to modernise both the legal and technical basis for public finance management in Cape Verde.

21. The CFAA study was followed by the development of a “CFAA Plan of Action”. While retaining the acronym of the original study, this was in fact a wide ranging programme of reforms which went well beyond issues of financial accountability. At its heart lay the development of the SIGOF computerised system of integrated financial management but it also involved legal reforms, training and institutional development across a wide range of areas.

**Figure 5: Principal Objectives of current PFM Reforms in Cape Verde**

- A. Strengthening of **Macroeconomic Programming** and **Budget Formulation**.
- B. Strengthening of **Revenue Administration**
- C. Strengthening of **Debt and Treasury Management**
- D. Strengthening of **Budget Execution and Accounting**, including the **Pay and Pensions** payment system
- E. Development of **Internal Audit capacity**, through the Directorate-General of Finances.
- F. Strengthening of the **Management of State Assets** and the related systems of **Procurement**.
- G. Strengthening of **External Audit** capacity through the Court of Accounts.

22. The box above outlines the key areas of focus of the reform programme. We provide here a brief commentary on the activities undertaken and the key results achieved:

- **Strengthening of macroeconomic programming and budget formulation:** the primary achievement within this area has been the revision of the Budget Framework Law and the related regulations (LEOE), which have provided the legal basis for the implementation of SIGOF<sup>10</sup>. The key thrust of this revision has been, on the one hand to systematically separate responsibilities for expenditure commitment (*cabimentação*), expenditure authorisation (*settlement*), payment, accounting and auditing, while over time decentralising the key management tasks - expenditure commitment and authorisation – towards ministries and spending units, while retaining the programming and control functions within the Ministry of Finance. In the meantime, institutional capacities for macroeconomic and budget programming within the Ministry of Finance have been strengthened, most notably through the creation of the Studies Department the strategic policy unit of MF. Support has also been provided to DGO and DGP, as well as to key sector ministries, to strengthen linkages between the budget and the Growth and Poverty Reduction Strategy (DECRP) and to develop the basis for a medium term expenditure framework (QDMP).
- **Strengthening of Revenue Administration:** a comprehensive database of taxpayers has been created, with each corporate and individual tax payer having a unique NIF, by which to be identified. This is in turn cross-referenced to the civil register of births and deaths, to public sector data on suppliers and to banking data. All tax offices and tax collection processes have been fully computerised and networked (including for the newly introduced VAT), and payment systems directly linked to the CUT. A full set of procedural manuals and codes have been

<sup>10</sup> Final approval of this Law is expected by the end of December 2008.

developed for all aspects of tax collection and investigation and comprehensive training in their use has been provided. An internal audit unit has also been established within DGCI.

- **Strengthening of Debt & Treasury Management:** all treasury management functions have been fully computerised through SIGOF, with the design and implementation of modules for accounts receivable, accounts payable and for cash-flow forecasting/ treasury management. The existing debt management system – CS-DRMS, made available by the Commonwealth Secretariat, has been upgraded to CS-DRMS+ and the procedures for debt management and reporting have been updated correspondingly.
- **Strengthening of Budget Execution:** the necessary functionalities have been developed within SIGOF to permit ‘real time’ recording and accounting of budgetary transactions. A new law on public accounting was approved in October 2007 and is under implementation, through the drafting and application of all the necessary regulations and procedures. The law foresees a shift to accrual-based accounting over 2009 and 2010. In parallel, the pay and pensions payment system has been fully computerised and modernised to permit payments by direct bank transfer.
- **Development of Internal Audit capacity:** a substantial recruitment and training programme has been initiated to strengthen the internal audit capacity vested within the Directorate – General of Finance in the Ministry of Finance. Procedures and codes for the programming and management of internal audits have also been established. Nevertheless, these efforts remain at an early stage of implementation and more time will be required for capacity development to take effect.
- **Strengthening of Asset management and procurement:** the CFAA study of 2003 was followed by an equivalent study in the area of procurement – the CPAR (Country Procurement Assessment Review), which was undertaken in 2005, leading to the development of an action plan for the period 2006 – 2008 (the PRMP). The first stage of this process involved a substantial legislative and institutional reform, with a new law on procurement being approved in September 2007 and a new regulatory body – ARAP (*Regulatory Agency for Public Procurement*) being established during 2008, along with corresponding UGACs within each of the larger sector ministries and institutions. As yet, the institutional structure remains incomplete with a substantial amount of recruitment and training work still required before these entities can be fully functional. In parallel, work is proceeding on the development of an asset management module for SIGOF and on the verification and computerisation of the existing inventory of State Assets.

- **Strengthening of External Audit capacity:** The final element in the CFAA plan of action has been the strengthening of the external audit capacity of the Court of Accounts. Work has focused primarily on training and on the development of improved routines and procedures and remains at an early stage of implementation.
23. Chapter 4 gives a comprehensive assessment of the impact of these reforms on the different aspects of public finance management and in the Summary Assessment at the beginning of this report, we present an overview of the implications of these changes. Nevertheless, it should be clearly stated here that the overall impact of these reforms has been substantial and has served to transform the nature of PFM in Cape Verde. The primary achievement has been the development and implementation of SIGOF and it is no surprise that improvements are most notable in those aspects of PFM, where this technological transformation has impacted most directly. However, there are many such aspects and they are fundamental elements of the PFM system. The development and implementation of SIGOF seems to have been very efficiently managed and, most importantly, in a way which has maximised the benefits of computerisation and systems integration.
24. Progress in strengthening of planning, internal and external audit and procurement has been slower and much still remains to be done in these areas. These are acknowledged as the new priorities within the reform programme and performance in these areas will benefit significantly from the advances in the core aspects of budgeting, financial management and accounting which SIGOF has permitted. Thus, the sequencing of reforms looks to have been broadly correct. The pace of improvements also seems to have been broadly consistent with the prevailing capacity constraints and with the need for new systems and routines to be fully embedded across the public sector, implying the need for a comprehensive process of institutionalisation and training.

### 3.2 The Institutional Framework for PFM Reform Planning and Management

25. Government leadership over the reform process has been strong. The reforms introduced and the political direction taken by the new government have strengthened the economy and improved the efficiency of the public sector, a fact confirmed by the IMF's PSI missions during 2007 and early 2008. Moreover, the eagerness with the which the Cape Verde authorities have accepted the present PEFA exercise suggests there is a strong political will to examine the impact of PFM reforms and to adjust plans, as necessary, to improve their effectiveness.



26. An important question to consider is whether the institutional structures which have been established to design and manage PFM reforms have been effective and whether they will continue to be appropriate as reforms proceed into a new phase. We have not had sufficient time to be able to address this question comprehensively nor to discuss with the authorities the potential alternative structures that might be developed, and their advantages and disadvantages. An evaluation of the CFAA project is due to take place shortly and is expected to address this question directly. Pending this, we simply confine ourselves to a few comments on the current PFM management structures.
27. The current management framework is based around five elements:
- A unified, common plan for PFM reform contained within the CFAA Action Plan and the related CPAR Action Plan (PRMP).
  - A Steering Committee led by the Ministry of Finance.
  - A coordinating body to guide the reform process and measure progress – the CFAA project team within the *Studies Department*.
  - A decentralised management process, in which individual reforms are designed and led by the competent department or agency (eg. DGO, DGT, DGPE, etc); and
  - An autonomous IT team responsible for maintenance of SIGOF and for the design and introduction of new modules – the NOSI team.
28. The fact that fast progress has been made to address many of the substantive weaknesses in the PFM system identified within the 2003 CFAA study suggests that the management structure must be working relatively well. Overall, it would seem to provide a good balance between ownership of reforms (at the departmental level), effective coordination at the central level and adequate technical guidance. However, there are two potential weaknesses.
29. The first relates to the question of what is the right degree of centralisation or decentralisation of the ownership of reforms. The basic principle that reforms should be owned and managed by the departments responsible is a very sound and important principle. Yet, this does create a situation in which the intensity of reform and its relative successfulness is essentially dictated by the quality of leadership within individual departments, the degree of motivation of the immediate stakeholders and by the quality of the individual advisors available to each department. Where these factors come together favourably (as would appear to be the case with regard to the revenue administration reforms led by DGCI), this presents no problem and, indeed, such a structure holds

advantages over more centralised arrangements. Where it is difficult to attain the right combination of leadership, motivation and good technical advice from the outset, then it is more difficult to make progress and in the absence of more active central support, reform efforts may stagnate. There are three adjustments that might be introduced to prevent this eventuality:

- Firstly, the overall plan of action could be developed in more detail from the outset and with more substantial diagnostic and design inputs being provided by the CFAA project team (or its equivalent<sup>11</sup>). These technical inputs might be provided directly by CFAA project staff or by sub-contracted specialist consultants.
- Secondly, a more explicit set of progress targets could be established and monitored, so as to strengthen the oversight role of the Steering Committee.
- Thirdly, the technical expertise available within the CFAA project team could be broadened so as to be able to more easily provide technical guidance and support when bottlenecks are met at the departmental level<sup>12</sup>.

30. The second potential problem relates to the harmonisation of funding sources. The CFAA project was originally conceived as a unified programme of work for which a common basket funding structure would have been appropriate. In the event, such a structure was never established and the different components of the reform received funding from various funding sources – notably from the Netherlands, the World Bank and the national budget. Despite these multiple sources, it seems that the common programme initially established was respected and followed. However, if the range of funding sources was to continue to broaden then this would probably start to generate excessive administrative costs and might also undermine the coherence of the common programme of work. Common basket funds are often cumbersome to manage and this may not be the best solution but some combination of budget funding (enhanced as appropriate through additional budget support) and a limited number (one or two) of externally financed technical assistance facilities would probably be best. Moreover, the need to follow a common programme and a common review and monitoring system must be repeatedly emphasised.

<sup>11</sup> In a future phase of PFM reforms, it would probably be sensible to change the name of the central team to reflect the broader scope of reforms but its role would remain essentially unchanged.

<sup>12</sup> In going down this route, it would be necessary however to ensure an adequate balance is kept so as not to lose ownership at the departmental level and so as to ensure that there is no unnecessary duplication of technical advice.

## 4 Assessment of Public Finance Management 2007

### 4.1 Overview

31. The methodology adopted for the Cape Verde PFM assessment is available online at [www.pefa.org](http://www.pefa.org). In addition to a comprehensive description of the methodology, the site also provides additional clarification of specific issues.
32. The PEFA methodology identifies 6 core dimensions crucial for an orderly and transparent PFM system:
- **Credibility of the budget** – the budget is realistic and is implemented as intended;
  - **Comprehensiveness and transparency** – the budget and the fiscal risk oversight are comprehensive, and fiscal and budget information is accessible to the public;
  - **Policy-based budgeting** – the budget is prepared with due regard to government policy and its implications over a medium term perspective;
  - **Predictability and control in budget execution** – the budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds;
  - **Accounting, recording and financial reporting** – adequate records and information are produced, maintained and disseminated to meet decision-making, control, management and reporting purposes;
  - **External scrutiny and audit** – legal and institutional arrangements for external scrutiny of public finances and follow up by the Executive are operating effectively.
33. Donors' practices are also measured:
- **Donors' Practices** – Donors' grants and external loans provided for the funding of government activities are budgeted and disbursed considering the predictability of funds, the allocation and effective use of those funds, and the promotion of the use of national systems and procedures.
34. Figure 6 presents the list of the 31 indicators utilised by the PEFA methodology for the measurement of PFM performance, along with the respective scoring for Cape Verde. For each of the 31 indicators, this Chapter explains how the score was achieved, comparing it (when the methodologies permit) with the results of the CFAA 2005, and identifying both the PFM reforms and other measures implemented during 2008 that will probably impact on the quality of PFM performance.

35. The summary assessment at the beginning of this report gives an overview of overall PFM performance at end 2007 and its implications. Annex I presents a summary table of the scores received in 2007, with brief explanations of those scores..

**Figure 6: Summary of PFM Performance ranking at end 2007**

INDICATOR		2007 Scoring
<b>A. PFM OUT-TURNS: Credibility of the Budget</b>		
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>A</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>B</b>
PI-3	Aggregate revenue out-turn compared to original approved budget	<b>B</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>B+</b>
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>		
PI-5	Classification of the Budget	<b>B</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>A</b>
PI-7	Extent of unreported government operations	<b>B</b>
PI-8	Transparency of inter-governmental fiscal operations	<b>B</b>
PI-9	Oversight of aggregate fiscal risk from public sector entities	<b>D+</b>
PI-10	Public access to key fiscal information	<b>C</b>
<b>C. BUDGET CYCLE</b>		
<b>C(i) Policy-Based Budgeting</b>		
PI-11	Orderliness and participation in the annual budget process	<b>B+</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>C+</b>
<b>C(ii) Predictability and Control in Budget Execution</b>		
PI-13	Transparency of tax-payers' obligations and liabilities	<b>B</b>
PI-14	Effectiveness of measures for tax-payer registration and tax assessment	<b>A</b>
PI-15	Effectiveness in collection of tax payments	<b>D+</b>
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>C+</b>
PI-17	Recording and management of cash balances, debt and guarantees	<b>C+</b>
PI-18	Effectiveness of payroll controls	<b>B+</b>
PI-19	Competition, value for money and controls in procurement	<b>B</b>
PI-20	Effectiveness of internal controls for non-salary expenditure	<b>B+</b>
PI-21	Effectiveness of internal audit	<b>D+</b>
<b>C(iii) Accounting, Recording and Reporting</b>		
PI-22	Timeliness and regularity of accounts reconciliation	<b>B+</b>
PI-23	Availability of information on resources received by service delivery units	<b>D</b>
PI-24	Quality and timeliness of in-year budget reports	<b>C+</b>
PI-25	Quality and timeliness of annual financial statements	<b>C+</b>
<b>C(iv) External Scrutiny and Audit</b>		
PI-26	Scope, nature and follow-up of external audit	<b>D+</b>
PI-27	Legislative scrutiny of the annual budget law	<b>B+</b>
PI-28	Legislative scrutiny of external audit reports	<b>D+</b>
<b>D. DONOR PRACTICES</b>		
D-1	Predictability of Direct Budget Support	<b>B+</b>
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	<b>D</b>
D-3	Proportion of aid that is managed by use of national procedures	<b>D</b>

## 4.2 Credibility of the Budget

36. The indicators included in this group are designed to gauge the extent to which government budgets are implemented as intended, including the extent to which arrears are allowed to build up. They do this by comparing actual revenues and expenditures with budgeted ones, by analysing the deviation in the actual composition of expenditure from the approved budget, and by examining the management of expenditure payment arrears.

Indicator	Dimension	2007 Assessment
<b>PI – I: Aggregate expenditure out-turn compared to original approved budget</b>	The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e. excluding debt service charges and externally financed project expenditure)	<b>A</b>

### 2007 Assessment

**Figure 7: Aggregate Expenditures compared with approved Budgets 2005-2007**

Data for PI-1	2005		2006		2007	
	OE	CGE	OE	CGE	OE	CGE
Operating Expenditures (Excluding Interest)	17,149	17,930	23,032	21,064	22,463	21,883
Investment Expenditure (Internally financed)	2,017	1,894	2,499	2,187	2,646	2,787
Total Expenditure	19,165	19,825	25,531	23,251	25,109	24,670
		3.4%		8.9%		1.7%

Source: State General Account of 2005, 2006 & 2007

37. With regard to the aggregate expenditure out-turn, the table above presents the results for the last three fiscal years. Numbers include current and internally financed investment expenditures but exclude debt service charges and externally financed investment. The percentage deviations between actual expenditure and budgeted expenditure are 3,4% in 2005, 8,9% in 2006 and 1,7% in 2007. Given that aggregate expenditure deviated from the budget estimate by more than 5% in just one year, this merits an “A” score.

38. 2006 was a year of legislative elections and the approval of the State Budget by the parliament took place only in August. Following legal provisions, from January to August of 2006 the Budget was

executed based upon monthly ceilings of one twelfth of the aggregate ceiling approved by the Parliament in December of 2005. The deviation observed in 2006 was thus the result of the late approval of the State Budget.

### Trends in 2008

**Figure 8: Trends in expenditure out-turns up to the end of the First Semester of 2008**

Dados para PI - 1	OE	CGE	% Exec.	
<b>Despesas de Funcionamento</b>	27,014	10,538	39.0%	
Despesas com Pessoal	12,261	4,817	39.3%	
Aquisição de bens e serviços	2,335	500	21.4%	
Encargos da Dívida	2,074	928	44.7%	
Transferências correntes	6,379	2,691	42.2%	
Subsídios	707	420	59.5%	
Outras Despesas Correntes	3,115	1,164	37.4%	
Despesas de Capital	143	18	12.2%	
<b>Despesas de Investimento</b>	17,581	5,062	28.8%	
Sendo Financiamento Interno	4,379	1,783	40.7%	
<b>Total</b>	<b>44,595</b>	<b>15,600</b>	<b>35.0%</b>	
<b>Total PI - 1 (excl. Juros e Financiamento Externo)</b>	<b>38,142</b>	<b>12,889</b>	<b>33.8%</b>	<b>66.2%</b>

39. We analysed the trend in expenditure out-turns (net of debt service and externally financed investment expenditure) up to the end of first two quarters of 2008, and these are shown in the summary table above. It is difficult to determine the likely annual out-turn of budgetary execution and correctly measure the trend of the expenditure because the data disclosed in the Quarterly Reports of Budget Execution are registered on a cash-basis and many items are not fully paid out until the second semester. Thus, the rate of execution in the first semester of 2008 is less than 35%, but this does not provide a reliable indicator of the likely annual level of execution of aggregate expenditure..

Indicator	Dimension	2007 Assessment
<b>PI – 2: Composition of expenditure out-turn compared to original approved budget</b>	Extent to which variance in primary expenditure composition exceeded overall deviation in primary expenditure (as defined in PI-1) during the last three years	<b>B</b>

## 2007 Assessment

**Figure 9: Aggregate Expenditure Deviation 2005 – 2007**

Ano	PI - 1 Desvio Despesa Agregada	Desvio Total	PI - 2 Variação em Excesso do Desvio Agregado
2005	3,4%	9,7%	6,2%
2006	8,9%	9,7%	0,8%
2007	1,7%	5,3%	3,6%

Source: State General Account for 2005, 2006 and 2007 (Full table at annex 4)

40. The variance in expenditure composition (at the level of individual ministries and agencies) exceeded overall deviation in primary expenditure (as defined and measured in PI-1) by 6,2% in 2005, 0,8% in 2006 and 3,6% in 2007. For the three years, the variance of the composition of expenditure exceeded 5% of the overall deviation in primary expenditure in just one year as a result of which a “B” score is attributed.

Indicator	Dimension	2007 Assessment
<b>PI – 3: Aggregate revenue out-turn compared to original approved budget.</b>	Actual domestic revenue collection compared to domestic revenue estimates in the original, approved budget	<b>B</b>

## 2007 Assessment

41. Between 2005 and 2007 the efficiency in the revenue collect has improved with the recovery of taxpayers register, called up to the Divisions of Finance SIGOF, were developed training programs, has changed the rate of clearance of VAT (53/VI / 2005 of January 3<sup>rd</sup>, amending the rate of settlement of 15% to 6% in accommodation and catering services; Decree Law 88/2005 which exempts the payment of VAT in projects and works projects financed under the international cooperation), the informatics revenue management system was improved with the introduction of the taxpayer Current Account and the consolidation of the NIF, and the taxation of dividends and capital gains was relieved (Decree Law 59/VI/2005). However, these measures did not fundamentally change the tax base. In these circumstances, it is considered that the figures presented in the Table below portray, in a acceptable manner the behavior of the indicator PI-3.

42. Domestic revenue collections were equivalent to 94,9% of approved estimates in 2005, 91,9% in 2006 and 114,1% in 2007. Thus, they were inferior to 94% of the domestic revenue projections approved in the budget in only one out of the three years under analysis, which gives a “B” score.

**Figure 10: Data for PI-3**

Dados para PI - 3	2005		2006		2007		2008	
	OE	CGE	OE	CGE	OE	CGE	OE	2º Trim
Receitas Internas	23.436	22.236	28.591	26.274	29.182	33.289	33.899	16.291
% Realização	94,9%		91,9%		114,1%		48,1%	

Source: State General Account for 2005, 2006 and 2007

43. Several factors explain the performance in 2007, when out-turns exceeded the estimates. On the one hand, for reasons of fiscal prudence, projections for revenue growth were set below the forecasted nominal growth rate of GDP. On the other hand, the tax system was more efficient: the collection of direct and indirect taxes exceeded the estimates (taxes exceeded the estimates by 8%, other tax revenues exceeded estimates by 21%, and fines and other penalties by 47%). Finally, there were non-expected revenues due to the sale of the Government shareholder positions at the national Tobacco Factory (full equity share sold) and at *Enacol* – fuel company (sale of 28% of the equity).

#### **Trends in 2008**

44. By the end of first semester of 2008, domestic revenues collected represented 48% of estimates. Usually, most revenue collection takes place in the second semester of the year. Therefore, we consider that, unless unexpected events arise, the projections will be achieved or, indeed, exceeded..

Indicator	Dimension	2007 Assessment	
<b>PI – 4: Stock and monitoring of expenditure payment arrears</b>	(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock.	<b>A</b>	<b>B+</b>
	(ii) Availability of data for monitoring the stock of expenditure payment arrears.	<b>B</b>	

#### **2007 Assessment**



45. According to national practice, arrears are defined as the difference between “liquidated” or authorised claims and actual payments. They become payment arrears in the case of personnel expenditures when liquidated claims are unpaid after 30 days and, with regard to third party suppliers’ claims, when these are unpaid after 60 days. Following these definitions, payment arrears represented 0,2% of expenditure in 2005 and 0,0 % in 2007. Thus, the stock of arrears was insignificant (less than 2%) in 2005 and in 2007, therefore giving an “A” score for the first dimension of this indicator, according to the PEFA methodology.
46. The arrears are identified in detail in the Government’s fiscal reports, in particular in the CGE 2005, 2006 and 2007 and in the Quarterly Reports of Budget Execution submitted to the parliament during the year. A specific table presents the amounts liquidated but unpaid, detailed by economic and administrative classification. Therefore, the presentation of data on arrears is clear and readily accessible. However, it does not appear to be fully comprehensive. Notably, during 2007 information emerged on two types of arrears, which had probably not been fully recorded in budget execution reports.
47. Firstly, the General State Accounts reported extra-budgeted expenditure from autonomous institutions in 2006 (CVE 52,3 thousands) and 2007 (CVE 265,7 thousands), in tables IV-4 and IV-5.1. The institutions responsible are well identified in the State General Accounts – mainly central hospitals. As these arrears were generated predominantly through the direct issue of unbudgeted purchase orders for medicines, it seems likely that not all arrears in this area were fully recorded. As an example of potential errors in under-recording of commitments, it was noted that in 2007 the overall amount of payments by autonomous institutions exceeded the liquidated amounts (this situation is reported in detail in CGE 2007).
48. Secondly, DGT discovered during fiscal year 2007 a debt from 2006 with Shell (CVE 290 million, equivalent to 1,2% of overall expenditure), which was assumed by the government in 2007 under a protocol specifically signed for that purpose, which foresees its redemption in 3 payments<sup>13</sup>. This debt originated due to deficiencies in the functioning of the Agency of Economic Regulation (ARE) who verified with Shell the existence and the amount of this debt but only communicated advice of this unpaid claim to DGT at a very late stage. Given these weaknesses, the score of “B” was given to this dimension of the indicator; giving an overall score of “B+” for indicator PI-4 because it is bi-dimensional.

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<sup>13</sup> The first payment was made in 2007 and the followings will be redeemed in 2008 and 2009 in accordance of the respective budgets.

### ***Trends in 2008***

49. During 2008, the Treasury (DGT) was given directives to ensure the payment of all liquidated (authorised) claims by the 31st December of each year. If this requirement is fulfilled the majority of potential arrears will be paid by the end of the year. In relation to previously under-recorded arrears, the formula and corresponding arrangements for the calculation of the required consumer price for sale of oil stocks have been adjusted, which means arrears should not build up again in the event that world prices start to rise. On the other hand, while the budgeted allocations to the central hospitals have been increased (in 2008 and 2009) in order to expand the budget lines for purchase of medicines, the PEFA team did not see clear evidence that the administrative routines which might prevent the future build-up of unbudgeted purchase orders (and consequent arrears) were fully in place.

### 4.3 Comprehensiveness and Transparency

Indicator	Dimension	2007 Assessment
<b>PI – 5: Classification of the Budget</b>	The classification system used for formulation, execution and reporting of the central government's budget	<b>B</b>

#### 2007 Assessment

50. An economic, administrative and functional classification system is applied in both the formulation and execution of the budget. The functional classification disaggregated by functions and sub-functions is adequate for the tracking of the functional structure of expenditure, being disaggregated until the last level. However, there is a divergence in relation to GFS 2001 regarding environmental classification. For this reason, the score “B” was given to this indicator.

#### Trends in 2008

51. The functional classification is being updated in line with the GFS-COFOG<sup>14</sup> system. Nevertheless, it was verified that the new classification system has not been implemented for the formulation of the State Budget for 2009, a process which was almost complete at the time of the PEFA field work.

Indicator	Dimension to be assessed	2007 Assessment
<b>PI – 6: Comprehensiveness of information included in budget documentation</b>	Typology of information in the budget documentation most recently issued by the central government	<b>A</b>

#### 2007 Assessment

52. The most recent budget documentation (Executive’s Budget Proposal for 2008) included the following elements:

- Macroeconomic assumptions, including at least estimates of aggregate growth, inflation and exchange rate.
- A presentation of the fiscal deficit consistent with GFS or another internationally recognized standard. (In Cape Verde a framework is used which is identical to the IMF staff presentation standards, consequently, an internationally recognized standard.)

<sup>14</sup> United Nations system that disaggregates the Government Classifications of Functions of Government (COFOG) by 10 functions and 69 subfunctions, which is included in the Manual of Government Financial Statistics recommended by IMF and known as the GFS (Government Financial Statistics). See details online at: <http://unstats.un.org/unsd/cr/registry/regdnld.asp?Lg=1>.

- A breakdown of Deficit financing, describing anticipated composition.
  - A summary of outstanding Debt, including details at least for the beginning of the current year (2007 in this case).
  - Debt stock, including detailed information at least for the beginning of the current year (2007).
  - The Budget out-turns for the previous year (2007), presented in the same format as the proposed 2008 Budget.
  - The budget of the current year (2007, either the revised budget or the estimated execution), presented in the same format as the proposed Budget.
  - Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (in accordance to PI-5), including data for the current (2007) and previous year (2006).
  - Explanation of budget implications of new public power initiatives, with estimates of the budgetary impact of all major revenue/tax and customs duty policy changes and/or some major changes to expenditure programs.
53. A statement of Financial Assets at least for the beginning of the current year (2007) was not reported. Moreover, the Executive's Budget Proposal for 2008 was not made available at the website of the Ministry of Finance, [www.minfin.cv](http://www.minfin.cv). It is submitted to the government and, in October, to the Parliament for approval, with only the approved Budget being made generally available to the public. Nevertheless, The documentation of the State Budget for 2008, as submitted to the National Assembly, included 8 of the 9 required elements foreseen in the PEFA methodology for PI-6, which merits an "A" score.

#### ***Trend in 2008***

54. A new framework law for the budget is under approval at the National Assembly. This law foresees a significant change in the documentation to be submitted to the parliament for the approval of the executive's budget. In relation to the current law in force, an extensive list of information has been added - without reference, however, to financial assets. Thus, it is not possible to confirm whether the current omission of financial assets will be overcome or not. On the other hand, a major change in the content of budget documentation is expected. The introduction of programme budgeting will be approved by law as an aspect of the Medium-Term Expenditure Framework. This together with the extension of the scope of data required under the new law will require a significant strengthening of the number and quality of the staff involved in the budget preparation process, and will represent a major challenge to the budget process.

Indicator	Dimension	2007 Assessment	
<b>PI – 7:</b> <b>Extent of unreported government operations</b>	(i) The level of extra-budgetary expenditure (other than donor-funded projects) which is unreported i.e. not included in fiscal reports.	<b>B</b>	<b>B</b>
	(ii) Income/ expenditure information on donor-funded projects which is included in fiscal reports	<b>B</b>	

### 2007 Assessment

55. With regard to domestically financed investment expenditures, no extra-budgetary expenditure has been verified. With regard to current expenditure, extra-budgetary expenditure is reported and included in the reports. For instance, the State General Account of 2007 provides tables that clearly reflect the expenditure in excess of the approved allocations. This expenditure is reported by administrative and economic classification, identifying what are the institutions that originated the extra-budgetary expenditure and under which headings of the economic classification it has occurred.
56. Two sources of extra-budgetary expenditure were found, which also produced the payments arrears referred to under PI-4:
- i) The State General Account refers to extra-budgetary expenditure in relation to autonomous institutions in 2006 (CVE 52.3 thousand) and 2007 (CVE 265.7 thousand), in tables IV-4 and IV-5.1. The institutions responsible for this expenditure are also identified in the State General Account. This expenditure is equivalent to 0,1% and 1,1% of the overall expenditure for 2006 and 2007, respectively;
  - ii) DGT discovered during fiscal year of 2007 a debt from 2006 with Shell (CVE 290 million, equivalent to 1.2% of overall expenditure), which was assumed by the government in 2007 under a protocol specifically signed for that purpose, which foresees its redemption in 3 payments. This debt originated from deficiencies in the formula for calculating the sale price of fuel stocks in Cape Verde in a time of fast rising international prices. In addition, problems were exacerbated by inefficiencies on the part of the Agency of Economic Regulation (ARE), who were responsible for the late verification of the existence and the amount of this debt and for the late communication of this information to DGT.

57. From the estimation of the relative significance of these extra-budget flows as presented above, we would judge that during the period in question, the level of unreported extra-budgetary expenditures (other than externally financed projects) constituted 1-5 % of total expenditure. This merits a “B” score against this dimension of the indicator. It might be argued that these extra-budgetary expenditures were actually reported and hence the level of unreported extra budget expenditures is zero. However, in relation to both of these extra-budget expenditures there was a delay of 1-2 quarters (possibly more) between when they were incurred and when they were reported. Secondly, the ease with which the autonomous institutions were able to incur extra-budgetary expenditures suggests that there may also have been some expenditures which went unrecorded. Pending the correction of these procedural deficiencies, we consider that a “B” score is appropriate.
58. The information about external loan financed investment expenditure reported in the General State Account of 2005 to 2007 is relevant and fully comprehensive. In relation to grant funding, the information is deficient. Budgetary estimates cover the main elements of grant funding, while for tracking of budgetary execution the only information available is that reported quarterly by the most important donors (Luxembourg, EC, Spain, Portugal and Austria). Nevertheless, we estimate that the information on loan funding and on grant funding from these four donors comprises at least over 50%. Therefore, dimension (ii) is accorded a “B” score, giving an aggregate score of “B” to PI-7.

### ***Trends in 2008***

59. External grant funding arrangements were introduced into the SIGOF system in 2008 (covering public investment projects financed by the Spanish Cooperation and through the Millennium Challenge Account (MCA). Direct use of SIGOF should significantly improve the quality and the accuracy of both budgetary estimates and expenditure reports for externally financed expenditure projects. In relation to extra-budgetary subsidies on fuel, the formula and corresponding arrangements for the calculation of the required consumer price for sale of oil stocks have been adjusted, with the result that arrears should not build up again in the event that world prices start to rise. On the other hand, while the budgeted allocations to the central hospitals have been increased (in 2008 and 2009) in order to expand the budget lines for purchase of medicines, the PEFA team did not see clear evidence that the administrative routines which might prevent these institutions from incurring unbudgeted expenditure obligations in the future were fully in place. We would recommend that attention is given to this issue.

Indicator	Dimension	2007 Assessment	
<b>PI – 8:</b> <b>Transparency of inter-governmental fiscal operations</b>	(i) Transparent and rules based systems for the horizontal allocation among SN governments of unconditional and conditional transfers from central government.	<b>A</b>	<b>B</b>
	(ii) Timeliness of reliable information to SN governments on their allocations form central government for the coming year.	<b>A</b>	
	(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government according to sectoral categories.	<b>D</b>	

### 2007 Assessment

60. Transfers to municipalities are defined under the law that regulates the financial regime of local government (Law no. 79/VI/2005 of 5<sup>th</sup>, September), also known as the Local Finance law. According to this law, there are two instruments to transfer funds: the Municipal Financing Fund (FFM) and the concept of Programme Contracts (CPs).
61. The law sets out complex but transparent criteria for the calculation of the distribution of transfers for each municipality under the FFM. The values of these transfers are presented in the Executive's State Budget proposal approved by the parliament in December. The amounts approved represent more than 90% of overall transfers to municipalities (above CVE 1,5 billion from 2005 to 2007).
62. In relation to Programme Contracts, these are defined by the law as the mechanism for the decentralized execution, by municipalities, and diverse associations and NGO's, of central government allocations made for public investment purposes. However, these are annual transfers of relatively modest financial significance (around CVE 660 million in 2007 and CVE 680 million in 2008). The law establishes that the Government should define the criteria for distribution of these Programme Contract transfers. We were not able to identify any definition of these criteria, although we could confirm that Programme Contracts are established when the Central Government considers that municipalities, associations or NGOs are in a position to execute specific projects (income generation, drought relief or other emergency projects) in a more efficient way. The Programme Contracts under the PANA (National Environmental Action Programme) framework and those sponsored by the Luxembourg Development Cooperation are allocated under specific criteria.

63. Given that the transfers under the FFM framework are determined by fully transparent criteria and represent over 90% of total transfers to municipalities, dimension (i) is accorded an “A” score.
64. The municipalities are advised by DGO of their ceilings for the forthcoming budget in August, prior to the approval of the State Budget by the Parliament, and these are confirmed after the budget is approved by the Parliament in December. An “A” score is therefore accorded to dimension (ii).
65. The law does not require municipalities to send any fiscal data to the Ministry of Finance, as their accounts are not consolidated with those of central government. Municipalities report their accounts annually to the Court of Accounts and are subject to the inspection, control and audit of this institution. Nevertheless, the lack of consolidation of accounts gives dimension (iii) a “D” score, generating a “B” score for PI-8.

Indicator	Dimension	Assessment 2007	
<b>PI – 9:</b> <b>Oversight of aggregate fiscal risk from other public sector entities</b>	(i) Extent of central government monitoring of autonomous government agencies and public enterprises	<b>C</b>	<b>D+</b>
	(ii) Extent of central government monitoring of SN governments' fiscal position	<b>D</b>	

### 2007 Assessment

66. In terms of oversight of aggregate fiscal risks, central government is required to monitor the performance of public enterprises, private enterprises where the government has a significant shareholding and autonomous government agencies. Public enterprises send annual financial reports to the Treasury, which briefs the Ministry of Finance hierarchy on an enterprise by enterprise basis, without producing a consolidated report nor an aggregate assessment of the overall fiscal risk. The same occurs with the private companies having a government shareholding. In relation to autonomous government agencies, the reports are sent to DGCP, again without any consolidated assessment of fiscal risk. Considering that most public sector entities submit annual financial reports but the aggregated fiscal risk is not assessed, we accord a “C” score to dimension (i).
67. Municipalities do not send any annual financial reports to central government because this is not required under the law (see indicator PI-8). The financial situation of the local authorities is not consolidated and monitored and they constitute potential sources of financial risk, in particular because they have the authority to contract debt from banks, even though the law specifies the



circumstances and conditions for this. Therefore, the score “D” is given to dimension (ii), resulting in an overall “D+” score for indicator PI-9.

**Trends in 2008**

68. No improvement in the quality of monitoring of fiscal risk is anticipated during 2008, as the restructuring of the Treasury services (DGT) and the setting up of the competent department for monitoring of actual and contingent liabilities is planned for 2009. Moreover, even if the new Framework Law for the State Budget which requires the consolidation and monitoring of the overall public sector finances, is approved during 2008, it will only be possible to implement it a year later. We also noted above that weaknesses in the management framework of the ARE (see indicator PI-7) represent a further potential source of fiscal risk – a situation which it will not be possible to correct during 2008.

Indicator	Dimension	Assessment 2007
<b>PI – 10: Public access to key fiscal information</b>	Typology of fiscal information which is publicly available	<b>C</b>

**2007 Assessment**

69. Public access to key fiscal information is provided through a number of channels. The Government publishes all the documents approved by the Parliament, including detailed tables, in the Official Bulletin. The Ministry of Finance provides an official website [www.minfin.cv](http://www.minfin.cv) which makes available the same information as well as additional information related to its competences (legislation and procedures about the Tax system, directives and timetable for the formulation of the State Budget, Budget Execution Quarterly Reports, the Medium-Term Expenditure Framework, the Chart of Accounts, etc.). This site also has links to various websites of the internal departments of MF, notably the DGA ([www.alfandegas.cv](http://www.alfandegas.cv)) which presents useful information for the public. All the ministries have similar official websites which are used to make available diversified information.

70. Nevertheless, a significant number of reports are not published or not published in a regular and timely manner. For example, in September 2008 when the PEFA team examined the website [www.minfin.cv](http://www.minfin.cv), we noted that the directives and the timetable for the formulation of the State Budget cover only the years 2004 and 2005, the Medium-Term Expenditure Framework refers to 2004 only, the links to DGT were empty, the link to DGCP referred only to the National Chart of Accounts, the DGP disclosed only the Investment Programme for 2001 and 2002, the General State Account was not available online, the available Budget Execution Quarterly Reports covered the 4 quarters of 2007, the DGPE made available protocols signed with some State’s service suppliers but

did not provide information on public calls for tenders. Thus, there are significant problems of management and updating of the central government websites. Most of the reports and documents that the PEFA team had access in order to ascertain the evidence for the scoring of the indicators are not made publicly available.

71. The indicator PI-10 requires 6 types of information to be publicly available:
- a) Annual budget documentation: a complete set of documents can be obtained by the public when it is submitted to the legislature;
  - b) Quarterly Budget execution reports: the reports are made available to the public through appropriate means within one month of their completion;
  - c) Year-end financial statements (the CGE): The statements are made available to the public through appropriate means within six months of completed audit.
  - d) External audit reports: all reports on central government consolidated operations are made available to the public through appropriate means within six months of completed audit;
  - e) Contract awards: award of all contracts with value above approximately USD 100,000 equivalent are published at least quarterly through appropriate means
  - f) Resources available to primary service units: information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).
72. Of the expected 6 elements, just one follows the requirements. It is the budget execution reports defined at b), for which we score with “C” the indicator PI-10.

### ***Trends in 2008***

73. Most of the necessary information on the fiscal and budgetary situation exists and is complete. If a decision were taken to ensure the timely disclosure of data and to improve the management of the existing Internet sites, the gains in terms of transparency would be huge. In particular, the timely dissemination of the Executive’s Budget Proposal [a) above] and of the CGE [c) above] could be easily introduced as standard practices during 2009. We would urge the Cape Verdean authorities to take steps in this direction both to raise the transparency and accountability of public finances and to move quickly towards the international standards of fiscal transparency to which Cape Verde aspires.

## 4.4 Policy-based Budgeting

Indicator	Dimension	2007 Assessment	
<b>PI – II:</b> <b>Orderliness and participation in the annual budget process</b>	(i) Existence of and adherence to a fixed budget calendar.	<b>A</b>	<b>B+</b>
	(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent).	<b>A</b>	
	(iii) Timely budget approval by the legislature or similarly mandated body (within the last three years).	<b>C</b>	

### 2007 Assessment

74. The process of elaboration of the State Budget follows a timetable laid down in the Framework Law for the State Budget. Annually, DGO formulates and disseminates a document denominated ‘Directives’ (Directives), providing guidelines for the process of elaboration of the State Budget. This includes a detailed timetable for guidance of ministries and agencies in the annex. This timetable is observed, giving time to the participants to elaborate their proposals (Ministry of Education and Health confirmed that the time scheduled is enough). Thus, dimension (i) merits an “A” score.
75. All the interviewees (DGO, Education and Health) confirmed that the Directives are clear and comprehensive. Moreover, they are approved by the Council of Ministries before the communication of ceilings to the ministries, services and agencies. The Directives include an overview of the international context, a ranking of priority sectors, guidelines in relation to the containment and quality of expenditure, a presentation of the methodology underpinning the budget formulation process, setting in advance the laws that will be approved and the improvements that will be introduced in working tools, and setting guidelines for the big budget aggregates (staff payroll, goods and services expenditure, debt servicing, transfers, etc.) and other commitments of the State. Therefore, dimension (ii) was also accorded an “A” score.
76. The State Budget should be approved by the Parliament by December of the year that precedes the new fiscal year. However, in 2006 the State Budget was published during the fiscal year (August 2006) due to elections. Consequently, dimension (iii) merits a “C” score. The combination of the 3 dimensions thus results in a “B+” score for indicator PI-II.

Indicator	Dimension	2007 Assessment	
<b>PI – 12:</b> <b>Multi-year perspective in fiscal planning, expenditure policy and budgeting</b>	(i) Preparation of multi-year fiscal forecasts and functional allocations	C	C+
	(ii) Scope and frequency of debt sustainability analysis	A	
	(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure	C	
	(iv) Linkages between investment budgets and forward expenditure estimates	C	

### 2007 Assessment

77. Multi-year forecasts are made through the three year Medium-Term Expenditure Framework (QDMP), which constitutes the instrument for allocating resources in line with priorities. In the QDMP, expenditure is presented by economic and administrative classification and revenues by economic classification. The QDMP was prepared in 2005 for 2006-2008 and in 2007 for 2008-2010. The 2009-2011 QDMP was under elaboration (September of 2008) while the State Budget was about to be finalized. Thus, three year forecasts are made on a rolling annual basis disaggregated according to economic and administrative classifications but because in one of the last three years, the QDMP was not prepared and because links to the annual budget ceilings are not clear and explicit, dimension (i) is accorded a “C” score. It should also be stressed that, in order for the QDMP to be useful as a planning instrument, the multi-year estimates presented in the QDMP should normally be available prior to the distribution of ceilings for the forthcoming budget year – that is some 4-6 months earlier than is currently the practise in Cape Verde.
78. Debt sustainability analysis is made on an annual basis for both external and domestic debt. In 2006, the debt sustainability analysis was undertaken in joint partnership with World Bank, while in 2007, it was undertaken jointly with DRI (Debt Relief International). From 2008 onwards, the analysis started to be undertaken every semester by the internal services of DGT. Dimension (ii) therefore merits an “A” score.
79. Some sectors (Education, Health, Agriculture, Environment and Vocational Training) have strategic plans that cover current and investment expenditure, but there are no systematic rules and routines to ensure their consistency with aggregate multi-year fiscal forecasts. The QDMP 2008-10, the most recent available, projects the evolution of expenditures for just 3 sectors: education, health and

labour. Given the limited coverage of costed sector strategies and their lack of consistency with aggregate fiscal forecasts, dimension (iii) was accorded a “C” score.

80. In some important sectors (e.g. Education, Health), the link between investment projects and their implications for future expenditure are considered both in the sectoral QDMPs and in the consolidated QDMP. In the sectors mentioned, investment decisions are generally derived from sectoral policies and strategies. Yet many of these decisions are not based on explicit consideration of recurrent cost implications, and these costs are not subsequently included in the multi-year fiscal forecasts. For these reasons, dimension (iv) received a “C” score. Combining performance across the 4 dimensions thus results in a “C+” score for the indicator PI-12.

#### **Trends in 2008**

81. The PEFA team did not identify reforms of a structural nature which might improve the quality of multi-year planning and budgeting during 2008. The strengthening of technical capacity for planning and management was expected within the most needy ministries but this measure will only be implemented in 2009 with the respective budget. Moreover, there remain significant conceptual weaknesses in the QDMP process as it currently operates, which will need to be corrected if a multi-year perspective is to be effectively incorporated into the annual budget process. Notably, the coverage of the QDMP needs to be more comprehensive, consistency between programmed sector spending and aggregate fiscal targets needs to be systematically assured and the timing of the preparation of the QDMP needs to be brought forward so as to influence the setting of annual budget ceilings.

## **4.5 Predictability and Control in Budget Execution**

<b>Indicator</b>	<b>Dimension</b>	<b>Assessment 2007</b>	
<b>PI – 13: Transparency of Taxpayer obligations and liabilities</b>	(i) Clarity and comprehensiveness of tax liabilities	<b>C</b>	<b>B</b>
	(ii) Taxpayer access to information on tax liabilities and administrative procedures	<b>A</b>	
	(iii) Existence and functioning of a tax appeal mechanism	<b>C</b>	

#### **2007 Assessment**

82. The legislation and the legal and administrative procedures for most of taxes, fees and customs duties are comprehensive and clear. Almost all the activities related to tax liabilities are

- computerized (SIGOF) under legal procedures. Customs duties are also computerized (Sydonia ++), which promotes greater clarity of operations.
83. Consultations were held with the private sector through the medium of the Chamber of Commerce, Industry and Services (CCIS) from *Sotavento* region (which represents the islands of Maio, Santiago, Fogo and Brava). The CCIS considers that the legislation and the procedures are clear and comprehensive. Nevertheless, it believes that tax administration constrains the development of the private sector and that the discretionary power of tax inspectors continues to be excessive. It quotes specific situations where the exercise of the discretionary power of the Tax Administration and its staff were based on subjective judgements and not on evidence: for instance, the CCIS argue that, in assessing firms' accounts, communication expenditure and other expenditure supported by receipts and legal documents are reduced randomly and subjectively. It also quotes situations where tax appeals led to additional inspections, as if the tax authorities were retaliating, thus inhibiting the exercise of the right to appeal.
84. In these circumstances, it is considered that the legislation and legal and administrative procedures for most taxes, fees and customs duties are comprehensive and clear, but that there is a need to curtail the discretionary power of the Tax Administration and its staff. For these reasons, a "C" score is accorded to dimension [i].
85. All legislation on the tax system, including customs duties, is published in the Official Bulletin. In addition, legislation and detailed information about tax liabilities is accessible at the websites [www.minfin.cv](http://www.minfin.cv) and [www.alfandegas.cv](http://www.alfandegas.cv), and guidelines and pamphlets are available for public access at the local tax and customs offices. Moreover, a service to provide information to citizens is available (helpline no. 8002008) and there are also taxpayer education campaigns about the new laws. The telephone directory (yellow pages) also gives instructions about the tax system and how citizens and firms are supposed to relate with it.
86. The website [www.minfin.cv](http://www.minfin.cv) discloses all the complete tax system legislation with a link to the citizen guidelines (<http://www.adminpub.cv/html/guiaCidadao.html>) describing the detailed procedures for tax payment (with the forms and telephone numbers of all local tax offices where additional information can be given) and other documents. Some non-active links were found (e.g. the link for the Tax Guide on the main menu) although this deficiency does not reduce the clarity observed in other links on the same site and in the other means of disclosure of detailed information (reported here and in the previous paragraph). The site [www.alfandegas.cv](http://www.alfandegas.cv) presents the customs fees, detailed procedures and administrative processes, detailing the obligations of tax payers and official custom brokers in relation to the management of luggage and goods and the

application of exemptions, taxes and duties under the responsibility of the Customs office. It also publishes the details of customs regimes and a list of all authorized domestic customs brokers (with address details).

87. The CCIS observed that the access to legislation and procedures was simple and straightforward but that the quality of the service provided by civil servants was poor. Notwithstanding this observation, we conclude that current arrangements are fully in keeping with the norms on taxpayers' access to information specified in the PEFA methodology. Consequently, dimension (ii) merits an "A" score.
88. With regard to tax and revenues, there are 4 levels of contest and appeal: i) Head of Local Tax Office; ii) Director General of DGCI; iii) The Commission (*Comissão da Matéria*) that produces recommendations to the Ministry of Finance; iv) The Tax and Customs Tribunal of Sotavento, which was strengthened in 2007 with the appointment of 2 full-time judges. Around 30 cases were judged in 2007. Although requested, it was not possible to get data about the total number of complaints submitted in 2007. With regard to Customs, there are 3 levels of appeal: i) The Customs technical council; ii) The Tax and Customs Tribunal (of Sotavento); and iii) the Supreme Court of Justice. Around 30 cases were said to be assessed every year, although it was not possible to ascertain the total number of complaints submitted in 2007.
89. The Private sector (through the Sotavento CCIS) expressed the view that the functioning of the appeals system is inadequate and cumbersome. The private sector argues that a complaint submitted to an appeal authority is returned to the service where it was originated for re-appreciation, which is not considered correct in the absence of independent third parties. Enterprises consider that the access to the Tax and Customs Tribunal is difficult, which complicates the exercise of the right to appeal, that the procedures applied by the appeal authorities are not transparent and that decisions are not implemented in due time.
90. It was not possible to analyse in detail the functioning of the system of appeals. Moreover, the private sector representatives failed to provide clear evidence about their complaints. However, it is impossible not to acknowledge the opinions of agents who are the main users of the system of appeal. Moreover, the limited annual number of processes actually judged may be a good indicator of the (limited) accessibility and functionality of the system. In these circumstances, we judge that appeals mechanisms do exist and work, but that their functioning displays deficiencies with respect to equity, transparency and effectiveness. For these reasons, we accord a "C" score to dimension (iii). Taking together the scoring of the 3 dimensions results in a "B" score on transparency of taxpayer obligations and liabilities.

### Trends in 2008

91. In August 2008, new communication facilities were introduced for economic agents (companies and official custom brokers) with Sydonia being installed under the technical supervision of DGA. A new version (Sydonia World) is under assessment aiming for its implementation in 2009. The clarity of procedures should be further enhanced with this intervention.

Indicator	Dimension	2007 Assessment	
<b>PI – 14:</b> <b>Effectiveness of measures for taxpayer registration and tax assessment</b>	(i) Controls in taxpayer registration system	<b>A</b>	<b>A</b>
	(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	<b>A</b>	
	(iii) Planning and monitoring of tax audit and fraud investigation programmes	<b>A</b>	

### 2007 Assessment

92. The tax payers' data base is exhaustive. In reality there are 2 data bases which can converse as both use the same technological platform: i) The SIGOF system which crosses the register of taxpayers (individuals and firms) with the list of State suppliers and the Civil Register (solely for validating purposes); and ii) Sydonia (++) which registers all the agencies making declarations related to external trade. In addition, the legislation of Cape Verde requires possession of a valid NIF (Fiscal Identification Number) for the opening of any bank account either individual or corporate. Dimension (i) thus merits an "A" score.

93. The system of penalties is defined under the tax legal codes and the deadlines for each type of tax are also clearly defined, as well as the corresponding amounts, and they are applied systematically. Under the customs system, fines are applied by the Tax & Customs Tribunal (*Tribunal Fiscal e Aduaneiro*), while the application of penalties is the responsibility of DGA. The private sector (CCIS) considers that sanctions are heavy but has no opinion about their effectiveness as anti-fraud instruments. Dimension (ii) received an "A" score.

94. DGCI includes a Directorate of Tax Inspection composed of 17 people and formulates an annual plan of inspections based on fiscal risk, business turnover and recent fiscal behaviour. The Internal Audit Office composed of 3 people investigates the behaviour of DGCI itself. In addition, DGCI has been subject to audits by IGF in 2006 and by the Court of Accounts in 2007.



95. DGA includes the Directorate of Anti-Fraud Investigation created in 1999, with 4 staff members, which directs ad hoc internal audits based on the risk assessment provided by Sydonia, customs staff reports and denouncements. As the fiscal and fraud control management systems are comprehensive and based on plans set in accordance with clearly defined risk criteria, the dimension (iii) merits an “A” score.

**Trends in 2008**

96. The Directorate of anti-fraud\Fraud investigation is under restructuring with external support. It is expected that during 2008 and 2009 its capacity will be reinforced and its interventions strengthened.

Indicator	Dimension	2007 Assessment	
<b>PI – 15:</b> <b>Effectiveness in collection of tax payments</b>	(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of last 2 fiscal years).	<b>D</b>	<b>D+</b>
	(ii) Effectiveness of transfer of revenue collections to the Treasury by the revenue administration.	<b>A</b>	
	(iii) Frequency of complete accounts reconciliation between assessments, collections, arrears and receipts by Treasury.	<b>A</b>	

**2007 Assessment**

97. In relation to dimension (i), data on collection of arrears are produced in a consolidated format by SIGOF for each taxpayer. However, in order to assess both the efficiency and the fairness of tax collection, disaggregated annual data is required - in particular data distinguishing new and old (pre-existing) tax arrears, which was not possible to obtain as stipulated under the PEFA methodology. Being impossible to calculate the collection ratio of tax arrears in accordance to requirements, dimension (i) scores “D”.

98. The transfer of revenue collections to the Treasury by DGA and DGCI is done systematically on a daily basis, in line with the protocols signed. Dimension (ii) thus merits an “A” score.

99. The reconciliation of the taxes collected and transferred to the Treasury with the corresponding vouchers is made on a daily basis. The full reconciliation of tax assessments, collections and payments arrears is done on a monthly basis. Dimension (iii) was therefore accorded an “A” score.

The overall score for effectiveness of tax collections is nevertheless “D+”, due to the absence of data by which to assess the efficiency and fairness in the clearance of tax arrears.

Indicator	Dimension	2007 Assessment	
<b>PI – 16:</b> <b>Predictability in the availability of funds for commitment of expenditures</b>	(i) Extent to which cash flows are forecast and monitored.	<b>A</b>	<b>C+</b>
	(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	<b>B</b>	
	(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs	<b>C</b>	

#### 2007 Assessment

I00. The predictability in the availability of funds has been assessed with reference to the procedures for cash flow forecasting and management, the mechanisms for the management of within-year treasury ceilings on expenditure and the frequency and transparency of adjustments to budget allocations made by the Ministry of Finance. The Treasury Plan considers all the resources controlled by the Treasury (net of loans and grant funding direct to projects not included in the *Treasury Single Account* (CUT)) covering expenditures with known values and dates (payroll, pensions, contracts, electricity, water, transfers to public entities) and the expenditures which are programmed monthly through the ‘duodecimal regime’, where monthly ceilings are provided Ministries for their variable expenditure.

I01. Cash flow forecasts are prepared for the fiscal year, with a more detailed monthly and daily disaggregation, being monitored on a daily basis. The Plan is updated each month for the following two months, on the basis of actual cash inflows and outflows. Therefore, the dimension (i) of this indicator merits an “A” score.

I02. Based on the information about expenditures with known values and dates and the monthly (duodecimal) ceilings for variable expenditure on goods and services, the DGT provide financial resources to the Ministries through the SIGOF. These expenditure ceilings are made known two months in advance in relation to the period to be covered. In this way, the treasury management system allows the Ministries and FSAs to plan their expenditure at least on a quarterly basis. This situation gives dimension (ii) a “B” score.

I03. Budgetary adjustments above the management level of Ministry, Funds and Autonomous Agencies, i.e. those that change the organic classification of expenditure, require approval by the Council of Ministers and submission to the National Assembly. However, it is explicitly forbidden to increase other budget lines by decreasing payrolls, the only exception being the payment of pensions. The inclusion of new projects within year is also possible as long as they are funded by grant funding or concessional external loans, and if authorized by a member of the Government responsible for the area of Finances. In 2007, budgetary adjustments were transparent and relatively modest in financial terms (*vide* analysis of indicator PI-2). Nevertheless, they occurred more than twice during the year and at random moments in the budget calendar, rather than being made at predefined points, such as during the second and third quarter reviews, as a consequence of the analysis of budget results presented in the Provisional Quarterly Accounts. Due to the frequency of budgetary adjustments and the randomness of their timing, dimension (iii) of the indicator merits a “C” score, giving a global score of “C+”.

**Trends in 2008**

I04. In 2008, the treasury plan was institutionalized and its scope broadened to public debt and to the payment of goods and services, assuring the Ministries and FSAs of more reliable information on the limits for future commitments in an automatic and on-line format. With the broadening of SIGOF coverage to a wide range of FSA and other sovereign bodies, the Treasury Plan has seen its scope and detail increased, broadening its usefulness as a decision-making tool.

I05. After the 2009 Budget comes into force, the SIGOF will make available on-line an electronic tool to allow all the sectors to elaborate and change on-line their estimates of expenditure execution and to link them to Contract deliverables. This will allow for more accurate projections of cash requirements within the Treasury Plan.

Indicator	Dimension	Assessment 2007	
<b>PI – 17:</b> <b>Recording and management of cash balances, debt and guarantees</b>	(i) Quality of debt data recording and reporting	<b>B</b>	<b>C+</b>
	(ii) Extent of consolidation of the government's cash balances.	<b>C</b>	
	(iii) Systems for contracting loans and issuance of guarantees.	<b>C</b>	

## 2007 Assessment

106. Public debt data recording is done through the programme CS-DRMS v1.3, which permits the management of domestic and external public debt (Treasury Bills, Treasury Obligations, Protocols and Credits). Records of the debts of central government are complete and up to date. Data on overall debt are reconciled at least on a monthly basis and a comprehensive quarterly report is produced, which includes information on debt service, debt stock and debt operations. However, the system does not allow for the recording and management of loan guarantees issued by the Central Government. Guarantees issued during the year are separately registered and tracked on a quarterly basis but the assessment of the value of the stock of guarantees is updated only on an annual basis, contrary to the legislation governing the issue of guarantees. For this reason, dimension (i) was accorded a “B” score.

107. The Treasury has the direct control of: i) the Treasury Single Account (CUT), ii) the 115 special accounts, where the aid resources of certain partners are deposited, and iii) the transit accounts for the collection of tax and non tax revenues. The first two are held at the *Banco de Cabo Verde* while the transit accounts are held in Commercial Banks, feeding the CUT daily. The calculation of the cash balances in each of these accounts is done on a daily basis. However, the consolidation of the balances in the CUT and in the special accounts is not permitted by law, given that they are consigned resources and/or resources denominated in foreign currency.

108. Although the majority of budget operations are done through the Single Account and Special Accounts, a significant number of budget operations continue to be executed by FSA, sovereign entities and project management units, through bank accounts<sup>15</sup>, based in commercial banks, not managed by the Treasury. This reduces the extent of consolidation of the Treasury’s cash balances. This practice violates the cash balance unity principle foreseen by the LEOE, reducing the regular consolidation of central government cash balances. For dimension (ii) of the indicator a “C” score is therefore accorded.

109. The limits on the contracting of public debts are regulated by the dispositions of the LEOE, which specifies that the stock of public debt should not exceed 60 % of GDP, and by the annual budget law, which requires that the annual fiscal deficit covered with the issuance of domestic debt should not exceed 3% of GDP. In practice, despite the legal limits on the overall stock of debt, the growth of public debt has not respected these limits, as can be seen in Figure 11.

<sup>15</sup> According to the Directorate General of the Treasury they number some 700 accounts.

**Figure I I: Growth of Public debt 2005-2007**

	Ano		
	2005	2006	2007
<b>Stock Global</b>	<b>73.027,7</b>	<b>76.320,3</b>	<b>76.126,4</b>
Divida Interna	27.920,3	28.921,8	27.602,0
Divida Externa	45.107,4	47.398,5	48.524,4
<b>Varição em valores absolutos</b>		<b>3.292,7</b>	<b>-193,9</b>
Divida Interna		1.001,5	-1.319,8
Divida Externa		2.291,2	1.125,9
<b>PIB</b>	<b>87.171,2</b>	<b>105.625,0</b>	<b>116.276,0</b>
<b>Stock Global em % do PIB</b>	<b>83,8%</b>	<b>72,3%</b>	<b>65,5%</b>
<b>Stock divida interna em % do PIB</b>	<b>32,0%</b>	<b>27,4%</b>	<b>23,7%</b>
<b>Stock divida externa em % do PIB</b>	<b>51,7%</b>	<b>44,9%</b>	<b>41,7%</b>
Varição p.p. da Divida Total		-11,5%	-6,8%
Varição p.p. da divida interna Total		-4,6%	-3,6%
Varição p.p. da divida externa Total		-6,9%	-3,1%

Fonte: Conta Geral do Estado de 2005, 2006 e 2007

I 10. The procedures for contracting loans and issuing guarantees are clear. The Ministry of Finance is the only governmental entity responsible for the negotiation and approval of loans and guarantees, except in the case where the limits defined by law are exceeded, where approval must then be sought from the Council of Ministers. The guarantees issued during the year are monitored on a quarterly basis; however, the calculation of the value of the stock of guarantees is done only on an annual basis, which violates the law governing the issuance of guarantees.

I 11. The issuance of guarantees is regulated, in general, by the decree-law nº45/96 that defines the scope of issuance of guarantees, the amount and the entity responsible for the decision, leaving the annual State Budget Law to define the annual ceiling for their issuance. However, although the State Budget Law establishes a limit for guarantees, this limit is not effective because in the same wording it sets that "...the concession of guarantees for operations celebrated under the scope of renegotiation of guaranteed debts, and the guarantees given to public enterprises with contracts celebrated under the scope of food aid programmes given to the country by development partners are not considered for the limits fixed in the previous paragraph,". The lack of clear and unequivocally applied rules on the issuance of guarantees means that a "C" score is accorded to dimension (iii) of the indicator, leading to an overall "C+" score.

### **Trends in 2008**

I 12. The widening of the scope of the budget executed through SIGOF will increase the degree of consolidation of accounts and improve cash balance estimates. Meanwhile, in order to increase the extent of consolidation of cash balances and the comprehensiveness of the Treasury Plan (thus fulfilling the original purpose of setting up the CUT), it will be necessary to ensure two things:

- On the one hand, that the accounts of the projects funded with external resources be gradually transferred to the Cape Verde Bank (*vide* model adopted by the Programme of MCC); and,
- On the other hand, the introduction of a mechanism that allows the daily transfer to the CUT of the cash balances of FSA accounts, held in the Commercial Banks.

Indicator	Dimension	Assessment 2007	
<b>PI – 18: Effectiveness of payroll controls</b>	(i) Degree of integration and reconciliation between personnel records and payroll data	<b>A</b>	<b>B+</b>
	(ii) Timeliness of changes to personnel records and the payroll	<b>A</b>	
	(iii) Internal controls of changes to personnel records and the payroll	<b>A</b>	
	(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.	<b>B</b>	

#### 2007 Assessment

I 13. There is one single database of Human Resources, which is computerized and integrated within SIGOF, which records all the administrative information on public servants, their career information as well as all the payroll data, - namely, salary level, bank account, and information about dependents. This database was constructed from a number of separate censuses and includes all the personnel registered with the Central Administration, the Institutes, and FSAs as well as retired personnel. It ensures an integrated process of personnel, payroll and pensions management for all the human resources of the Central Public Administration.

I 14. Responsibility for the management of the Human Resources component of the data base rests with the Directorate General of Public Administration and for the payroll management with the Directorate General of Public Accounts.

I 15. The data base records around 23.000 public servants and pensioners (including local administration). Of these, around 14.000 are paid through direct bank transfers (mandatory for government personnel) or by mail (for pensioners). However, the system has not yet processed yet the personnel payrolls from central Hospitals, the National Police Agency, Criminal Police, the Armed Forces, the Health staff of Santiago North Region, or the National Electoral Commission.

- I 16. The connection with other databases of the State, namely the civil register and the taxpayers' database, increases its efficiency by reducing the risk of ghost workers and/or double registration. By being a single database, it also ensures that any change of the professional situation of public servants generates only a short-term repercussion on the payroll (lag of 1 month).
- I 17. Access is made through profiles which segregate the users by function and generate an access login. Thus, the introduction of any change in the data base requires i) having a username and a password provided by the administrator; and ii) several levels of validation and confirmation, that are recorded and can be checked.
- I 18. If any adjustment to the register of public servants is required, the sector requests DGAP for access. After permission is given, the sector Director opens the file, the authorised officer introduces the change and the Director validates and closes the file. Afterwards, the DGAP verifies that the modification was done and validates the process. This process leaves an audit trail that permits auditing the system and identifies who did what, when, where and with what original or delegated permission. Thus, the system of payroll control fulfils the requirements for "A" scores on dimensions (i), (ii) and (iii) of the indicator.
- I 19. With regard to payroll audits, the personnel database was validated against the existing data-bases in 2004 when it was constituted. In 2007, building upon the original audit, the IGF undertook a full audit of the payroll process of DGCP and the Ministry of Education, representing almost half of the workers with payrolls processed through the database. Therefore, dimension (iv) is accorded a "B" score, generating an overall score of "B+".

### ***Trends in 2008***

- I 20. Following detailed audits implemented by the DGCP and the sector Ministries, to permit the decentralisation of data-base management to the sector Ministries, the data of around 12.000 public servants was updated in early 2008. This process is continuing with the auditing of the information of the public institutions and the FSAs, helping to reinforce the mechanisms of internal control. At the same time, the integration of the database with the SIGOF was perfected, allowing the Executive's budget proposal for salary expenditure for 2009, to be automatically submitted through the information recorded in the Human Resources data base.
- I 21. The aim for 2009 is to develop a workflow application to support the administrative procedures for the recruitment of a civil servant. This will allow the whole process to be directly linked to the database – from the proposal of recruitment/progression/promotion in the sector, to analysis by the human resources Commission, to the TC homologation and to the publishing of the decision in the Official Bulletin.

Indicator	Dimension	Assessment 2007	
<b>PI – 19:</b> <b>Competition, value for money and controls in procurement</b>	(i) Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold)	<b>B</b>	<b>B</b>
	(ii) Extent of justification for use of less competitive procurement methods	<b>B</b>	
	(iii) Existence and operation of a procurement complaints mechanism	<b>C</b>	

### 2007 Assessment

122. Up to the end of fiscal year 2007, the legislative and regulatory framework for procurement by the State and other public entities was not unified. In fact, there only existed one decree-law governing the regime of public works contracts – the Decree-Law no. 31/94 and one governing the acquisition of goods and services - Decree-Law no. 2/97. In addition, the Decree-Laws relating to annual budget execution provided some guidelines that cannot be considered as concrete directives. Only in the Decree-Law no. 31/94 and in the related Regulatory Decree no. 6/94, both of the 2<sup>nd</sup> of May of 1994 is there contained a clear definition of the range of requirements to be fulfilled by the tender process for public works, including notably the specification of a monetary threshold above which open competition is required.

123. Thus, the Regulatory Decree no. 6/94, of 2 of May establishes that a tender is imperative when the expected total amount of the project is above CVE 1,5 million and that open competition is required if the amount exceeds CVE 10 millions. These obligations can be waived as long as they are properly justified and authorized. The structure of decision powers on this question are as follows: i) for amounts up to CVE 2 million – Directors General or equivalent, Directors of services without administrative or financial autonomy, Heads of services with administrative or financial autonomy and Public Enterprises; ii) for amounts up to CVE 20 million – the line Minister; iii) for amounts up to CVE 50 million – the Prime-minister; and iv) for amounts above CVE 50 million – the Council of Ministers.



**Figure 12: Contracts by Open Competition in 2007 (of a total of 37 recorded)**

Type of Tender	Total Number	% of Total Awards Recorded
International Open Competition	2	5.41%
Domestic Open Competition	26	70.27%
<b>TOTAL</b>	<b>28</b>	<b>75.68%</b>

**Figure 13: Restricted Contracts in 2007 (of a total of 37 recorded)**

Type of Tender	Total Number	% of Total Awards Recorded
Direct Agreement – <i>Ajuste directo</i> (quotations from 3 firms)	1	2.70%
Direct Assignment - <i>Adjudicação Directa</i>	8	21.62%
<b>Total</b>	<b>9</b>	<b>24.32%</b>

I24. According to information provided by DGPE, although not comprehensive<sup>16</sup>, in 2007 37 contract awards were made for values in excess of CVE 10 million, amounting to a total of CVE 8 billion in awarded contracts. These comprise, in value terms, a majority of the contracts awarded and include the contracts of the principal contracting agencies, namely the Ministries of Infrastructure, Health and Education and the DGPE, who hold responsibility for centralised purchases of goods and services. Of these, over three quarters were carried out by open competition (See Figure 12), which would in principle allow for an “A” score for this dimension. However, in the absence of comprehensive data, we conclude that the available data at least show that, in 2007, substantially more than 50% of the contracts above the threshold amount were awarded by open competition, meriting a “B” score for dimension (i) of this indicator.

I25. The available methods of less competitive contract awards are defined, in the case of public work contracts, by article 47 of Decree-Law no. 31/94, as direct agreements – *ajuste directo* (always preceded by quotations from 3 firms) or as direct contracts – *adjudicação directa*. These methods can be used in the following circumstances: a) when work can only be undertaken by a specific entity due to a former/previous contract with the State or to special expertise established from earlier work, to which the new work is a complement; b) when concerns of internal or external State security makes it advisable; c) when the last open competition for the same purpose and by the same institution has had no bids or when the bids received were considered unacceptable; and

<sup>16</sup> The DGPE does not hold a comprehensive database of contract awards because procurement is disaggregated to ministry level, except in the case of public works where the Ministry of Infrastructure is the central manager.

d) when previously an open competition had been carried out where a project cost-base was submitted by participants.

126. In 2007, from the list of tenders prepared by DGPE, the option of less competitive methods was always justified in line with the specified legal requirements. However, the private sector (represented by the CCIS of Sotavento) expressed the view that the functioning of the tender system leads to arbitrary and non transparent results, awarding contracts to firms lacking capacity. Due to the lack of comprehensive data and given the doubts raised by private sector, a score of “B” is given to dimension (ii).

127. A procurement complaints and appeal mechanism is available in the case of public works contracts. Thus, the complaints should be submitted to the authority responsible for the tender award (normally the Commission of Evaluation) who should issue a formal response. Complaints are considered as ‘tacitly’ rejected if the entity where the appeal was submitted does not react within 30 days. In case of rejection, if the authority is subordinated to a hierarchic superior, a hierarchic appeal of the rejection is possible (to the Ministry of Infrastructures, for example), in the next 10 days, counting from the moment of notification of the appellant, and the same deadlines are applied in the case of a tacit rejection. The final option for recourse is through judicial appeal to the competent court, under the general terms of law. In the case of non public works contracts, the administrative litigation process is followed.

128. The way the procedures for complaints and appeals are structured is not adequate and does not allow for a timely response to the appeal. Similarly, there are no legal requirements to oblige the disclosure and publishing of relevant information in relation to: i) the complaints submitted; ii) the content of the decisions taken about them; and iii) the decision deadlines. Therefore, there is a need both for restructuring of the complaints and appeals mechanism and for greater detail on the resolution of complaints, directly accessible to the public. These weaknesses result in a “C” score for dimension (iii) and, consequently, a “B” score overall.

### **Trends in 2008**

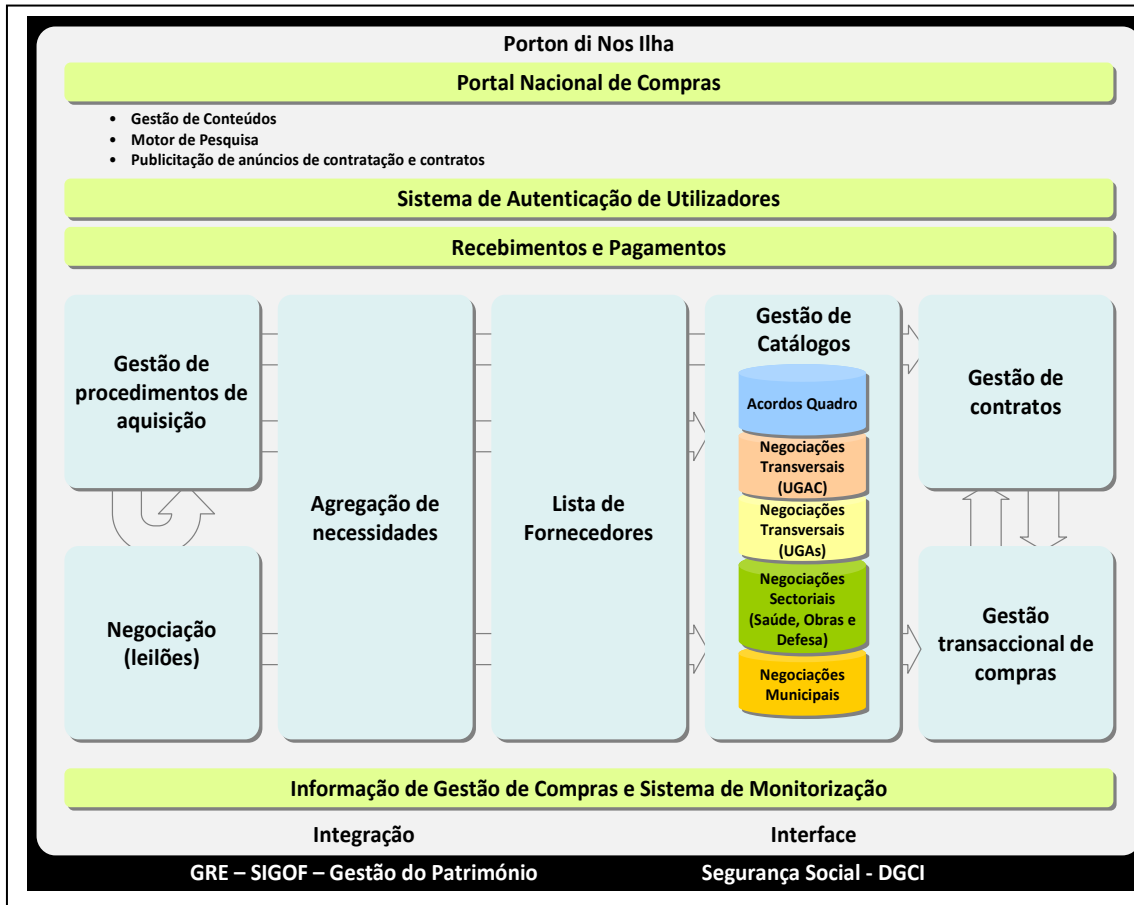
129. During 2008<sup>17</sup>, the legal framework for procurement has been significantly modified following the approval, on 10 September 2007, of the Law no. 17/VII/2007 that set up the new juridical regime for procurement and the approval, in 2008, of the remaining components of the new legal framework, namely, the Decree-Law no. 15/2008 approving the statutes of the Regulatory Agency for Public Procurement (ARAP) and the corresponding legal Regulations. With these juridical instruments the

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<sup>17</sup> This followed the conclusion of an analytical review on the system of public acquisition/supply, whose results were substantiated in the document Plano de Acção of the “Country Procurement Assessment Review” (CPAR).

process of procurement - comprising public works contracts, acquisition of goods and services, and the licensing of public works and services - have a common legal framework.

**Figure 14: Information Architecture of the New Procurement System**



130. The new legal regime requires that procurement should be ruled by the principles of transparency and publicity (publicising calls for tenders, the awarding of contracts and the actual results). It defines open competition as the preferred method for all procurement, requiring that its non utilisation should be the subject of proper justification. It creates an independent entity (ARAP) to regulate the process of procurement (responsible, amongst other things, for periodic audits of procurement processes and for disclosure of the results); and, within this entity, resides a Conflict Resolution Commission responsible for assessing the complaints and appeals submitted during public procurement processes. At the same time, the ARAP defines the standard documentation for the whole procurement process.

I 31.A Strategic Plan for Public Procurement, has also been elaborated - the strategic and normative instrument for the implementation of the new system of public procurement and for the customization of the public procurement information management system. This will comprise a module within SIGOF which will support the whole process of public procurement, as can be seen in Figure 14 above. Implementation of these ongoing reforms is likely to bring major improvements in the degree of transparency, the level of competition, the quality of controls and the achievement of value for money within the procurement system.

Indicator	Dimension	2007 Assessment	
<b>PI – 20:</b> <b>Effectiveness of internal controls for non-salary expenditure</b>	(i) Effectiveness of expenditure commitment controls	<b>B</b>	<b>B+</b>
	(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures	<b>A</b>	
	(iii) Degree of compliance with rules for processing and recording transactions	<b>A</b>	

### 2007 Assessment

I 32.The effectiveness of non-salary expenditure commitment controls is assured by the SIGOF system. It limits expenditure commitments and, consequently, their payment i) to the value of the approved budget allocation, disaggregated by economic classification; and ii) once the Treasury Plan is updated, to the ceiling of resources made available by the DGT. For Public Institutes and FSAs (Autonomous Funds and Agencies), the limit for budgetary commitments is given by the value of monthly advances, which are acquitted monthly, allowing the next month’s advance.

I 33.Nevertheless, the effectiveness of expenditure commitment controls is poor for those entities which execute their budgets outside of SIGOF, as is the case of some Institutes, FSAs and external funded project units. This can lead, as we noted in assessing indicators PI-4 and PI-7, to expenditure commitments being incurred which exceed budgetary allocations. In this respect, it is imperative that budget execution should be managed increasingly through the SIGOF system, given its proven effectiveness as a system of budget execution and its flexibility in fulfilling additional requirements, such as notably those of external financing agencies. Notwithstanding the effectiveness of SIGOF in limiting commitments to the available cash balances and the approved budget, the continued existence of areas of expenditure executed outside of SIGOF gives this dimension of the indicator a “B” score.

I34. Other existing norms, rules and procedures of internal control were strengthened and standardized through the approval of the Law on Public Accounting (*Lei de Bases da Contabilidade Pública*) and with the publishing of the Regulatory Decree n° 2/07, which establishes the role of the Financial Controller, and the Regulatory Decree n° 3/07, which sets the role of Controlling Officer (*Ordenador Financeiro*). This legislation standardizes the nature, purpose and form of the interventions to be made by different types of agents in the budgetary process, ensuring a segregation of roles and thus greater transparency.

I35. Another key element of control results from the fact that SIGOF sets profiles for each type of budget procedure, giving each user only the access and rights required for specific tasks within the budgetary process. Nevertheless, there are no clear rules for the identification of transactions with higher control risks and for the prevention of fraud in these cases. As a result of this weakness, dimension (ii) merits a “B” score.

I36. The SIGOF incorporates a set of rules and controls for transaction processing. The degree of compliance with rules for processing and recording transactions is extremely high (the Financial Controller rejection rate in 2007 was inferior to 0,1%). Therefore, this dimension is given an “A” score, generating an aggregate score of “B+”.

#### **Trends in 2008**

I37. In 2008, the decentralization of the budget execution process through SIGOF has continued as coverage was extended to the sovereign bodies (Presidency and National Assembly), the Court of Accounts and the National Police. This wider coverage will increase the quality of expenditure commitment controls.

I38. The current coverage of SIGOF and its different levels of control, transparency and accountability present an opportunity to integrate into SIGOF the execution of those donor funded projects, which are currently executed outside of the normal budgetary system. If the Development Partners were willing to take this step, it would, on the one hand, allow a single set of controls to be applied to the budgetary execution process; and, on the other hand, significantly increase the comprehensiveness and timeliness of information on budget execution.

Indicator	Dimension	Assessment 2007	
<b>PI – 21: Effectiveness of Internal Audit</b>	(i) Coverage and quality of internal audit function	<b>D</b>	<b>D+</b>
	(ii) Frequency and distribution of reports	<b>C</b>	
	(iii) Extent of management response to internal audit findings	<b>C</b>	

### 2007 Assessment

139. The role of internal audit is undertaken by the Inspectorate General of Finances (*IGF*) which submits its reports for decision by the Ministry of Finance. The IGF scope of intervention covers both the central government entities (Public Administrative Sector) and Public Enterprises but it comprises a staff of only 15 active inspectors and is not supported by a comprehensive network of Internal Audit units within each institution (Indeed DGA and DGCI are the only departments of central government with their own Internal Audit units.). Audits are based on the international standards of ISPPIA, and, generally aim to control procedural and legal compliance. Thus, the majority of the audits do not address systems issues nor do they aim to define in advance, through clear and pre-defined indicators, the areas of risk to cover. The IGF simply programmes its activities so as to complement the external audits of TC.

140. In 2007, 54 interventions were undertaken, of which 46 were audits and 9 training audits (jointly audits and on-the-job training with the support of Portuguese IGF). In 2007, the audit activities relied on the full active staff but still achieved only a modest coverage of government institutions. Moreover, less than 20% of the interventions<sup>18</sup> were focused on systems issues, giving dimension (i) of the indicator a “D” score.

141. In 2007, 52 audit reports were prepared, representing 108% of the 48 originally planned, resulting from the difference between 10 planned but not implemented activities and 14 activities undertaken following directives from superiors. Nevertheless, IGF continues to lack capacity, which prevents the preparation of a strategic development plan in line with its legal responsibilities.

142. Preliminary audit reports by IGF are initially distributed to the audited entity for comment. Subsequently, final reports are exclusively issued and distributed to the Ministry of Finance to be ratified. This process does not follow a fixed schedule, and there is no formal obligation to

<sup>18</sup> The detailed list of interventions permits an assessment of the number focused on systems issues but not of the percentage of staff time which was dedicated to different types of audits.

distribute final reports to the audited entity. Similarly, the legislation in place does not require IGF to send the reports to the Court of Accounts (TC), although IGF reports to TC the activities undertaken, and this entity may ask for any report relevant to its external audit working plan. In the absence of a fixed reporting schedule and a systematic process of distribution to the Supreme Audit Institution (TC), the Ministry of Finance and the audited entity, a score of “C” is given to dimension (ii) of the indicator.

143. Regarding the extent of management response to internal audit recommendations, this is not something which is monitored by the IGF on a regular basis, given that the legal framework does not require supervision of the degree of compliance of the recommendations ratified by the Ministry of Finance. Nevertheless, most of the audited entities do prepare comments on preliminary audit reports report and do consider the recommendations important. Thus, we judge that a fair degree of action is taken by managers in response to audit recommendations but that in the absence of a systematic follow-up by IGF, these actions are unlikely to be comprehensive and timely. For this reason, a score of “C” is given to dimension (iii) of the indicator, resulting in an overall score of “D+”.

**Trends in 2008**

144. The IGF continues to steadily build up its technical capacity for undertaking audits. With the support of the Portuguese IGF, a training programme has been undertaken to qualify staff to introduce a systemic focus into audit and to develop the capability for performance audits. However, the shortage of staff, the limited financial resources and the continuing technical deficiencies (the lack of attention to systems audits and the absence of a set of risk indicators against which to frame the scope of audit interventions) reduces the impact of these activities. In order to fill the technical void, the recruitment of inspectors on fixed-term contracts has been authorized in order to reduce the current shortage of capacity.

**4.6 Accounting, recording and reporting**

Indicator	Dimension	2007 Assessment	
<b>PI – 22:</b> <b>Timeless and regularity of accounts reconciliation</b>	(i) Regularity of bank reconciliations.	<b>B</b>	<b>B+</b>
	(ii) Regularity of reconciliation and clearance of suspense accounts and advances	<b>A</b>	

### 2007 Assessment

145. Regular bank reconciliations for all Treasury managed bank accounts – the Treasury Single Account (CUT) and the transit accounts at commercial banks – take place daily. The Special Accounts at the Banco de Cabo Verde are reconciled monthly. However, there are a significant number of bank accounts from central government entities that are not managed by the Treasury – especially, accounts for externally funded projects, Institutes and Autonomous Funds & Agencies (FSAs) – which are kept in Commercial Banks. The reconciliation of these accounts is not possible due to the lack of information, making possible only the monthly reconciliation of Treasury-managed accounts and not the overall reconciliation of all banking accounts of central government, as required by Law. This situation gives a “B” score to dimension (i).

146. Advances are limited to monthly (duodecimal) transfers for some sovereign bodies, public institutes and FSAs. These are registered directly in SIGOF, as accounts pending acquittal. The clearance of these advances is required by law within 30 days of the end of period and this requirement must be complied with before further advances can be received. The accounting system foresees the creation of suspense accounts, in order to register transactions that cannot be classified or where the resources are not the propriety of the State. Suspense accounts and advances are regulated quarterly, within 30 days of the end of period. The 2007 suspense account balances were transferred to 2008, amounting to only 0.2% of the executed budget. Therefore, a score of “A” is given to dimension (ii). The overall score of the indicator is “B+”.

### Trends in 2008

147. During 2008, the percentage of executed expenditure through advances and subsequent clearance has been reduced due to the use of SIGOF. Similarly, the reduction of banking accounts held in commercial banks has been an ongoing process. The SIGOF can make payments from accounts located outside of the Treasury Single account. This option gives the possibility to steadily integrate into the budget all the entities that execute the budget outside of the SIGOF system, without necessarily having initially to use the CUT. This would significantly simplify and broaden the comprehensiveness of the bank reconciliation process.

Indicator	Dimension	2007 Assessment
<b>PI – 23:</b> <b>Availability of information on resources received by service delivery units</b>	Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (primary schools and primary health clinics), irrespective of which level of government is responsible for the operation and funding of those units.	<b>D</b>



### 2007 Assessment

148. There is no information available at the centralised level to the Ministry of Finance reported either in the budget documentation, in the Provisional Quarterly Accounts (CPTs) or in the CGE on the resources received and the expenditures made by primary schools and health posts. Consequently, there is not the necessary information available to analyse and compare the levels of i) resources allocated to these centres, ii) transferred resources, iii) own current revenues, and iv) the degree of executed expenditure. The information made available by front-line service delivery units (primary schools and health posts) is quite limited due to the fact that these units are not budget holders, and as such do not constitute cost centres in an accounting sense, within the State Budget and the SIGOF. This information is retained by Ministries of Education and Health but it is not made available on a regular basis. Accordingly, a “D” is accorded to this indicator.

### Trends in 2008

149. During 2008, a “PETS” (*Public Expenditure Tracking Survey*) survey for the primary health sector was implemented but the report is not yet available. This survey will assess the level of the resource provided to front-line health services and will directly fill the gap here identified.

150. For the preparation of the 2009 Budget, secondary schools started to be recognized as cost centres in the State Budget and in the SIGOF. Similarly, health stations were recognized as budgetary cost centres. This disaggregation will allow a more detailed analysis of the availability of resources.

Indicator	Dimension	2007 Assessment	
<b>PI – 24:</b> <b>Quality &amp; timeliness of in-year budget reports</b>	(i) Scope of reports in terms of coverage and compatibility with budget estimates	<b>C</b>	<b>C+</b>
	(ii) Timeliness of the issue of reports	<b>B</b>	
	(iii) Quality of information	<b>B</b>	

### 2007 Assessment

151. The data presented in Quarterly Preliminary Accounts (CPT’s) are, generally comprehensive and compatible with budget estimates, allowing for direct comparison with execution. The CPT’s present information both on the original approved budget and the corrected budget, integrating all the changes and re-allocations carried out during the period.

I52. Nevertheless, a comparison with the equivalent period in the previous year is not possible for all of the expenditure classifications – in particular, this cannot be done for the functional analysis of expenditure. Moreover, CPT's only report expenditure payments and liquidations, without reporting information about commitments. They also do not report the evolution of the stock of debt (reporting only information about the disbursements carried out in the period).

I53. A further reporting weakness results from the persistence of gaps in the collection and recording of expenditure data for externally funded projects which are included in the budget but not executed through the SIGOF. This information is gathered by DGP, through the reports produced by the DGPOGs of sector Ministries and by the donors. However, these reports are not always timely and rarely use a format compatible with the national system. Due to these various weaknesses in coverage, dimension (i) of the indicator merits a "C" score.

I54. The CPT's are, as a rule, released 45 days after the end of the relevant quarter, meriting a "B" score on the second dimension of this indicator. For legal reasons, the CPT's are submitted first to the National Assembly, being made available to the public subsequently at the Ministry of Finance website, [www.minfin.cv](http://www.minfin.cv) (although with some delay).

I55. The accuracy of data and the quality of CPT's have shown steady improvements, which is due to both the increasing use of SIGOF as the main platform for budget execution and the utilization of CS-DRMS for debt management. Thus, the base informational for the CPT's is directly provided by the budget and financial management informational system. There are still some questions concerning the quality of data from the externally funded projects and other entities that execute their budget outside of SIGOF, but these data limitations are mentioned in the CPTs and, in general, do not compromise the integrity and usefulness of CPT's. Therefore, dimension (iii) of the indicator is accorded a "B" score, resulting in an overall score of "C+".

### **Trends in 2008**

I56. Broadening the coverage of SIGOF to sovereign bodies, Institutes and FSAs, could have a positive impact on the CPT's data coverage. However, this would only happen if these institutions were to genuinely execute their budget through SIGOF without having recourse to frequent ex post accounting corrections, which would compromise the quality of the information initially reported in CPTs.

Indicator	Dimension	Assessment 2007	
<b>PI – 25:</b> <b>Quality and timeliness of annual financial statements</b>	(i) Completeness of the financial statements	<b>C</b>	<b>C+</b>
	(ii) Timeliness of submission of the financial statements	<b>B</b>	
	(iii) Accounting standards used	<b>C</b>	

### 2007 Assessment

157. The State General Account (CGE) presents the consolidated year-end financial statement for central government. It includes full information on revenues and expenditures but only limited information on financial assets and liabilities. Most significantly, the CGE does not publish an annual Balance Statement for government, as would be recommended by best international practice, given that the accounting system is on a cash basis and not on an accrual basis. For these reasons a “C” score is accorded to dimension (i) of the indicator.

158. The Constitution of the Republic of Cape Verde requires, in article 177, that the State General Account (CGE) of the previous fiscal year should be tabled before the National Assembly, by the 31<sup>st</sup> December of the following year. The 2007 CGE was accordingly tabled before the AN in August 2008, in line with the legal requirements. This represents a substantial improvement in relation to the elaboration and execution of the 2006 CGE (submitted in March of 2008). However, best international practise requires that a consolidated government statement of accounts should be tabled within 6 months of the end of the fiscal year. Thus, a “B” score (rather than an “A”) is accorded to dimension (ii) of the indicator.

159. Neither the budget nor the CGE include an explicit reference to the applied accounting principles and standards, there being simply a reference to the fact that they are prepared in line with a cash basis accounting system. The National Plan for Public Accounting (PNCP) was approved in 2006 through the Decree-Law n° 10/2006, which specifies principles of consistency, materiality, comparability and opportunity, in line with the international best practices of IPSAS (*International Public Sector Accounting Standards*) but this has not to date been fully applied. For this reason a “C” score is given to dimension (iii), resulting in an overall score of “C+” for the indicator.

### Trends in 2008

160. The process of parameterization of SIGOF so as to permit the application of the PNCP is about to be concluded. This would allow most of the necessary accounting reports to be prepared

automatically. The PNCP is thus expected to be fully applied for Central Government accounts from 2009 fiscal year onwards.

## 4.7 External scrutiny and Audit

Indicator	Dimension	Assessment 2007	
<b>PI – 26:</b> <b>Scope, nature and follow-up of external audit</b>	(i) Scope/nature of audit performed (incl. adherence to auditing standards)	D	D+
	(ii) Timeliness of submission of audit reports to legislature	C	
	(iii) Evidence of follow up on audit recommendations	C	

### 2007 Assessment

161. The Court of Accounts (TC) is the supreme audit institution of Cape Verde. It is responsible for the jurisdictional control of budget execution, in line with the article 216 of the Constitution “...The Court of Accounts is the supreme audit institution that controls the legality of public expenditure and rules on the accounts, which the law has ordered to be submitted to it.”

162. Likewise, article 94 of the Constitution states that “the execution of the State Budget is audited by the Court of Accounts and by the National Assembly, which assesses and votes the State Account, after that Court pronouncement”. For that purpose, the TC is composed of the President of the Court and three more Judges supported by its support services. The TC, in line with its Organic Law no. 84/IV/93 of 12 of July, is responsible for ruling upon the accounts of institutions, services and entities subject to its jurisdiction and for applying the corresponding financial penalties – either sanctioning or re-integrative. Are subject to the trial of TC accounts the organs of sovereignty, the Municipalities and their associations, the public institutes, the FSA, the embassies and consular posts abroad, customs, political parties, schools and other entities.

163. Thus, it is under these two capacities – assessing the CGE and ruling upon individual accounts - that the TC develops most of its functions. In this process, the TC only assesses technical and legal criteria, checking, specifically, the application of the principles and norms of Public Accounting, Financial Law and other legal requirements relevant to the Budget, auditing more the legality than the efficiency, effectiveness and appropriateness of expenditure. Therefore, audits have been more

at transactional than at systemic level, as would normally be recommended under the INTOSAI international best practices.

164. The very limited resources of the TC mean that the audits carried out (see Figure 15) represent less than 50% of budgeted overall public expenditure for each year, although they do include coverage of both revenue (in the case of CGE) and expenditure. This number requires further confirmation in the next PEFA assessments because the interpretation of the data of the TC is not straightforward. Nevertheless, there is little doubt that current coverage is less than 50% and thus, a “D” score is accorded to dimension (i) of the indicator.

**Figure 15: Court of Accounts – Audits and Accounts ruled 2006 and 2007**

Year	Audits Planned	Audits Carried Out	Accounts Submitted	Accounts ruled	Accounts carried forward
2006	0	2	59	17	338
2007	9	5	114	5	452
<b>TOTAL</b>	<b>9</b>	<b>7</b>	<b>173</b>	<b>22</b>	<b>790</b>

Source: TC, 2008

165. As can be verified from Figure 15 above, the legal obligation of the TC to rule annually on all of the accounts of the institutions under its jurisdiction allied to the limited capacity of the institution, fosters a steady build up of audits in arrears, with clear negative consequences for the effectiveness of audit as a deterrent to improper or inefficient financial management. Nevertheless, with regard to the Opinion on the CGE, the TC has been addressing the backlog of audits delayed as a consequence of the untimely submission of CGE’s, as can be verified in the table below:

**Figure 16: Court of Accounts – Dates of Opinions on the CGE 2001-2007**

CGE	Date of submission to TC	Date of the TC Opinion
2001	July 05	December 07
2002	October 05	December 07
2003	January 06	December 07
2004	September 06	December 07
2005	January 07	December 07
2006	March 08	January 2009
2007	September 08	December 09

166. Thus, the last CGE audited and submitted to the AN, dates from 2005 but the TC did fulfill the deadline of 12 months for the issuance of its Opinion, from the time the 2005 CGE was received in January 2007. Thus a “C” score “is given to dimension (ii) of the indicator.

167. Through the preparation of its opinion on the CGE and under the ruling of the accounts under its jurisdiction, the TC regularly presents recommendations aimed at enforcing the relevant laws on financial issues. Frequently, the TC assumes a pedagogic role – in delivering recommendations to promote improved practices. Thus, the CGE Opinion includes a specific chapter on recommendations, on which the National Assembly may comment, recommending specific actions by the Executive where appropriate. With regard to individual accounts, in submitting their comments on preliminary audit reports, audited institutions generally respond to the recommendations provided. However, a formal follow-up system on audit recommendations is missing, although subsequent audits of the same entity do try to track the implementation of recommendations. Therefore, the score given to dimension (iii) of the indicator is “C”. The overall indicator merits a “D+” score.

Indicator	Dimension	2007 Assessment	
<b>PI – 27: Legislative scrutiny of the annual budget law</b>	(i) Scope of Legislature’s (National Assembly’s) scrutiny	<b>B</b>	<b>B+</b>
	(ii) Extent to which the Legislature’s procedures are well-established and respected.	<b>A</b>	
	(iii) Adequacy of time for the Legislature to provide a response to budget proposals.	<b>B</b>	
	(iv) Rules for in-year amendments to the budget without ex-ante approval by the Legislature.	<b>B</b>	

#### 2007 Assessment

168. Legislative scrutiny of the annual budget law covers fiscal policies, the assessment of the economic situation, the specification of macroeconomic policies to be followed, the assessment of implications for the main macroeconomic aggregates and indicators for the fiscal year of the State Budget, and the analysis of the priorities and goals of public investment policy, and the details of expenditure and revenue (as presented in the OE proposal). However, the overall fiscal framework and the medium term priorities are not analysed by the AN. A score of “B” is therefore given to dimension (i).

169. The procedures for legislative scrutiny are well-established and respected. The Ministry of Finance submits the annual budget proposal to the AN by the 20<sup>th</sup> October of each year. The proposal is also submitted to social partners under the scope of the Social Coordination Council and to political parties. At the AN, the budget proposal is distributed to parliamentary groups and political

parties with parliament seats. The Budget and Finance Review Committee has the central role in analysing, revising and negotiating any changes with the Ministry of Finance. This committee prepares an opinion that is subsequently submitted to the AN in plenary, when the overall budget proposal is discussed. The LEOE establishes that the Budget should be voted by the AN by the 15<sup>th</sup> December and it should be published before the 20<sup>th</sup> December.

170. Therefore, the scrutiny of the annual budget law by the National Assembly is well-established and the procedures are consistent with international best practices. Therefore, dimension (ii) of the indicator scores “A” while dimension (iii) merits a score “B” because the Legislature has between one and two months to review the Executive’s proposed Budget (if more than 2 months were available, an “A” score would be accorded.).

171. The LEOE establishes the competencies of different Government entities and sets the guidelines for in-year amendments to the State Budget. These guidelines allow the Government (the Executive): i) to increase the overall level of expenditure only if grant aid or external loans for investment programmes and projects are made available for use during the execution period, ii) to introduce new budget lines or increase existing budget lines for staff payroll funds by reducing provisional allocations for personnel, and iii) in case of exceptional public interest reasons, to introduce new budget lines or strengthen existing budget lines by drawing upon contingency funds or other special funding arrangements legally foreseen. These rules are generally respected.

172. The law also requires that any amendments should be communicated to the AN within 60 days after the amendment or within 90 days of its publication in the Official Bulletin. The amendments introduced quarterly are regularly reported in the CPT’s. However, the guidelines do not limit the extent of budget amendments, in particular for increases in the expenditure funded by grant aid or by external loans. Therefore, dimension (iv) of the indicator merits a “B” score, resulting in an overall score of “B+”.

Indicator	Dimension	Assessment 2007	
<b>PI – 28: Legislative scrutiny of external audit reports</b>	(i) Timeliness of examination of audit reports by the Legislature (for reports received within the last three years)	<b>C</b>	<b>D+</b>
	(ii) Extent of hearings on key findings undertaken by the Legislature	<b>D</b>	
	(iii) Issuance of recommended actions by the Legislature and implementation by the Executive.	<b>D</b>	

## 2007 Assessment

173. The legislative scrutiny of the TC Opinion on the CGE is ruled by the Constitution of the Republic which in article 94 states that “...the execution of the State Budget is audited by the Court of Accounts and by the National Assembly who assesses and votes the General State Account, after the Court pronouncement” Moreover, the Constitution in articles 174 and 177, states “It is the responsibility, specifically, of the National Assembly...to take the accounts of the State and remaining public entities...” and “to receive, submit for the opinion of the Court of Accounts and assess the General State Account ”.

174. For that purpose, the LEOE states that the Government should submit to the AN the previous fiscal year’s CGE within 12 months after the end of period. The approval of the CGE is ruled by subsection III of the ‘Regimento da AN’. This states that “Once the Accounts are received, the President of the National Assembly will submit them to the competent Specialised Committee...”- (CFO), “in order to present an opinion that will allow the approval of the CGE by the AN, which would occur, at most, within the first 10 sessions of the following year.” In the case of the current format of monthly ordinary sessions, this effectively means within 12 months.

175. The AN has approved the CGE more than 6 months after the submission of the TC Opinion, except in the case of the 2001 CGE. This situation has been due to the delay in the submission of the CGE and to the subsequent delay by the TC in the issuance of its Opinions, as can be verified in the table below. Therefore, dimension (i) of the indicator merits a “C” score.

**Figure 17: Date of approval of CGE’s by the National Assembly**

CGE	Opinion of TC Date of submission to AN	Date of AN decision on the CGE
1998	July 06	Rejected in March 07
1999	February 06	Rejected in March 07
2000	February 07	Approved in February 08
2001	December 07	Approved in February 08
2002	December 07	Approved in July 08
2003	December 07	Approved in July 08
2004	December 07	Under assessment
2005	December 07	Under assessment



I76. The AN can ask both the Government, through the Minister of Finance, and the TC (Court of Accounts) for any additional clarification or complementary documents considered necessary for the issuance of its Opinion and subsequent approval or rejection of the CGE. On the other hand, the CFO lacks the technical support staff that would allow a deeper analysis of the CGE. Thus, the approval of the CGE, results mainly from a political appreciation by the political parties with parliamentary seats. Likewise, there are no systematic hearings in relation to the main comments presented in the TC Opinion. Therefore, a score “D” is given to the dimension (ii) of the indicator.

I77. The last resolutions on the CGE approval do not refer to any recommendation to the Government and do not mention the adoption of the recommendations made by the TC. For these reasons a score “D” is given to the dimension (iii) of the indicator, resulting in an overall score of “D+”.

## 4.8 Donor Practices

Indicator	Dimension	Assessment 2007	
		A	B+
<b>D-I: Predictability of Direct Budget Support</b>	(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the Legislature.	<b>A</b>	<b>B+</b>
	(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates).	<b>B</b>	

### 2007 Assessment

I78. Under a memorandum of understanding, the Government is receiving budget support from a group of donors that come together under the denomination of the Budget Support Group (BSG) (Austria, Spain, BAD, World Bank, Netherlands, and European Commission<sup>19</sup>), two of which provide sector budget support to the area of the environment. The Government and its partners have agreed a Budget Support Matrix that sets actions, indicators and goals for public sector governance assessment and a Common Matrix for the area of Environment.

<sup>19</sup> Portugal joined in 2008.

**Figure 18: Predictability of Direct budget Support 2005, 2006 & 2007**

Ano	Desvio do apoio orçamental realizado em relação à previsão	Atrasos intra-anuais no desembolso do apoio orçamental
2005	21,8%	16,7%
2006	-5,4%	2,7%
2007	-0,7%	141,2%

Source: CGE 2005, 2006, and 2007; DGT; Donors (E.U., Spain, BAD, Netherlands)

179. The donors carry out the disbursement of the budget support aid based on joint assessments of Government performance in the implementation of the actions targeted in the matrices. The table above (and annex 4), shows a fair adherence between actual annual disbursements and projections given that only in 2005 was there observed a substantial deviation between actual and projected<sup>20</sup> figures. Therefore, a score “A” is given because in only one year (2005) was the deviation superior to 15%.

180. On the other hand, the within-year variation between planned and actual disbursements has been more significant. This is due in part to delays in the achievement of agreed policy triggers, and, in part, to the amount of time required to finalize the legal conditions underpinning the actual disbursements. Despite this, in at least in two years (2005 and 2006) the intra-annual delay was less than 25%, justifying a “B” score for dimension (ii) of the indicator, and an overall score of “B+”.

Indicator	Dimension	2007 Assessment	
<b>D-2: Financial information provided by donors for budgeting and reporting on projects and programmes</b>	(i) Completeness and timeliness of budget estimates by donors for project support	<b>D</b>	<b>D</b>
	(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	<b>D</b>	

### 2007 Assessment

181. The bilateral donors meet with the government, under the scope of Cooperation General Direction, at the Ministry of Foreign Affairs, on a regular basis, at least twice a year, to discuss the implementation of multi-annual cooperation agreements and respective funding programmes. The information distributed at these meetings does not follow a format compatible with the budget classification. Likewise, for the formulation of the OE the DGP requires ministerial DGPOG’s to fill

<sup>20</sup> This was due to a disbursement of European Commission budget support which, although made available in late 2005 was received by the Treasury in 2006 and reported in the 2006 CGE. The payment of balance support by the FAD was also not registered in 2005.

in project forms although does not require the same information from donors. Thus, there is no systematic method by which donors provide information to Government (in particular to the Ministry of Finance) on budget estimates for externally financed projects in a format and at a time consistent with the budget structure and preparation calendar. Therefore, the score “D” is given to dimension (i).

182. With regard to the information about expenditure execution, it is not available any formal mechanism for data disclosure. The data are obtained by ad-hoc requirement by Plan General Direction (for donors), provided on a semester basis by most donors, quarterly in the case of a reduced number of donors or received monthly by the Treasury (for loans). Nevertheless, a lot of the information needed is available at the level of project management units located at the sectoral Ministers, although lacking a systematic mechanism for regular collection of all these data. Thus, is not possible to consider for the existence of a format or a schedule for donors’ reporting. Therefore, the dimension (ii) of the indicator merits a score “D” and the indicator D-2 has an overall score of “D”.

#### **Trends in 2008**

183. The donors emphasise the need for the Government to set clear guidelines in relation to its information requirements, the format to follow and the regularity of aid disbursements reporting. Likewise, they acknowledge that a lot of information exists at sectoral level but has not been captured by the Ministry of Finance. One of the reasons for this is that many of the projects are managed out of the SIGOF lacking to capture the required information.

184. Although the DGP introduces in the SIGOF the data of some projects *a posteriori*, the adequate solution would be the adoption of SIGOF for all the projects externally funded, broadening the coverage of the system. We would like to emphasize that this should be the strategy to follow and the priority for Government and its partners.

<b>Indicator</b>	<b>Dimension</b>	<b>Assessment 2007</b>
<b>D-3: Proportion of aid that is managed by use of national procedures</b>	Overall proportion of aid funds to central government that are managed through national procedures	<b>D</b>

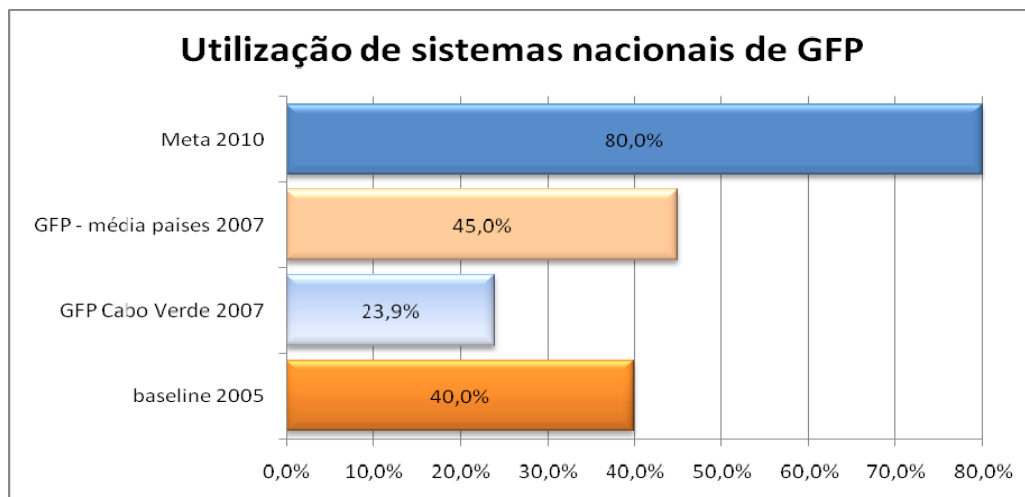
#### **2007 Assessment**

185. The use of national procedures in managing donor-financed activities, in areas such as procurement, disbursement/ accounting, reporting and audit, is at the moment restricted to aid and

direct budget support. Therefore, the 2008 report on the follow up of the implementation of the Paris Declaration in Cape Verde, shows that the overall proportion of aid funds to central government that are managed through national procedures is of just 23,9%. This proportion ranks very below the average of the countries analysed in 2008, as is shown in the table below.

186. The level of utilization in the four main areas varies among them, although higher for budget execution, as some of the donor funded projects follow the national procedures for budget execution. Nevertheless, the global perspective (as shown in the table below) is a limited use of the national procedures, which does not reflect the analysis of the quality of the PFM system and the SIGOF system. Thus, overall, substantially less than 50% of aid funds to central government are managed through national procedures, giving a “D” score to this indicator.

**Figure 19: Use of the national systems of PFM - Cape Verde scoring**



**Figure 20: Proportion of donors' funds that use national PFM systems**

Unidade: milhões de USD

	Utilização pelos doadores dos Sistemas Nacionais de Gestão Finanças Pública - Ano 2007			
	Execução Orçamental	Prestação de contas	Auditorias	Aquisições Públicas
em valor	\$44	\$37	\$33	\$37
em %	27,9%	23,4%	20,8%	23,6%

Fonte: Relatório de Seguimento da Declaração de Paris - 2008 - Cabo Verde e cálculos dos consultores para o FAD

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***Trends in 2008***

187. Although the possibility for external funded projects to use national budget execution and accounting procedures is given by SIGOF, there has not been registered an increasing trend in the use of national systems. The donors consider that the Government should set clear guidelines about the national procedures to follow in project management, allowing them to adjust their own procedures.

188. The practice has shown that the use of national procedures promotes the increasing implementation of actions that target the improvement of central government, building up the country ability to submit, both to the National Assembly and to citizens more transparent information on the management of public resources.

## **ANNEXES**

**Annex 1: Summary of PEFA 2007 by Performance Indicator**

**Annex 2: Sources of information: a) Interviews Undertaken**

**Annex 3: Sources of information: a) Documents Consulted**

**Annex 4: Data Tables**

## Annex I: Summary of PEFA 2007 by Performance Indicator

Indicador		Dimensões a Serem Avaliadas	Classificação	Breve Explicação	Fontes de Informação
A. RESULTADOS DO SISTEMA DE GFP: Credibilidade do orçamento					
PI-1	<b>Resultado da despesa agregada comparada com o orçamento original aprovado</b>	Diferença entre despesa primária realizada e despesa primária originalmente orçamentada (i.e. excluindo encargos da dívida e despesas em projectos externamente financiadas)	A	A relação entre as despesas primárias reais e as previstas no orçamento foi de 3,4% em 2005, 8,9% em 2007 e 1,7% em 2008. No I semestre de 2008 foi de 5,9%.	Conta Geral do Estado 2005, 2006 e 2007 e Contas Provisórias do II Trimestre de 2008
PI-2	<b>Composição do resultado da despesa comparado com o orçamento original aprovado</b>	Grau ao qual a variação na composição da despesa primária excedeu o desvio global na despesa primária (conforme definido em PI-1) durante os últimos três anos	B	Ao longo dos últimos 2 anos, a variação da composição das despesas foi superior a 5% apenas uma vez. Essa variação foi 6,2% em 2005, 0,8% em 2006 e 3,6% em 2007.	Conta Geral do Estado 2005, 2006 e 2007 e Contas Provisórias do II Trimestre de 2008
PI-3	<b>Resultado da receita agregada comparado com o orçamento original aprovado</b>	Cobrança realizada de receitas internas comparada com estimativas da receita interna no orçamento original aprovado	B	O resultado da receita agregada correspondeu a 94.9% em 2005, 91.9% em 2006 e 114.1% em 2007. A arrecadação da receita interna real foi inferior a 94% das estimativas de receita interna previstas no orçamento, em no máximo um dos últimos três anos.	Conta Geral do Estado 2005, 2006 e 2007

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PI-4	Stock e monitoria do pagamento de atrasados de despesa	(i) Montante dos atrasados (em percentagem da despesa total realizada para o ano fiscal correspondente) e recentes variações desse montante	A	B+	Segundo as práticas nacionais, o atrasado constitui a diferença entre o montante liquidado e o pago. Torna-se atrasado as despesas com pessoal não pagas em 30 dias e os fornecimentos de terceiros não pagos em 60 dias. Consta-se que, de acordo com esta definição, os atrasados diminuíram entre 2005 e 2008, situando-se a um nível inferior a 2%, respectivamente. Os atrasados são identificados nos relatórios fiscais com detalhe. Em 2008, orientações foram dadas à DGT para, doravante, proceder ao pagamento de todas as liquidações até 31 de Dezembro de cada exercício.	Conta Geral do Estado 2005, 2006 e 2007. Dados da DGCP.
		(ii) Disponibilidade de dados para a monitoria do montante dos pagamentos de despesa em atraso	B		Os dados estão disponíveis e são exaustivos. Todas as cabimentações e liquidações são incluídas no SIGOF.	Conta Geral do Estado 2005, 2006 e 2007. Dados da DGCP. Entrevista com o Studies Department e DGT.
<b>B</b>						
PI-5	Classificação do orçamento	O sistema de classificação usado para a formulação, execução e apresentação de relatórios do orçamento do Governo	B		A formulação e execução do orçamento é baseada numa classificação económica, orgânica e funcional. A classificação funcional é desagregada por funções e sub-funções e adequada para o seguimento da estrutura funcional da despesas. Contudo, existe uma divergência com a classificação do GFS 2001 relativamente ao meio ambiente. Um exercício de actualização está prevista.	Orçamento do Estado e Conta Geral do Estado 2005, 2006 e 2007, Decreto nº 2/02, de 21 de Janeiro que aprova os classificadores orçamentais.



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PI-6	<b>Exaustividade da informação incluída na documentação do orçamento</b>	Informações, para além da receitas e despesas, incluídas na documentação orçamental apresentada recentemente pelo Governo	A		A documentação orçamental não inclui informação detalhada sobre o défice fiscal de acordo com o GFS. Contudo, o défice fiscal respeita a definição do GFS. Os activos financeiros não são desagregados. O financiamento, a dívida, são desagregados e os restantes requisitos são apresentados.	Documento de Enquadramento do Orçamento do Estado e Orçamento do Estado 2005, 2006, 2007 e 2008
PI-7	<b>Importância das operações do governo não incluídas nos relatórios</b>	(i) Nível das despesas extra-orçamentais (excluindo projectos financiados pelos doadores) não incluída nos relatórios orçamentais	B	B	As despesas extra-orçamentais encontram-se reportadas e incluídas nos relatórios fiscais. Foram constatadas duas fontes de despesas extra-orçamentais. i) A Conta Geral do Estado apresenta despesas de funcionamento extra-orçamentais relativas aos serviços autónomos em 2006 e 2007. ii) Foi constatada durante o exercício de 2007 uma dívida de 2006 perante a Shell que foi assumida pelo governo em 2007 com base num protocolo assinado para o efeito que prevê o pagamento em 3 prestações. A primeira prestação foi paga em 2007. Trata-se de uma despesa extra-orçamental que foi reportada e regularizada de acordo com as normas orçamentais em vigor.	CGE 2005, 2006 e 2007. Entrevista com o Gabinete de Estudos, DGO e DGT.
		(ii) Informação sobre receitas/despesas de projectos financiados pelos doadores incluída nos relatórios orçamentais	B		A informação sobre os empréstimos é relevante e cobre todo o universo. Relativamente aos donativos, a informação é deficiente: a previsão cobre o essencial dos donativos, enquanto para efeitos de execução orçamental recorre-se às informações fornecidas trimestralmente pelos doadores mais importantes (Luxemburgo, UE, Espanha, Portugal, Áustria).	

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI-8	Transparência das relações fiscais inter-governamentais	(i) Sistemas transparentes e baseados em regras para determinar as dotações horizontais entre os governos locais de transferências incondicionais e condicionais do Governo central (tanto orçamentadas assim como realizadas)	A	B	A Lei das Finanças Locais estabelece os mecanismos de transferência de dotações aos municípios. Os respectivos montantes são apresentados na Lei do Orçamento do Estado aprovada pelo parlamento em Dezembro. Um dos mecanismos chama-se FFM (Fundo Financeiro Municipal) e o seu montante é de cerca de 2 mil milhões de CVE. Existe uma outra categoria de transferências denominada CP (Contrato-Programa) que pode ter como beneficiários os municípios, associações e ONGs. Trata-se de uma modalidade com pouca expressão financeira. Os Contratos-Programa podem ser definidos ao longo do exercício. Para o FFM os critérios são transparentes e fixados por lei, mas para os CP não existe critérios definidos por lei. A distribuição de fundos baseia-se na proposta dos municípios e num processo de arbitragem ao nível central.	Orçamento do Estado e Lei do Orçamento 2005, 2006 e 2007. Lei das Finanças Locais nr. 79/VI/2005, de 5 de Setembro.
		(ii) Pontualidade e credibilidade da informação do Governo central para os governos locais sobre as suas dotações para o ano seguinte	A		A comunicação formal dos tectos orçamentais para os municípios acontece em Agosto, antes da aprovação do Orçamento do Estado pelo parlamento, e também depois de o orçamento ser aprovado pelo Parlamento em Dezembro.	Entrevista com a DGO.
		(iii) Grau ao qual os dados fiscais consolidados (pelo menos sobre receitas e despesas) são recolhidos e reportados para o Governo de acordo com a distribuição sectorial	D		Não se verifica o envio e a consolidação dos dados fiscais dos municípios por parte do Ministério das Finanças.	A lei não obriga o envio de dados fiscais ao Ministério das Finanças para análise de estrutura de gastos do sector público administrativo e de eventuais riscos financeiros.

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI-9	<b>Vigilância do risco fiscal agregado de outras entidades públicas</b>	(i) Grau de monitoria do Governo central das instituições autónomas governamentais e empresas públicas	C	D+	As empresas públicas enviam um relatório financeiro ao Tesouro e este procede à elaboração de pareceres pontuais, sem proceder à consolidação desses relatórios sob a forma de uma análise anual do risco fiscal.	Entrevista com a DGT. Memorandums trimestrais da Comissão de Seguimento no quadro do Policy Support Instrument do FMI
		(ii) Grau de monitoria do Governo central da posição fiscal dos governos locais	D		A legislação em vigor não obriga a consolidação da situação financeira dos municípios. Os municípios podem contrair dívidas ao abrigo da Lei das Finanças Locais sem informar o Tesouro, excepto nos casos em que Tesouro é avalista.	Entrevista com a DNO. Lei das Finanças Locais nr. 79/VI/2005 de 5 de Setembro.
PI-10	<b>Acesso público a informações fiscais chave</b>	Elementos de informação fiscal e orçamental disponíveis ao público	C		Uma crescente quantidade de informação é tornada acessível ao público em vários sites da administração. Contudo, um número significativo de relatórios não são publicados. Por outro lado, constata-se problemas de gestão e actualização dos sites. Não se publica informação sobre os concursos públicos e sobre os recursos disponíveis para as unidades de prestação de serviços primários. Uma nova lei de aquisições públicas encontra-se em implementação de acordos standards internacionais. Dos 6 elementos previstos para a pontuação deste indicador apenas 1 cumpre os requisitos definidos.	Sites de organismos governamentais disponíveis na internet. Entrevista com a DGO, DGP, DGPE, Gabinete de Estudos.

Indicador	Dimensões a Serem Avaliadas	Classificação	Breve Explicação	Fontes de Informação		
<b>C. CICLO ORÇAMENTAL</b>						
<b>C(i) Orçamentação com base em políticas</b>						
PI-11	<b>Organização e participação no processo orçamental anual</b>	(i) Existência e cumprimento dum calendário orçamental estabelecido	A	B+	Anualmente a DGO elabora e difunde um documento de Directivas que orienta o processo de elaboração do Orçamento do Estado. As Directivas são claras e apresentam um calendário com prazos suficientes para a elaboração do Orçamento do Estado.	A lei estipula os prazos cobrindo o ciclo orçamental. Entrevista com a DGO, Gab. Estudos do Ministério da Educação. Foi verificada a existência das Directivas anexando calendários.
		(ii) Clareza/abrangência das instruções sobre a preparação das propostas orçamentais (circular orçamental ou equivalente) e nível de envolvimento político	A		As Directivas são claras e exaustivas e são enviadas a todos os ministérios e órgãos mencionados na orgânica do governo e integram os tectos orçamentais antes da finalização das suas propostas de orçamento. As Directivas contêm os tectos aprovados pelo Conselho de Ministros.	Lei de Enquadramento do Orçamento do Estado, documentos de elaboração do Orçamento do Estado, Directivas, entrevista com a DGO e com o Ministério da Educação.
		(iii) Aprovação pontual do orçamento pelo parlamento (nos últimos três anos)	C		O parlamento normalmente aprova o Orçamento do Estado em Dezembro do ano que antecede o ano fiscal. Contudo, em 2006 o Orçamento do Estado foi aprovado ao longo do exercício (Agosto de 2006) devido às eleições.	Boletins Oficiais que publicam a Lei do Orçamento aprovada pelo parlamento.

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PI-12	<b>Perspectiva pluri-anual na planificação fiscal, política de despesas e orçamentação</b>	(i) Preparação de previsões fiscais pluri- anuais e dotações funcionais	C	C+	Existem previsões plurianuais feitas através do Quadro de Despesas de Médio Prazo (QDMP) cobrindo 3 anos. No QDMP as despesas são apresentadas as despesas (por classificação económica e orgânica) e receitas (classificação económica). O QDMP 2009-11 não foi elaborado a tempo. Constata-se desvios entre os plafonds do QDMP, das directivas e o Orçamento do Estado, p.e., em 2006 e 2008. Não foi constatada a adequação das previsões plurianuais com as Directivas e o Orçamento do Estado.	Documentos de QDMP, Directivas para a elaboração do Orçamento do Estado. Entrevistas com a DGO. Website <a href="http://www.minfin.cv">www.minfin.cv</a>
		(ii) Âmbito e frequência da análise de sustentabilidade da dívida	A		Em 2006 a análise da sustentabilidade feita conjuntamente com o Banco Mundial. Em 2007 foi feita conjuntamente com o DRI (Debt Relief International). A partir de 2008 a análise passou a ser feita semestralmente pelos serviços internos da DGT.	Entrevista com a DGT. Relatórios sobre a sustentabilidade da dívida.
		(iii) Existência de estratégias sectoriais com cálculos de custos pluri- anuais das despesas correntes e de investimento	C		90. Alguns sectores (Educação, Saúde, Agricultura e Ambiente e Formação) tem planos estratégicos que cobrem as despesas de funcionamento e investimento, mas não existe uma prática sistemática que garante a coerência e adequação com as projecções fiscais plurianuais.	Entrevista com DGO, Ministério da Educação e Ministério da Saúde. QDMP 2008-10.
		(iv) Ligações entre orçamentos de investimento e estimativas de despesas futuras	C		Em alguns sectores mais importantes (p.e. Educação, Saúde) a ligação entre projectos de investimento e as suas implicações para despesas futuras são tomadas em conta no QDMP sectorial e consolidado.	Entrevista com DGO, Ministério da Educação e Ministério da Saúde. QDMP 2008-10.

Indicador	Dimensões a Serem Avaliadas	Classificação	Breve Explicação	Fontes de Informação		
C(ii) Previsibilidade e Controlo da Execução Orçamental						
PI-13	Transparência nas obrigações e direitos do contribuinte	(i) Clareza e abrangência das obrigações tributárias	C	A legislação e os procedimentos legais e administrativos para a maioria dos impostos, taxas e direitos aduaneiros são abrangentes e claros o que limita o poder discricionário. A quase totalidade das operações encontra-se informatizada. O sector privado considera que a legislação e os procedimentos são claros e abrangentes.	Entrevista com a DGCI, DGA, Câmara de Comércio, Indústria e Serviços de Sotavento. Legislação aprovada desde 1995 até 2004.	
		(ii) Acesso dos contribuintes à informação sobre obrigações tributárias e procedimentos administrativos	A	B	A legislação relevante encontra-se nos Boletins Oficiais e nos sites <a href="http://www.minfin.cv">www.minfin.cv</a> e <a href="http://www.alfandegas.cv">www.alfandegas.cv</a> . Existem manuais e brochuras para o público e um serviço de informação (linha verde nr. 8002008). São feitas campanhas de publicidade sobre as novas leis. A lista telefónica nacional apresenta uma série de instruções sobre o sistema tributário. Segundo o sector privado, o acesso à legislação e aos procedimentos é fácil, mas os operadores consideram que o atendimento dos funcionários relacionado com os procedimentos é muito deficiente.	Entrevista com a DGCI, DGA e o sector privado, legislação aprovada desde 1995 até 2004. Chamada telefónica para a linha verde nr. 8002008. Boletins Oficiais. Sites <a href="http://www.minfin.cv">www.minfin.cv</a> e <a href="http://www.alfandegas.cv">www.alfandegas.cv</a>
		(iii) Existência e funcionamento de um mecanismo de recurso tributário	C		Há 4 níveis de reclamação no que se às contribuições e impostos: i) Chefe de Repartição das Finanças; ii) Director Geral da DGCI; iii) Comissão da Matéria que formula recomendações ao Ministro das Finanças; iv) Tribunal Fiscal Aduaneiro fortalecido em 2007 com a nomeação de 2 juízes permanentes. Em matéria aduaneira há 3 níveis de recurso: i) Conselho Técnico-Aduaneiro; ii) Tribunal Fiscal e Aduaneiro; iii) Supremo Tribunal de Justiça. O sector privado considera que o funcionamento é do sistema de recurso inadequado e oneroso.	Entrevista com a DGCI, DGA, sector privado e legislação aprovada desde 1995 até 2004.

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PI-14	<b>Eficácia das medidas para o registo dos contribuintes e avaliação tributária</b>	(i) Controlo no sistema de registo dos contribuintes	A	A	A base de dados dos contribuintes (individuais e empresas) encontra-se cruzada com o SIGOF-lista de fornecedores do Estado, o Registo Civil. A legislação exige a existência de um NIF (nr. de identificação fiscal) para a abertura de contas bancárias. Em matéria aduaneira, utiliza-se o Sydonia para efectuar o registo de todos os declarantes que comparecem perante o sistema aduaneiro. A partir de Janeiro de 2009, a apresentação do NIF do declarante passa a ser obrigatória.	Entrevista com a DGCI, DGA, legislação aprovada desde 1995 até 2004. Demonstração da base de dados pelo NOSI e do Sydonia.
		(ii) Eficácia das sanções devidas ao não cumprimento das obrigações de registo e declaração tributária	A		As multas encontram-se legisladas nos códigos de tributação e os prazos de pagamento para cada tipo de imposto também estão claros, assim como as multas correspondentes. No sistema aduaneiro as multas são aplicadas pelo Tribunal Fiscal e Aduaneiro, enquanto à DGA compete a aplicação das coimas. O sector privado considera que as sanções são elevadas mas o problema principal é o funcionamento do aparelho tributário e não tem opinião sobre a eficácia das sanções enquanto instrumento de combate à fraude.	Entrevista com a DGCI, DGA, sector privado e legislação aprovada desde 1995 até 2004.
		(iii) Planificação e monitoria dos programas de auditoria tributária e de investigação de fraude	A		Existe uma Direcção de Inspeção Tributária. O plano de visitas é elaborado com base no risco fiscal, volume de negócios e o comportamento fiscal recente. Um Gabinete de Auditoria Interna de 3 pessoas fiscaliza o comportamento da DGCI. Houve uma auditoria do IGF em 2006 e uma do Tribunal de Contas em 2007. Na DGA, funciona a Direcção de Luta Contra a Fraude instituída em 1999 e têm 4 funcionários, que procedem a auditorias pontualmente com base na avaliação dos riscos fornecidos pelo Sydonia e das participações dos funcionários aduaneiros e de denúncias.	Orgânica do Ministério das Finanças (Decreto-Lei nr. 55/2004, de 27 de Dezembro). Entrevista com a DGCI e DGA. Devido ao carácter confidencial do plano de visitas não foi possível consultá-lo.

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PI-15	Eficácia na cobrança de impostos	(i) Proporção de cobrança dos impostos em atraso brutos, sendo a percentagem dos impostos em atraso no início do ano fiscal que foi cobrado durante o mesmo ano fiscal (média dos dois últimos anos fiscais)	D	D+	O sistema informatizado da DGCI não produz informação sobre os atrasados no formato requerido pela metodologia do PEFA. O sistema aduaneiro pratica uma gestão muito específica que pode originar atrasos mas de pouca importância. Os produtos perecíveis, combustíveis e outros cujo armazenamento no momento não é aconselhável são levantado mediante o compromisso de pagamento no prazo de 5 dias úteis. Findo esse a DGA aplica uma coima. Em caso de não de pagamento a DGA procede ao arresto a próxima importação ou à execução fiscal. As restantes mercadorias seguem a tramitação legal no ano em a importação ocorreu e no prazo de 90 dias (via marítima) ou 30 dias (via aérea). Não havendo pagamento organiza-se um processo de excesso de prazo para venda da mercadoria em hasta pública.	Entrevista com a DGCI, DGA e Delegação da DGA no Porto da Praia. Mapas fornecidos pela DGCI cobrindo os atrasados.
		(ii) Eficácia da transferência dos impostos cobrados para o Tesouro pela administração tributária	A		A transferência das cobranças realizadas pela DGA e DGCI para a conta do Tesouro é feita diariamente, nos termos dos protocolos assinados.	Entrevista com a DGCI, DGA e DGT.
		(iii) Frequência da reconciliação contabilística completa entre as avaliações, cobranças, registos de atrasos e receitas tributárias pelo Tesouro	A		A reconciliação dos impostos cobrados e transferidos para o Tesouro com os comprovativos é feita diariamente. A reconciliação completa com base em avaliações, pagamentos e atrasos pendentes é efectuado mensalmente	Entrevista com a DGCI, DGT



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PI – 16	<b>Previsibilidade da disponibilidade de fundos para compromissos de despesas</b>	(i) Grau ao qual os fluxos de caixa são programados e monitorados	A	C+	<p>As previsões de tesouraria são preparadas para o ano fiscal, com uma posterior desagregação mensal e diária, sendo monitorizadas diariamente. O Plano é actualizado mensalmente para os dois meses seguintes.</p> <p>Estes tectos de despesa são disponibilizados com dois meses de avanço em relação ao período a ser coberto. Deste modo a gestão da tesouraria permite que os Ministérios e FSA possam planear as suas despesas pelo menos numa base trimestral.</p> <p>As alterações orçamentais, embora transparentes e pouco significativas, realizaram-se mais do que duas vezes ao longo do ano e sem que coincidisse com períodos pré-definidos e como o resultado da análise dos resultados orçamentais contidos nos relatórios das Contas Provisórias Trimestrais</p>	Plano de Tesouraria 2007, 2008, Relatório Síntese de Tesouraria de
		(ii) Fiabilidade e horizonte da informação intra-anual e periódica para ministérios, departamentos e instituições sobre os tectos para os compromissos de despesa	B			Entrevista à DGT e ME, análise do SIGOF
		(iii) Frequência e transparência dos ajustes nas dotações orçamentais que são decididos acima do nível de gestão dos ministérios, departamentos e agências	C			LEOE, CGE 2007

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 17	Registo e gestão dos balanços de caixa, dívidas e garantias	(i) Qualidade do registo e reporte dos dados da dívida	B	C+	O registo da dívida pública é feito através do programa CS-DRMS v1.3, que permite a gestão da dívida pública externa e interna (BT's, OT's e Protocolos e Créditos). Todavia, não se efectuam nele o registo e a gestão das Garantias e Avais, que são seguidos numa base trimestral e não de acordo com a Lei. Os dados da dívida total são reconciliados pelo menos numa base mensal e produz-se um relatório trimestral	CPT 2005-2006-2007-2008; CGE 2004-2005-2006; Relatório da dívida pública Relatórios de reconciliação bancária Balancete diário da Conta Única do Tesouro; Lei dos avais e garantias; LEOE
		(ii) Grau de consolidação dos balanços de caixa do Governo	C		A gestão dos recursos do Tesouro é efectuada através da Conta Única e das contas especiais para a gestão de alguns projectos de investimentos, que dispõe no Banco de Cabo Verde. O cálculo dos saldos de caixa das contas da administração central sediadas no BCV e das contas de passagem nos Bancos Comerciais, é feito diariamente não sendo permitido, por lei, a consolidação dos saldos existentes. Todavia, um número considerável operações orçamentais são efectuadas pelos FSA e unidades de gestão de projectos, através de contas bancárias, sediadas em bancos comerciais, não geridas pelo Tesouro, reduzindo o grau de consolidação do balanço de caixa do Tesouro. Esta prática viola o princípio de unicidade de caixa previsto na LEOE, reduzindo a consolidação regular da posição de caixa da administração central.	
		(iii) Sistemas para contrair empréstimos e emissão de garantias	C		A contracção de empréstimos é regulada pelo i) disposto na LEOE, a qual determina que a dívida pública total não deverá ultrapassar os 60 % do PIB e ii) pela LEOE e lei do orçamento anual, as quais impõem que o deficit com recurso à dívida pública interna não excederá os 3% do PIB. A emissão de garantias é regulada pela Lei de orçamento anual e pelo decreto nº45/96 que define o âmbito geral de emissão de avais, o montante e a entidade responsável pela decisão, sendo que não existe limites à emissão de garantias e avais. Todavia, o stock actual da dívida pública é de 65,5% do PIB fazendo que não se cumpra o estipulado na Lei	

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 18	Eficácia do controlo das folhas de salários	(i) Grau de integração e reconciliação entre os registos do pessoal e dados da folha de salários	A	B+	O processamento de salários é suportado por uma base de dados de Recursos Humanos única, que garante a integração da gestão técnica e financeira dos Recursos Humanos da Administração Pública. Todas as alterações efectuadas nos registos do pessoal são processadas de forma tempestiva na folha de salário, dada à sua ligação ao SIGOF. O acesso é concedido através de perfis que permitem segregar as funções dos intervenientes no processo e gera um log de acessos. A IGF efectuou uma auditoria ao processamento de salários do Ministério da Educação, que representa x% dos gastos com pessoal da Administração central. Visando a desconcentração da gestão da base de dados dos RH vem sendo feitas pela DGCP e sectores, em 2008, auditorias de conformidade aos registos da base de dados de recursos humanos de todas as Instituições.	Lei da base dados dos Recursos Humanos; Relatório de auditoria da IGF; Base de dados dos Recursos Humanos, SIGOF
		(ii) Tempo das alterações nos registos do pessoal e na folha de salários	A			
		(iii) Controlos internos das alterações aos registos do pessoal e folha de salários	A			
		(iv) Existência de auditorias das folhas de salários para identificar fraquezas no controlo e/ou trabalhadores fantasmas	B			
PI – 19	Competição, value-for-money e controlo no processo de aprovisionamento (procurement)	(i) Provas do uso de concursos abertos para a adjudicação de contractos que excedem um limite monetário estabelecido nacionalmente para pequenas aquisições (percentagem do número de contractos adjudicados que estejam acima desse limite)	B	B	As aquisições estão desconcentradas a nível dos Ministérios e excepto para o caso das obras públicas para as quais o Ministério das Infraestruturas é o gestor, Em 2007, não existiu legislação específica que regule o processo de aquisições público. Todos os concursos, acima do limite monetário nacionalmente estabelecido para compras de pequena dimensão (10.000 contos para obras) devem ser tornados públicos na fase de concurso por via de publicação na imprensa de maior circulação. Sendo que dos dados não exhaustivos 50% foram por concurso público. Não existe a obrigatoriedade legal de divulgação dos resultados finais dos concursos, após a adjudicação. Os processos de reclamação e recurso são governados pela legislação geral que regula a legislação do contencioso administrativo, excepto no caso das empreitadas de obras públicas.	Lei de Empreitadas e Obras Públicas, CGE 2005, 2006, 2007; Lei das Aquisições Públicas; CPAR; Lei sobre ARAP, Programa estratégico de compras público
		(ii) Grau de justificação para o uso de métodos de procurement com menos concorrência	B			
		(iii) Existência e funcionamento de um mecanismo de reclamação e recurso no procurement	C			

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 20	Eficácia dos controlos internos para despesas não salariais	(i) Eficácia do controlo dos compromissos de despesa	B	B+	O controlo é garantido pelo sistema SIGOF. Este limita os cabimentos de despesa i) ao tecto máximo de recursos disponibilizados pela DGT e ii) pelo valor da dotação orçamental disponível. No entanto, a eficácia do controlo dos cabimentos é reduzida nas instituições que executam o Orçamento fora do SIGOF, como é o caso dos FSA e das unidades de gestão de projectos.	Metodologia do OE; Lei da Contabilidade Pública, Decretos-regulamentares relativos ao Ordenador e ao Controlador Financeiro; SIGOF
		(ii) Abrangência, relevância e entendimento de outros procedimentos/regras de controlo interno	B		Não existem regras claras para a identificação de transacções com riscos elevados e para a prevenção de fraude nestes casos.	
		(iii) Grau de cumprimento das regras para o processamento e registo de transacções	A		O grau de cumprimento das regras para o processamento e registo das transacções é elevado (a taxa de rejeição pelo Controlador das transacções efectuadas foi inferior a 0,1% em 2007 e no 1º semestre de 2008)	
PI – 21	Eficácia da auditoria interna	(i) Cobertura e qualidade da função de auditoria interna	D	D+	A maioria das suas auditorias (menos de 20% das acções) tem por finalidade o controle da conformidade processual e legal, não tendo por base i) uma abordagem sistémica e ii) nem indicadores claros para definição de áreas de risco a cobrir.	Plano e Relatórios de Actividades do IGF; Relatórios das auditorias internas; Lei orgânica da IGF; Lei das Finanças Locais
		(ii) Frequência e distribuição dos relatórios	C		As auditorias englobam o princípio do contraditório na etapa preliminar, sendo os relatórios finais submetidos exclusivamente à Ministra da Finanças, podendo o Tribunal de Contas consulta-los no âmbito de Protocolos entre as 2 instituições. A IGF não efectua o seguimento do grau de cumprimento das recomendações homologadas pela MF, dado não se tratar de um requisito legal.	
		(iii) Grau da resposta e acompanhamento às constatações da auditoria interna	C			

Indicador	Dimensões a Serem Avaliadas	Classificação	Breve Explicação	Fontes de Informação	
C(iii) Contabilidade, Registo e Reporte					
PI – 22	Pontualidade e regularidade na reconciliação de contas	(i) Regularidade das reconciliações bancárias	B	Reconciliações bancárias regulares para as contas geridas pelo Tesouro – a Conta Única e as contas de passagem nos Banco comerciais – acontecem diariamente. As contas especiais no Banco de Cabo Verde são reconciliadas mensalmente. Contudo, existem ainda contas bancárias do governo central que não são geridas pelo Tesouro – em particular contas de projectos financiados com recursos externos geridos orçamentais e de Fundos e Serviços autónomos e que se mantêm contas bancárias em Bancos Comerciais. A reconciliação destas contas não é possível por falta de informação.	CPT 2005-2006-2007-2008; CGE 2005-2006-2007  Relatório trimestral da dívida  Relatórios de reconciliação bancária Balancete diário da Caixa Única Tesouro
		(ii) Regularidade da reconciliação e liquidação de contas suspensas e adiantamentos	A	Os adiantamentos são limitados às transferências duodecimais para alguns FSA e contabilizados pelo sistema SIGOF, em contas a regularizar. É obrigatório a regularização destes adiantamentos no prazo de 30 dias após o fim do mês seguinte. O sistema de contabilidade tem um procedimento para a criação de contas em suspenso, nas quais são mantidos os movimentos que não se podem classificar ou cujos recursos não são propriedade do Estado. As contas suspensas e os adiantamentos são regularizados trimestralmente, até 30 dias após o fim do trimestre. Em 2007 as contas em suspensas transitaram para 2008, um saldo de 0.2% do OE executado.	

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 23	<b>Disponibilidade de informação de recursos recebidos pelas unidades de prestação de serviços</b>	Recolha e processamento de informação para verificar os recursos que foram de facto recebidos (em dinheiro ou espécie) por muitas unidades de prestação de serviços no terreno (com enfoque nas escolas primárias e centros de saúde primária) em relação aos recursos gerais disponibilizados ao (s) sector (es), independentemente do nível do governo responsável pela gestão e financiamento dessas unidades.	D		Não existe informação, disponibilizada no documento do orçamento, ou no balanço de execução orçamental, sobre os recursos e as despesas afectos às escolas primárias e centros de saúde primários, permitindo analisar o nível de recurso que estas entidades receberam e utilizaram. Durante o ano de 2008 efectuou-se um exercício PETS para o sector da saúde, mas cujo relatório final ainda não está disponível. Nenhum inquérito semelhante foi efectuado no período 2005 a 2007.	Lei do orçamento, CPT 2005-2006-2007-2008; CGE 2005-2006-2007
PI – 24	<b>Qualidade e pontualidade dos relatórios orçamentais durante o ano</b>	(i) Objectivo dos relatórios em termos de cobertura e compatibilidade com estimativas orçamentais	C	C+	As Contas Provisórias destinam-se a dar corpo à imposição legal de apresentação de Balancetes trimestrais à Assembleia Nacional sobre a execução do Orçamento do Estado, sendo produzidas regularmente e remetidas à Assembleia Nacional, 45 dias após o fim do trimestre. As CPT não incluem informação sobre as cabimentações e nem sobre as despesas dos projectos financiados externamente, que não passam pelo sistema de contas do Tesouro. Isto reduz a abrangência e a qualidade da informação	LEOE, CPT's 2005-2006-2007-2008; Relatório trimestral da dívida
		(ii) Pontualidade na emissão dos relatórios	B			
		(iii) Qualidade da informação	B			

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 25	Qualidade e pontualidade dos relatórios financeiros anuais	(i) Grau de cobertura dos relatórios financeiros	C	C+	A CGE cobre as operações orçamentais, de tesouraria efectuadas pelo Governo durante a vigência do OE. Todavia, embora feita de acordo com o disposto na LEOE, não disponibiliza informação sobre os activos e passivos financeiros e físicos do Governo. A CGE 2007 foi submetida ao TdC dentro de um prazo máximo de 10 meses. A CGE é preparada uma forma coerente e consistente, contudo não segue padrões de contabilidade internacionalmente reconhecidos.	CGE's 2005, 2006 e 2007, Ofícios remetendo as CGE's à AN, parecer do TC sobre as contas
		(ii) Pontualidade na submissão dos relatórios financeiros	B			
		(iii) Padrões de contabilidade utilizados	C			
C(iv) Escrutínio e Auditoria Externa						
PI – 26:	Âmbito, natureza e acompanhamento da auditoria externa	(i) Objectivos/natureza da auditoria efectuada (incluindo aderência a padrões de auditoria)	D	D+	. As auditorias são essencialmente financeiras e tem por objecto essencial o controlo da conformidade processual e legal, sendo baseadas numa abordagem transaccional e com recurso aos padrões da INTOSAI. A cobertura anual das auditorias do TdC não representa mais de 50% das entidades do Governo central (a confirmar com o relatório de actividades do TdC). A actual legislação obriga que TdC julgue cada Conta individual anualmente. Este facto conjugado com os seus limitados recursos afecta o julgamento atempado das contas e consequentemente a eficácia e eficiência das auditorias. Por exemplo o TdC encontra-se neste momento a julgar a CGE de 2006 e Contas de 2004 de FSA. O parecer sobre a CGE 2005 foi submetido atempadamente à Assembleia Nacional (a confirmar com o relatório de actividades do TdC). Não existe mecanismo desenhado de acompanhamento das recomendações da auditoria.	Plano e Relatórios de Actividades do TC; Parecer do TC sobre a CGE 2001 a 2005
		(ii) Pontualidade na submissão dos relatórios de auditoria à Assembleia Nacional	C			
		(iii) Provas de acompanhamento (follow-up) das recomendações da auditoria.	C			

Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
PI – 27	Exame parlamentar da lei orçamental anual	(i) Objectivos da análise da Assembleia da República	B	B+	A análise da lei do orçamento anual inclui as políticas fiscais, o diagnóstico da conjuntura económica, especificação da política macro-económica a ser executada, bem como os efeitos sobre principais variáveis e indicadores macro-económicos para o exercício económico a que se refere o Orçamento do Estado e as prioridades e metas principais da política de investimentos e os detalhes da despesa e receita. Todavia, o Parlamento-Assembleia Nacional não analisa nem o quadro fiscal e nem as prioridades a médio prazo; Processo de análise da proposta de orçamento pela Assembleia Nacional está desenvolvido e é consistente com as normas internacionais no que toca aos procedimentos; Assembleia tem entre um a dois meses para rever a proposta de Orçamento de Estado submetida pelo Governo.	LEOE, Regulamento da AN, Constituição da República
		(ii) Grau até o qual os procedimentos da Assembleia da República são bem definidos e respeitados	A			
		(iii) Suficiência do tempo para a Assembleia da República dar uma resposta às propostas de orçamento (estimativas detalhadas e, onde for aplicável, propostas sobre agregados macro-fiscais na parte inicial do ciclo de preparação do orçamento) (tempo permitido na prática para todas as fases combinadas)	B			
		(iv) Regras para emendas durante o ano sem aprovação prévia pela Assembleia da República	B			
PI – 28	Exame parlamentar dos relatórios de auditoria externa	(i) Pontualidade do exame dos relatórios de auditoria pela Assembleia da República (para relatórios recebidos nos últimos três anos)	C	D+	A AN vem aprovando as CGE num prazo superior a seis meses após a entrega do Parecer do TC;  Não existe uma prática sistemática de audição em relação às principais constatações do Parecer do TC;  As últimas resoluções de aprovação de CGE não contêm nenhuma recomendação dirigida ao Governo e nem fazem referência à adopção das recomendações suscitadas pelo TC.	LEOE, Regulamento da AN, Constituição da República, Resolução da Assembleia aprovando as CGE
		(ii) Audiências em relação a constatações importantes por parte da Assembleia da República	D			
		(iii) Emissão de recomendações pela Assembleia da República e implementação pelo executivo	D			



Indicador		Dimensões a Serem Avaliadas	Classificação		Breve Explicação	Fontes de Informação
D. PRATICAS DOS DOADORES						
D-1	Previsibilidade do Apoio Directo ao Orçamento	(i) Desvios anuais no apoio orçamental realizado comparado com os prognósticos providenciados pelas agências doadoras pelo menos seis semanas antes do governo submeter as suas propostas de orçamento à Assembleia da República	A	B+	Só no ano de 2005 houve uma variação significativa da previsão em relação ao planeado - o desvio foi superior a 15%; a variação intra-anual dos desembolsos tem sido significativa em pelo menos 2 anos (2005 e 2007) houve atrasos intra-anuais superiores a 25%	Relatórios de Revisão Conjunta do grupo de apoio orçamental, matrizes conjuntas, CGE 2005 a 2007
		(ii) Pontualidade durante o ano dos desembolsos dos doadores (cumprimento com estimativas trimestrais agregadas)	B			
D-2	Informação financeira prestada pelos doadores para a orçamentação e reporte do apoio a projectos e programas	(i) Abrangência e pontualidade das estimativas orçamentais providenciadas pelos doadores para apoio a projectos.	D	D	Não existe um método sistemático através do qual os doadores forneçam informação ao Governo segundo um formato e prazo consistente com a estrutura do orçamento e o seu calendário de preparação;  Em relação à informação sobre a execução da despesa não existem mecanismos formais para a disponibilização de dados não se pode considerar que exista um formato e calendário de prestação de contas por parte dos doadores	Relatórios de Revisão Conjunta do grupo de apoio orçamental, matrizes conjuntas, CGE 2005 a 2007, relatório 2007 sobre o seguimento da Declaração de Paris sobre Cabo Verde
		(ii) Frequência e cobertura de relatórios pelos doadores sobre os fluxos reais dos doadores para apoio a projectos	D			
D-3	Proporção da ajuda que é gerida de acordo com procedimentos nacionais	Proporção de fundos da cooperação internacional para o governo central gerida através de procedimentos nacionais	D		O relatório de acompanhamento da Declaração de Paris, para o ano de 2007, estima que só 32% da ajuda externa utiliza os sistemas nacionais.	relatório de acompanhamento da Declaração de Paris, para o ano de 2007

## Annex II: Sources of information: a) Interviews Undertaken

Name	Position	Institution
Rosa Pinheiro	Directora Geral do Tesouro	MF
Esana Carvalho	Directora de Serviço de Operações Financeiras	DGT/MF
Kátia Rodrigues	Directora de Serviço de Tesouraria	DGT/MF
António Semedo	Director de Serviço de Contas	DGT/MF
Rui Tavares	Técnico da Direcção de Serviço de Tesouraria	DGT/MF
Sandro de Brito	Director Geral do Gabinete de Estudos	MF
José Fernandes	Consultor do Gabinete de Estudos	GE/MF
Celina Cruz	Técnica do Gabinete de Estudos	GE/MF
Elias Monteiro	Director Geral da Contabilidade Pública	MF
Rosa Monteiro	Directora de Serviço de Conta	DGCP/MF
Domingos Gomes	Técnico da Direcção de Serviço de Conta	DGCP/MF
Emanuel Moreira	Director Geral das Contribuições e Impostos	MF
José Mário Sousa	Inspector Geral da Inspeção Geral de Finanças	MF
José Maria Cardoso	Inspector Geral Adjunto da Inspeção Geral de Finanças	IGF/MF
Claudino Semedo	Director Geral do Orçamento	MF
Manuel Pinheiro	Director Geral do Plano	MF
Paulo Soares	Director Geral do Património	MF
Cristino Sanches	Técnico	DGPE/MF
Rui Araújo	Consultor Juridico	DGPE/MF
José Pedro Delgado	Juiz- Conselheiro do Tribunal Contas	TC
Carla Bettencourt	Directora	TC
Maria do Rosário da Luz	Secretária Geral	CCISS

Name	Position	Institution
Amilcar Aristides Monteiro	Director de Desenvolvimento Empresarial	CCISS
Marino Andrade	Director de Serviço de Contabilidade da Direcção Geral da Alfândega	MF
Díclia Évora	Directora Geral da Administração Pública	SEAP
Alcides de Oliveira	Administrador	Escritório de Desenvolvimento da cooperação Austriaca
Jaime Puyoles Garcia	Coordenador Geral de Cooperação	Escritório da AECI em Cabo Verde - Espanha
Marco Antonio Ortega	Técnico - escritório da AECI em Cabo Verde	Escritório da AECI em Cabo Verde – Espanha
Thierry Lippert	Chefe dos Escritórios da Cooperação	Embaixada do Luxemburgo
Hércules Vieira	Encarregado de Projectos	Lux-Development S.A.
Séverine Arnal	Chargé de Projectos	Delegação da Comissão Europeia
Hélio Varela	Coordenador Informático	NOSi
Sofia Fonseca	Técnica	NOSi
Lima Fortes	Coordenador a.i. da célula do CFAA	MF
Lima Rocha	Técnico da célula do CFAA	MF
Margarida Cardoso	Directora do GEP	MS
Miryam Vieira	Técnica	DGCI/MNEC

## Annex III: Sources of information: a) Documents Consulted

Indicador	Documento	Fonte
PI – 16: Previsibilidade da disponibilidade de fundos para compromissos de despesas	LEOE; Decreto-Lei de execução do orçamento; SIGOF, Plano de tesouraria e relatório do Plano de tesouraria Instrução Mdf; Autorizações de despesa;	DGT; DGO; DGP; NOSi
PI – 17: Registo e gestão dos balanços de caixa, dívidas e garantias	CPT 2005-2006-2007-2008; CGE 2004-2005-2006; Relatório da dívida pública Relatórios de reconciliação bancária; Balancete diário da Conta Única do Tesouro; Lei dos avais e garantias; LEOE	DGT; DGCP; DGCI
PI – 18: Eficácia do controlo das folhas de salários	Lei da base dados dos Recursos Humanos; Relatório de auditoria da IGF; Base de dados dos Recursos Humanos, SIGOF	NOSi; DGCP; DGAP; IGF
PI – 19: Competição, value-for-money e controlo no processo de aprovisionamento (procurement)	CGE 2005, 2006, 2007; Lei das Aquisições Públicas; CPAR; Lei sobre ARAP, Programa estratégico de compras público	DGPE, CCISS
PI – 20: Eficácia dos controlos internos para despesas não salariais	Metodologia do OE; Lei da Contabilidade Pública, Decretos-regulamentares relativos ao Ordenador e ao Controlador Financeiro; SIGOF	DGCP, DGO, NOSi,
PI – 21: Eficácia da auditoria interna	Plano e Relatórios de Actividades do IGF; Relatórios das auditorias internas; Lei orgânica da IGF; Lei das Finanças Locais	IGF, TC
PI – 22: Pontualidade e regularidade na reconciliação de contas	CPT 2005-2006-2007-2008; CGE 2005-2006-2007 Relatório trimestral da dívida Relatórios de reconciliação bancária; Balancete diário da Caixa Única Tesouro	DGCP, GE, DGT
PI – 23: Disponibilidade de informação de recursos recebidos pelas unidades de prestação de serviços	Lei do orçamento, CPT's, CGE	MS, ME, DGCP, DG, DGT
PI – 24: Qualidade e pontualidade dos relatórios orçamentais durante o ano	LEOE, CPT's 2005-2006-2007-2008; Relatório trimestral da dívida	DGCP, GE, DGT
PI – 25: Qualidade e pontualidade dos relatórios financeiros anuais	CGE's 2005, 2006 e 2007, Ofícios remetendo as CGE's à AN, parecer do TC sobre as contas	DGCP, GE, TC

Indicador	Documento	Fonte
PI – 26: Âmbito, natureza e acompanhamento da auditoria externa	Plano e Relatórios de Actividades do TC; Parecer do TCA sobre a CGE 2001 a 2005	TC, DGCP, GE
PI – 27: Exame parlamentar da lei orçamental anual	LEOE, Regulamento da AN, Constituição da República	AN, DGCP
PI – 28: Exame parlamentar dos relatórios de auditoria externa		;
D-1: Previsibilidade do Apoio Directo ao Orçamento	Relatórios de Revisão Conjunta do grupo de apoio orçamental, matrizes conjuntas, CGE 2005 a 2007	DGT, DGP, Delegação da Comissão Europeia, FAD, Espanha e Holanda
D-2: Informação financeira prestada pelos doadores para a orçamentação e reporte do apoio a projectos e programas	Relatórios de Revisão Conjunta do grupo de apoio orçamental, matrizes conjuntas, CGE 2005 a 2007, relatório 2007 sobre o seguimento da Declaração de Paris sobre Cabo Verde	DGT, DGP, DGCI/MNEC Áustria, Delegação da Comissão Europeia, Espanha, FAD, Luxemburgo e Holanda
D-3: Proporção da ajuda que é gerida de acordo com procedimentos nacionais	Relatório 2007 sobre o seguimento da Declaração de Paris sobre Cabo Verde	DGT, DGP, DGCI/MNEC Áustria, Delegação da Comissão Europeia, Espanha, FAD, Luxemburgo e Holanda

## Annex IV: Data Tables

**Table I: Indicador PI-I**

Units: Millions of CVE

Dados para PI-1	2005		2006		2007	
	OE	CGE	OE	CGE	OE	CGE
<b>Despesas de Funcionamento</b>	<b>17.149</b>	<b>17.930</b>	<b>23.032</b>	<b>21.064</b>	<b>22.463</b>	<b>21.883</b>
Presidência da República	101	113	101	101	108	103
Assembleia Nacional	539	528	565	577	587	569
Supremo Tribunal	18	22	26	22	44	27
Procuradoria G. República	17	21	25	23	27	27
Tribunal de Contas	40	40	46	46	58	60
Chefia do Governo	285	354	445	389	477	484
Ministério da Defesa	640	614	626	626	640	640
Ministério da Justiça	553	503	559	522	665	600
Ministério dos N. Estrangeiros	766	699	760	702	760	714
Ministério das Finanças	5.195	6.142	10.161	8.494	8.729	8.332
Ministério da Economia C.C.	139	118	136	134	185	211
Ministério da Educação	4.795	4.935	5.373	5.459	5.650	5.688
Ministério das I. Transportes	378	290	366	363	271	239
Ministério do A. Agricultura	543	465	494	457	508	414
Ministério da Saúde	1.670	1.684	1.740	1.724	1.837	2.061
Ministério da Cultura	189	103	125	116	137	127
Ministério da Reforma da AP	42	32	38	29	50	40
Ministério do T. Solidariedade	232	196	184	164	191	200
Ministério da A. Interna	1.005	1.071	1.261	1.116	1.541	1.347
<b>Despesas de Investimento</b>	<b>2.017</b>	<b>1.894</b>	<b>2.499</b>	<b>2.187</b>	<b>2.646</b>	<b>2.787</b>
<b>Total</b>	<b>19.165</b>	<b>19.825</b>	<b>25.531</b>	<b>23.251</b>	<b>25.109</b>	<b>24.670</b>

Fonte: CGE 2005, 2006 e 2007

**Table II: Indicador PI-2**

Units: Millions of CVE

Dados para PI-2	2005		Variação Absoluta	% Var.Abs./OE	2006		Variação Absoluta	% Var.Abs./OE	2007		Variação Absoluta	% Var.Abs./OE
	OE	CGE			OE	CGE			OE	CGE		
<b>Despesas de Funcionamento</b>	<b>17.149</b>	<b>17.930</b>	781	4,6%	<b>23.032</b>	<b>21.064</b>	1968	8,5%	<b>22.463</b>	<b>21.883</b>	580	2,6%
Presidência da República	101	113	12	12,0%	101	101	0	0,2%	108	103	5	4,6%
Assembleia Nacional	539	528	12	2,2%	565	577	12	2,1%	587	569	18	3,1%
Supremo Tribunal	18	22	4	21,0%	26	22	4	14,1%	43,8	27,4	16,4	37,4%
Procuradoria G. República	17	21	4	22,7%	25	23	2	8,3%	27,4	26,7	0,7	2,6%
Tribunal de Contas	40	40	0	0,4%	46	46	0	0,2%	58,1	59,7	1,6	2,8%
Chefia do Governo	285	354	69	24,1%	445	389	57	12,7%	477	484	7	1,5%
Ministério da Defesa	640	614	26	4,1%	626	626	0	0,0%	639,6	640	0,4	0,1%
Ministério da Justiça	553	503	50	9,0%	559	522	37	6,6%	664,9	600	64,9	9,8%
Ministério dos N. Estrangeiros	766	699	67	8,7%	760	702	58	7,6%	759,7	714	45,7	6,0%
Ministério das Finanças	5.195	6.142	947	18,2%	10.161	8.494	1667	16,4%	8728,7	8332	396,7	4,5%
Ministério da Economia C.C.	139	118	21	14,8%	136	134	3	2,1%	185	211	26	14,1%
Ministério da Educação	4.795	4.935	140	2,9%	5.373	5.459	87	1,6%	5649,5	5688	38,5	0,7%
Ministério das I. Transportes	378	290	88	23,3%	366	363	3	0,7%	270,5	239,2	31,3	11,6%
Ministério do A. Agricultura	543	465	78	14,4%	494	457	37	7,5%	507,8	414	93,8	18,5%
Ministério da Saúde	1.670	1.684	14	0,8%	1.740	1.724	17	1,0%	1837	2061	224	12,2%
Ministério da Cultura	189	103	85	45,3%	125	116	10	7,7%	137,2	127	10,2	7,4%
Ministério da Reforma da AP	42	32	11	25,6%	38	29	9	24,0%	50	40	10	20,0%
Ministério do T. Solidariedade	232	196	36	15,4%	184	164	20	10,9%	190,9	200	9,1	4,8%
Ministério da A. Interna	1.005	1.071	66	6,6%	1.261	1.116	145	11,5%	1541	1347	194	12,6%
<b>Despesas de Investimento</b>	<b>2.017</b>	<b>1.894</b>	122	6,1%	<b>2.499</b>	<b>2.187</b>	312	12,5%	<b>2646</b>	<b>2787</b>	141	5,3%
<b>Total</b>	<b>19.165</b>	<b>19.825</b>	<b>659</b>	<b>3,4%</b>	<b>25.531</b>	<b>23.251</b>	<b>2280</b>	<b>9,9%</b>	<b>25109,1</b>	<b>24670</b>	<b>439,1</b>	<b>1,7%</b>
<b>% Variação da Composição</b>				<b>9,7%</b>				<b>9,7%</b>				<b>5,3%</b>

Fonte: CGE 2005, 2006 e 2007

**Table III: Indicador PI-3**

*Units: Millions of CVE*

Dados para PI-3	2005			2006			2007		
	OE	CGE	% Execução	Orç.	Exec	% Execução	OE	CGE	% Execução
<b>Receitas Correntes</b>	20.731	21.420	103	24.626	25.725	104	26.731	28.908	108
<b>Receitas Fiscais</b>	17.750	18.539	104	21.252	22.806	107	24.178	26.220	108
Impostos	17.750	18.539	104	21.252	22.806	107	24.179	26.220	108
Outras receitas fiscais							1		0
<b>Receitas não Fiscais</b>	2.981	2.880	97	3.374	2.920	87	2.553	2.688	105
<b>Receitas de capital</b>	2.705	817	30	3.965	549	14	2.450	4.381	179
<b>Total</b>	23.436	22.236	95	28.591	26.274	92	29.182	33.289	114

Fonte: CGE 2005, 2006 e 2007



**Table IV: Indicador DI**

*Units: Millions of CVE*

Ano/trimestre	FAD		Áustria		União Europeia		Holanda		Espanha		Banco Mundial	
	Previsão	Realização	Previsão	Realização	Previsão	Realização	Previsão	Realização	Previsão	Realização	Previsão	Realização
2007	Q 1	403.368										
	Q 2			55.133		330.795		826.988				839.077
	Q 3				55.133				826.988	330.795		839.077
	Q 4	403.368				350.091				330.795		
2006	Q 1				430.034	551.325						
	Q 2						826.989					891.010
	Q 3							826.989				891.010
	Q 4			99.239	99.239							
2005	Q 1				551.325							
	Q 2						716.723	551.325			1.264.642	1.264.641,943
	Q 3											
	Q 4							165.398				

Fonte: CGE 2005, 2006, e 2007; DGT; Doadores (U.E., Espanha, BAD, Holanda)

**Table V**

<b>Data for year = 2005</b>						
Quarter of fiscal year	Agreed forecast (amount)	Actual disbursed (amount)	Planned quarter for actual (*)	Actual delayed in each period	Delayed amount as share of total	Cumulative delayed amount as share
Quarter 1	551.325		0	0	0,0%	0,0%
Quarter 2	1.981.364	1.815.967	1.981.365	165.398	8,3%	8,3%
Quarter 3				0	0,0%	8,3%
Quarter 4		165.398		-165.398	-8,3%	
Total for the year	2.532.689	1.981.365	1.981.365	0	0,0%	16,7%
<b>Data for year = 2006</b>						
Quarter of fiscal year	Agreed forecast (amount)	Actual disbursed (amount)	Planned quarter for actual	Actual delayed in each period	Delayed amount as share of total	Cumulative delayed amount as share
Quarter 1	430.034	551.325		-551.325	-23,3%	-23,3%
Quarter 2	1.717.999		1.717.999	1.717.999	72,5%	49,3%
Quarter 3		1.717.999		-1.717.999	-72,5%	-23,3%
Quarter 4	99.239	99.239	99.239	0	0,0%	
Total for the year	2.247.271	2.368.563	1.817.238	-551.325	-23,3%	2,7%
<b>Data for year = 2007</b>						
Quarter of fiscal year	Agreed forecast (amount)	Actual disbursed (amount)	Planned quarter for actual	Actual delayed in each period	Delayed amount as share of total	Cumulative delayed amount as share
Quarter 1	403.368		403.368	403.368	14,4%	14,4%
Quarter 2	2.051.992		2.071.288	2.071.288	73,8%	88,2%
Quarter 3	330.795	1.721.197	330.795	-1.390.402	-49,6%	38,6%
Quarter 4		1.084.254		-1.084.254	-38,6%	
Total for the year	2.786.154	2.805.451	2.805.451	0	0,0%	141,2%