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ESTADOS DA AFRICA OCIDENTAL**



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ABUJA, 15TH – 16TH DECEMBER, 2016

**FINANCIAL CONTROLLER'S
2016 INTERIM REPORT**

ECOWAS Commission
Abuja, December 2016

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“ There are two primary choices in life:
to accept conditions as they exist, or
accept responsibility for changing them.”

Denis Waitley

Executive Summary

A balanced revenue and expenditure budget of UA224.6 (\$315m) was approved by the 75th Ordinary Session of the Council of Ministers to fund programmes and administrative costs for 2016 in pursuit of the Community's integration efforts. Community Levy remains the principal source of funding, as donor grants and assistance continue the successive annual decline. Half way through the year, total revenue amounted to UA62m, yielding a 28% mobilisation rate, whilst expenditure was UA45m out of the budgeted UA224.6m, yielding a 20% execution rate.

The Community staff strength increased by 9 from the December 2015 number of 1,097. This comprises 27 Statutory Appointees, 51 Directors, 439 other International Staff and 589 Local Staff. Females represent 28% of staff. The Community has 5 Institutions, 6 Agencies, 4 Liaison Offices, 5 Centres, 9 Special Representative Offices and 4 Zonal Bureaux.

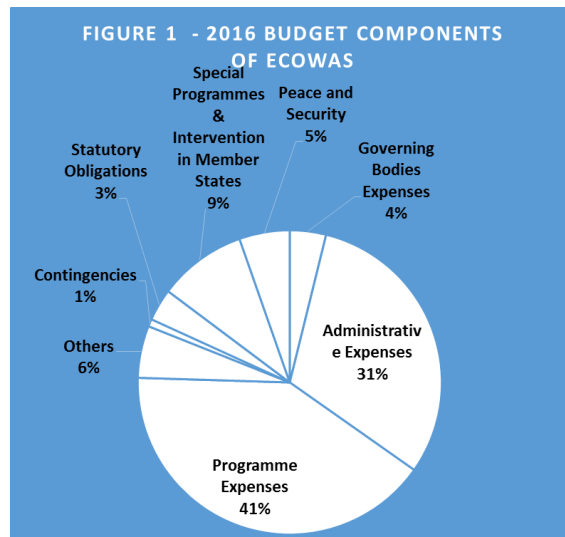
Nearly 2 years into the implementation of the new Tender Code, some pertinent issues have been observed. The prerogative to waive clauses reserved for the Council have been violated, whilst contracts expected to be endorsed by the Tender Board and Chair of the Administration and Finance Committee were equally violated. Weaknesses also exist in the evaluation and screening of Contractors. As a remedial measure, the Commission has agreed to appoint an external auditor to conduct a procurement Audit in 2017.

Instances still exist of payments being made without the endorsement of the OFC. Large sums of advances delay unduly before being accounted for, with such amounts not timeously posted into the accounting system thereby affecting the relevance and accuracy of accounting information. Employment contracts have been awarded without the vetting of the OFC, resulting in conflicting conditions and other irregularities.

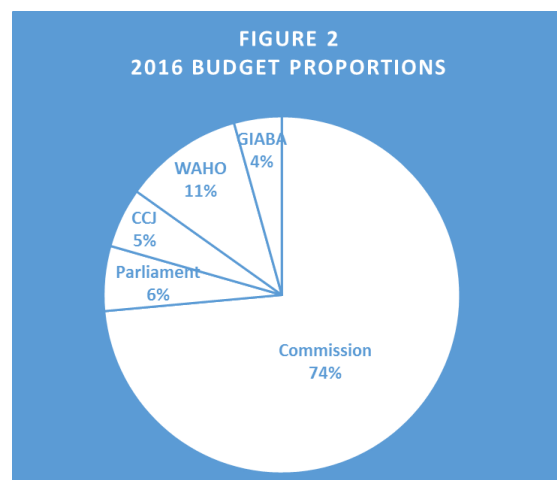
Informed by encounters on the execution of its mandate and need for cost saving measures, OFC presents five (5) recommendations for the kind consideration and approval of Council.

1.0 Overall Budgetary Situation

1. The 75th Ordinary Session of the Council of Ministers, approved a total budget of UA224.6m balanced in Income and Expenditure, marking a 4.5% reduction over the previous year. The amount was for the execution of activities of all Institutions, Agencies and Offices as they relate to Institutional Governance, Administration, Programme Implementation, Statutory Obligations and Special Interventions in Member States. The budget proportionality among the various budget components are shown in Figure 1.



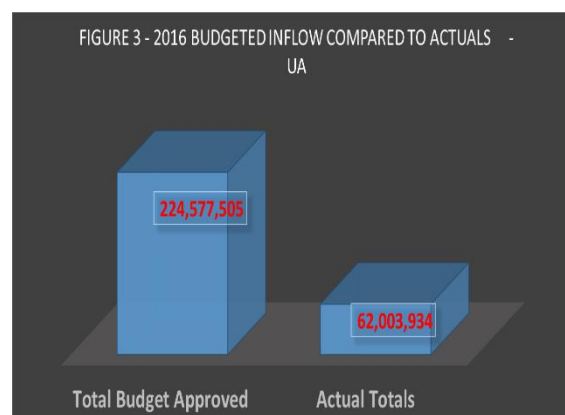
2. The approved budget was split in various proportions to the five ECOWAS Institutions. The Commission, which includes all Specialised Agencies, Zonal Bureaux, Special Representation and Liaison Offices within and outside the Sub-Region has 74%. It is followed by the West African Health Organization (WAHO) with 11%, then the Community Parliament with 6%, Community Court of Justice (CCJ) with 5%, and the Inter-Governmental Action against Money Laundering & Counter-Terrorism (GIABA), followed with 4% (Figure 2).



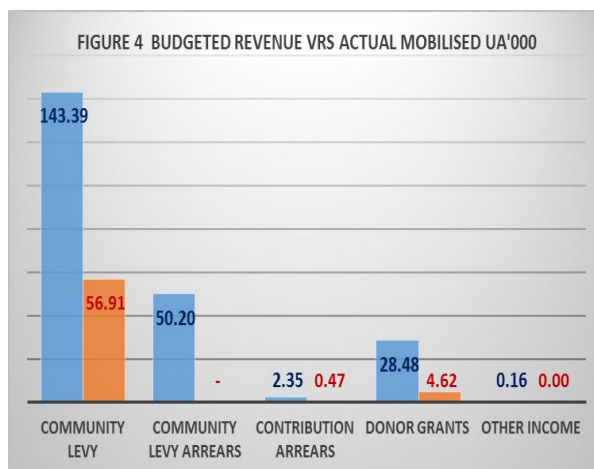
The Office of the Financial Controller was allocated 0.6% of total Community budget, and subsumed under the ECOWAS Commission.

1.1 Income Budget.

3. The approved income budget of UA224.6m was to be mobilised from five traditional sources. At the end of June 2016 however, only a total of UA62m was collected, yielding a low 28% mobilization rate. (Figure 3). Yield from the respective component sources are as follows: Community Levy UA56.9 (92%); Contribution Arrears UA0.46m (1%) and Donor

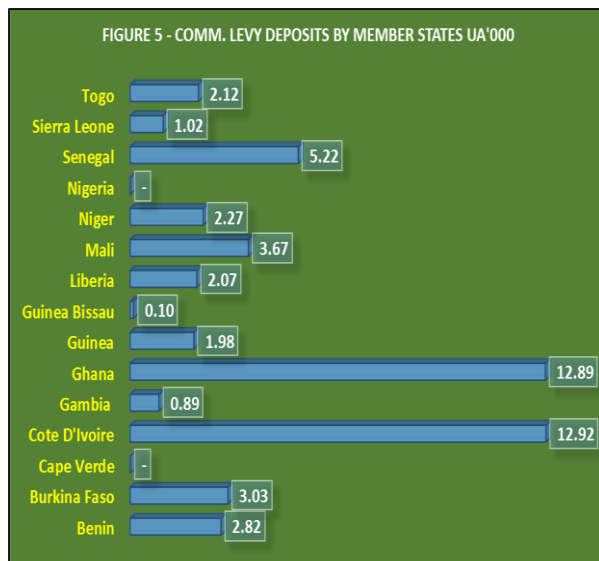


Grants of UA4.6m (7%). The respective budgeted traditional sources are compared to actual performance in Figure 4. We note with concern, the increasing decline in Community levy mobilization, and the exponential growth of Community Levy Arrears. The Community management and mobilization effort will obviously need to be stepped up, before unsustainable precedence bedevils this otherwise good funding mechanism.



1.2 Community Levy Performance

4. For the first half of 2016, Cote d'Ivoire paid the highest Community Levy of UA 12.92m or 25.33% of total collection. It is followed in descending order by Ghana UA 12.89m or 18%); Senegal (UA5.22 or 10.24%). Other Community Levy receipts came from Benin (UA8.7m); Burkina-Faso (UA3.3m); Mali (UA3.67m); Togo (UA2.12m); Niger (UA2.27m); Liberia (UA2.07m); Sierra Leone (UA1.02m); Gambia (UA0.89m); Guinea Bissau (UA1.98m); Guinea (UA1.98m). Cape Verde and Nigeria made no payments during the reporting period. Community Levy receipts during the period are shown in Figure 5.

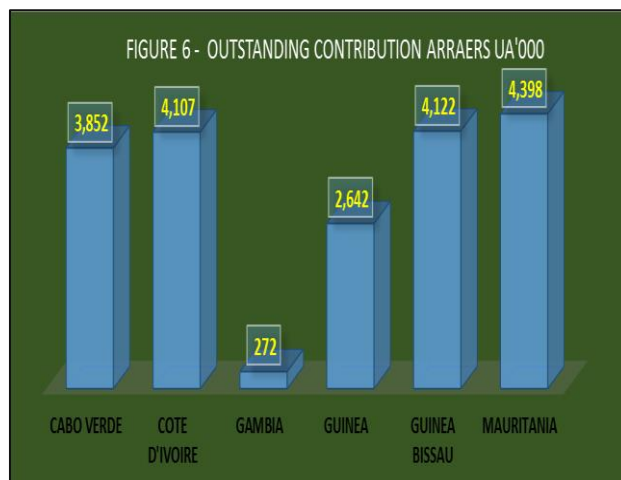


1.3 Contribution Arrears

5. Historically, Contribution Arrears arose when ECOWAS switched from direct Member-State Contribution to the Community Levy Protocol implementation in 2003. Countries still owing in this regard are: Cape Verde, Cote d'Ivoire, Gambia, Guinea, Guinea Bissau and Mauritania. Though Mauritania is no longer a member of the Community, its outstanding obligations at the point of exit is still retained in the books based on decision by the Authority of Heads of State and Government.

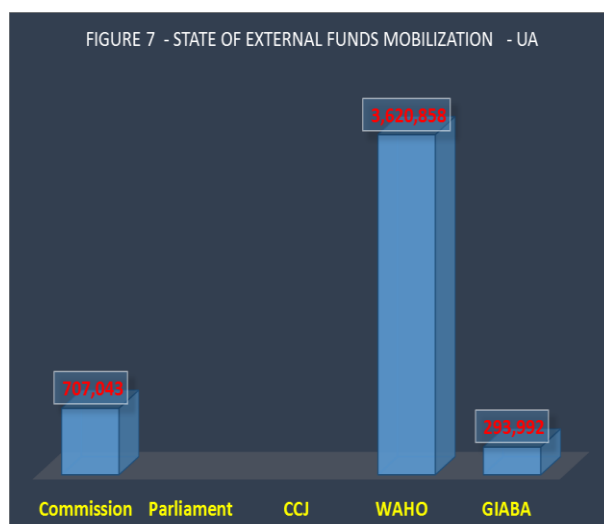
6. Gambia has made phenomenal progress towards paying off her liabilities by year end 2016. Cote d'Ivoire and Guinea Bissau have respectively signed separate Memoranda of Understanding with the Commission to redeem their obligations. The accord with Cote d'Ivoire consolidates four separate obligations in one monolithic amount,

which constitutes the MOU subject matter. Consequently, even though a substantial amount of money was paid towards redeeming the MOU total, the Contribution Arrears component has not yet been reduced, explaining the no-change situation of the balance of Arrears. Guinea Bissau has made similar payments under the MOU, but amounts paid first go to liquidate arrears from Community Levy Balances before extending to Contribution Arrears. The status of Contribution Arrears of each concerned Member-State is shown in Figure 6.



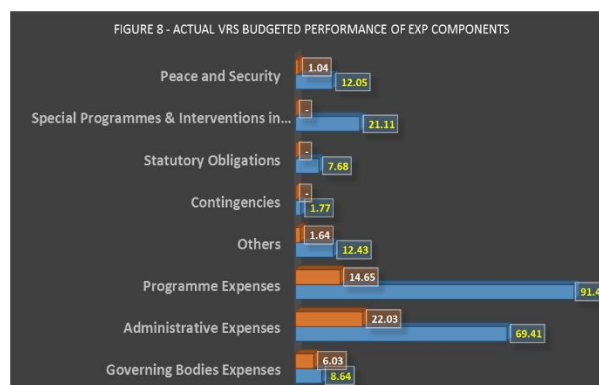
1.4 Donor Grants and Assistance

7. Fund inflows from Grants and related Donor sources have been dwindling steadily over the years. An amount of UA28.5m was conservatively budgeted as total expected to be mobilised by all Institutions. Half way through the year however, mobilization therefrom yielded only an abysmal UA4.6m, or 16%. It is important to state, that of the amount so mobilised, WAHO alone generated 78%, maintaining a consistent lead in external fund mobilization. The Commission and GIABA followed in the far distance with UA0.71m and UA0.29m respectively. The Court of Justice and The Community Parliament, as in previous years mobilised nothing in this regard. The rather low mobilization of the Commission remains a fundamental worry and is recommended for strategic interrogation. The performance of external fund mobilization is shown in Figure 7.



2.0 Expenditure Budget

8. A total expenditure budget of UA224.6m was approved for the entire Community with expenditure components and fund apportioned as follows: Governing Bodies (UA8.6m); Administrative Expenses (UA69.4m); Programme Expenses (UA91.5m) Statutory Obligations (UA7.7m);

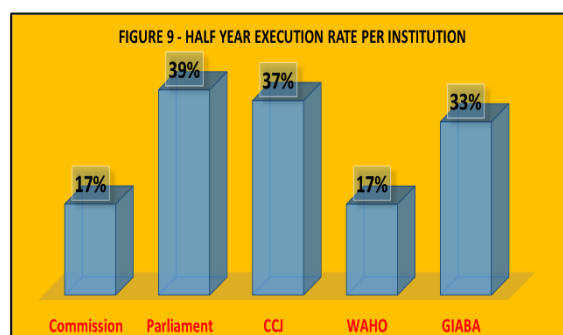


Special programmes and Interventions in Member states (UA21.1); Peace and security (UA12.1m); Contingencies (UA1.7m); Others (UA12.4m) - Figure 8.

9. Over the half year period, actual expenditure from the budgeted UA224.6m was only UA45.4m, yielding a 20% execution rate. The net income over expenditure generated during the year stood at 8% (Figure 10),

Execution Rate per Institution

10. Execution of Council-approved activities for the period was extremely low across all Institution and Agencies. The highest rate of 39% was recorded by the Parliament followed by the Court of Justice 37% and GIABA 33%. The low rates were indicative of the dearth of resources to implement activities rather than institutional inertia. Figure 9 depicts execution rate per institution.



Community Financial Performance (2014 – 2016YTD)

11. Performance of the Community in both revenue mobilization and budget execution has been on a steady decline over the period 2014 to mid-year 2016. Budgeted total income reduced from UA410m in 2014, to UA235.7m in 2015 and further down to UA224.6m in 2016. Over the same period, actual resources mobilised against the budgeted revenues were: 2014 (UA203m full year); 2015 (UA118.2m full year); and 2016 (UA62m half year). Further details are provided in Figure 10.

UA '000									
INCOME	2016 January - June			2015			2014		
	Budget	Actual Jan - Jun 2016	Execution Rate	Budget	Actual	Execution Rate	Budget	Actual	Execution Rate
Community Levy	143,390	56,914	40%	166,803	103,883	62%	192,355	187,803	98%
Community Levy Arrears	50,200	-	0%	38,077	-	0%	195,219	-	0%
Contribution Arrears	2,353	465	20%	4,982	2,547	51%	3,168	1,762	56%
Donor Grants	28,475	4,622	16%	25,617	11,706	46%	19,197	13,402	70%
Other Income	159	3	2%	210	97	46%	199	131	65%
Total	224,578	62,004	28%	235,689	118,233	50%	410,138	203,098	50%
EXPENDITURE									
Governing Bodies Expenses	8,640	6,028	70%	10,827	7,968	74%	12,239	6,837	56%
Administrative Expenses	69,414	22,029	32%	75,732	49,208	65%	73,216	53,739	73%
Programme Expenses	91,474	14,648	16%	101,962	42,905	42%	118,152	52,697	45%
Statutory Obligations	7,683	-	0%	5,663	4,193	74%	10,049	2,875	29%
Interventions in Member States	21,109	-	0%	30,571	6,639	22%	129,047	42,925	33%
SAP Implementation	-	-	-	-	-	-	7,781	5,876	-
Peace and Security	12,052	1,040	9%	1,501	1,502	100%	46,449	1,733	4%
Others	12,433	1,645	13%	7,558	4,456	59%	4,718	1,854	39%
Contingencies	1,773	-	0%	1,875	-	0%	8,487	-	0%
Sub Total (Community)	224,578	45,389	20%	235,689	116,871	50%	410,138	168,537	41%

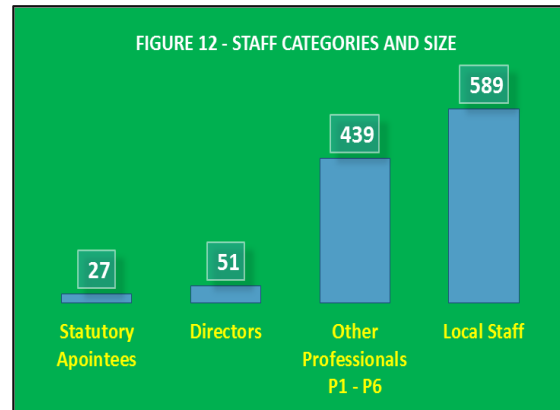
3.1 Liquidity Situation

12. Bank balances of Institutions and Agencies as of 30th June 2016 amounted to a total of UA79.4m or US\$112.1m. This amount represents funds slated for operations, accumulated staff separation resources and amounts mobilised from Donor Funds and Grants. Details in Figure 11.

SN	Institution	Operations Accounts UA	Staff Separation Accounts UA	Institutional Totals - UA	Institutional Totals - US\$ Equivalent
1	ECOWAS Commission	10,957,693	25,060,885	36,018,579	50,831,831
3	Community Parliament	4,722,498	984,688	5,707,186	8,054,363
4	Community Court of Justice	1,391,793	1,295,451	2,687,245	3,792,420
5	GIABA	1,109,006	126,966	1,235,972	1,744,286
6	WAHO	32,589,437	1,156,077	33,745,514	47,623,931
Category Totals UA		50,770,428	28,624,067	79,394,495	112,046,831
US\$ Equivalent		71,650,630	40,396,201	112,046,831	

4.0 Staffing Situation

13. The Community has a total employee strength of 1,106 from 1,097 as of 31st December 2015. Out of this total, there are 27 Statutory Appointees, 51 Directors, 439 Professionals within the P1 - P6 Category and 589 Local Staff (Figure 12).



14. Of the 27 Statutory Appointees, 15 are in the Commission. Seven with the Court of Justice, and 2 each with GIABA and WAHO. The remaining one Statutory Appointee is the Financial Controller. Of the 51 Directors, 40 are under the Commission with the rest spread across other Institutions.

15. Total internationally recruited staff, including Statutory Appointees stood at 517 as of June 2016. The detailed staff structure, including Gender Mix (72% Male and 28% Female) is shown in Figure 13.

Institution	Statutory Apointees	Professional Staff					Local Staff			Staff Total	GENDER		Staff Total
		Directors		Other Professionals P1 - P6		TOTAL PROFESSIONAL STAFF	Contract	Permanent	TOTAL LOCAL STAFF		Male	Female	
		Contract	Permanent	Contract	Permanent								
ECOWAS Commission	16	11	29	152	149	341	185	185	370	727	529	198	727
Parliament	-	-	3	7	24	34	26	28	54	88	65	23	88
Court Of Justice	7	-	4	13	36	53	22	68	90	150	109	41	150
GIABA	2	-	2	5	13	20	12	28	40	62	41	21	62
WAHO	2	-	2	5	35	42	4	31	35	79	53	26	79
TOTAL	27	11	40	182	257	490	249	340	589	1,106	797	309	1,106

16. On geographic spread, Figure 14 shows that Nigeria records the highest number of representation followed by Burkina Faso, Cote d'Ivoire and Ghana. Furthermore and in line with Council directive, Figure 14 provides information relating to Member State's representation in Community Institutions and Agencies vis-à-vis demography, including over and under representation, and financial contribution data.

Figure 14 - Geographic Spread of Internationally Recruited Staff, Weighted Representation & Contribution Ranking

As of June 2016

Member State	Commission	Parliament	Court	WAHO	GIABA	Statutory Appointees	Total (June 2016)	Member State % Representation in ECOWAS	Member State Population (millions)	% Population in Community	Per capita Representation Ranking	Average C. Levy Contribution 2014-June YTD	Percentage Contribution	Resources Contribution Ranking
Benin	16	4	3	6	-	2	31	6%	10.30	3.08%	9th	6.16	5.3%	6th
Burkina Faso	33	2	5	6	-	2	48	9%	17.90	5.34%	5th	6.43	5.5%	5th
Cape Verde	6	-	-	1	1	1	9	2%	0.50	0.15%	15th	0.16	0.1%	15th
Cote D'Ivoire	35	1	3	2	3	2	46	9%	20.80	6.21%	3rd	17.38	14.9%	3rd
Gambia	11	3	-	2	2	1	19	4%	1.90	0.57%	13th	1.16	1.0%	13th
Ghana	25	2	2	5	1	2	37	7%	27.00	8.06%	2nd	22.03	18.9%	2nd
Guinea	8	1	2	1	-	2	14	3%	11.60	3.46%	8th	1.91	1.6%	11th
Guinea Bissau	11	2	5	2	-	2	22	4%	1.70	0.51%	14th	0.45	0.4%	14th
Liberia	3	-	2	2	-	2	9	2%	4.40	1.31%	12th	2.28	2.0%	10th
Mali	12	1	1	3	1	2	20	4%	15.90	4.75%	6th	5.59	4.8%	7th
Niger	17	2	4	5	-	2	30	6%	18.20	5.43%	4th	3.12	2.7%	9th
Nigeria	109	13	18	3	8	3	154	30%	177.50	53.00%	1st	35.17	30.2%	1st
Senegal	18	1	3	1	3	2	28	5%	13.90	4.15%	7th	9.49	8.2%	4th
Sierra Leone	12	1	2	1	1	1	18	3%	6.30	1.88%	11th	1.57	1.3%	12th
Togo	25	1	3	2	-	1	32	6%	7.00	2.09%	10th	3.42	2.9%	8th
TOTAL	341	34	53	42	20	27	517	100%	334.90	100.00%		116.31	100.0%	

Source: United Nations Population Reference Bureau (2014) www.prb.org

17. Nigeria contributed 30% of ECOWAS funding, has 53% of the community population and occupies 30% international staff slot. Ghana is the second highest funding Member State with 22% contribution, 8% community population and 7% representation in ECOWAS. Cote d'Ivoire is the third biggest contributor with 14.9%, contains 6% of community population and occupies 9% of international staff positions. Senegal is the fourth contributor with 8% contribution, has 4% of Community population and occupies 5% of international staff slot.

18. Burkina Faso is the 5th contributor with 5.5% contribution, has 5% of community population and occupies 9% of international staff positions. The sixth contributor is Benin, with 5.3%, has 3% of community population and occupies 6% of international staff positions. The 7th contributor is Mali with 4.8%, has 4.75% community population and encumbers 4% of positions. The 8th is Togo with 2.9% contribution, has 2% of community population and occupies 6% of International staff slots. The 9th is Niger with 2.7%, has 5% of community population and occupies 6% of international positions. The 10th is Liberia with 2% contribution, has 1.3% of community population and occupies 2% of international staff positions.

19. The 11th contributor is Guinea with 1.6%. It has 3.5% of community population and 3% international staff representation. At the 12th position is Sierra Leone with 1.3% contribution, has 2% of community population and occupies 3% of International staff representation. The 13th funds contribution is from Gambia with 1%, has 0.57% of community population and 4% representation of International positions. Guinea Bissau follows in the 14th position with a 0.4% funds contribution, has 0.51% of community population and occupies 4% of international staff positions. Cape Verde comes 15th in order of contribution. It contributed 0.1% resources with a community population of 0.15% and occupies 2% of International positions in ECOWAS.

5.0 Procurement Issues

20. Council may recall that it had directed the Financial Controller to report on pertinent observations with regard to procurement issues, particularly after the implementation of the new Tender Code.

21. On the whole, OFC had observed four main areas requiring improvement namely; Process of Waiver of Tender Code Provisions, Constitution of Procurement Board, Evaluation/Screening of Vendors, and Enforcement of Mechanism for Monitoring/Supervision of Contracts.

22. As Council remains the only competent body to waive or amend provisions of the Tender Code, the Commission must be seen to comply; without exception. Besides, the Commission should ensure that the ECOWAS Procurement Board is constituted as per Article 8 of the Tender Code to stop continued violations of limits set in Schedules 1-3. Furthermore, lack of due diligence in the screening and evaluation of bidders prior to award of contracts has led to award of contracts to companies that presented defective financial statements as well as payment of avoidable higher contract prices. Thus, non-institution of monitoring and supervision mechanism as provided for in the Tender Code, had resulted in delayed contract execution, poor handling of disputes resolution, leading to litigations and inability to apply applicable sanctions on vendors for observed infractions.

23. As a remedial measure to all the observed inadequacies, the Commission has agreed to appoint an external auditor to conduct a procurement audit in 2017.

6.0 Infraction Matters

24. Employment contracts are being issued without prior vetting of the Financial Controller. This has resulted in irregular appointments, including wrong placements, conflicting conditions of service, unauthorised pre-financing of Donor Funded positions, and under/over payment of staff benefits.

25. The payment of Responsibility Allowance to Contract Staff on Professional grade (15%) and General Service grade (10%) working under Finance directorates of Community Institutions/Agencies is observed not to conform to Decision C/DEC.8/7/92 on the conditions of service for contract staff. By implication, the continued payment of Responsibility Allowance to Contract Staff is a clear violation of extant Community text.

26. Statutory Appointees are allowed to apply and collect touring advance not exceeding \$1,000 whenever they going on missions other than participation in statutory meetings. This is provided for in Decision C/DEC.5/11/91. It is observed that the \$1,000 touring advance is fraught with the problems of late retirement as well as inclusion of ineligible expenses, leading to mandatory deductions from the severance benefits of affected Statutory Appointees.

7.0 Recommendations

27. On the basis of this report and hands-on observations made by the Office of the Financial Controller in the course of its oversight functions during the reporting period, the following recommendations are presented to Council for consideration and approval.

- I. All recruitment contracts should be subject to the prior vetting and endorsement of the Financial Controller in line with Article 21(2) of the Financial Regulations. In addition, the Commission should review and remedy all cases of conflicting conditions of service, wrong placements, under/over payment of staff benefits.
- II. In a bid to comply with Council Decision C/DEC.8/7/92 on the condition of service of Contract Staff, the default payment of Responsibility Allowance to such staff should be discontinued forthwith.
- III. The payment of \$1,000 touring advance to Statutory Appointees as per regulation C/DEC.5/11/91 is no longer relevant under the prevailing circumstances. Moreover, the use of the touring advance has been fraught with inappropriate applications. Hence, the payment of this advance should be stopped.

- IV. As a way of improving the management of financial resources, a policy on administrative/institutional overhead cost to be included in the budget of donor funded projects should be developed. Likewise, subventions and grants to NGOs should be suspended until the financial position of the Community improves significantly.

- V. The Judicial Council and the Audit Committee are critical for sound governance of Community Institutions. In this regard, Council is invited to direct for the immediate reconstitution of these two important bodies.