

**CABRI CONFERENCE**  
**SESSION 3**  
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**THEME: PAYROLL PRESSURES ON THE STATE BUDGET**

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# PRESENTATION PLAN

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# I. INTRODUCTION

The 2017 budget voted by the National Assembly in December 2016 is \$6 501.4 billion. This budget is financed as follows:

-Internal Resource: \$5 248.6 billion of which \$3 345.4 billion of tax revenue is 63.7%

-External resources: \$ 1 252.8 billion, including \$922 billion of loans and grants projects, i.e. 73.6% and budget support of \$330.8 billion, or 26.4%.

Expenditure covered by these resources breaks down are as follows:

-Debt service: \$1 418.8 billion or 21.8%,

# I. INTRODUCTION

- Payroll expense: \$1 508.1 billion, i.e. 23.2%
- Other operating expenses: \$1 108.1 billion or 17.1%
- Investment expenditure: \$1 924.7 billion or 29.6%
- Special treasury accounts: \$541.3 billion or 8.3%

During session 4 of the Conference, Côte d'Ivoire has been requested to make a presentation on the pressure of payroll on the budget. For this purpose, our intervention will be based on the following points:

## II TAX SITUATION AND RISKS ASSOCIATED TO THE PAYROLL

The weight of the payroll on the projected tax revenue in 2015 was 43.7%. In terms of realization, this ratio rose to 43.2%. In 2016, the ratio was 43.8% on a forecast of 40.6%. In 2017, the payroll tax revenue ratio is projected at 38.4%, and the Ivorian state is seeking to put in place in order, to reduce this ratio to 35% (the community standard) in 2022. However, we can see that the payroll has a significant pressure on the budget. These pressures are in various orders:

- Structural pressures

They cover:

- \* Advances salary payment to civil servant in relation to his seniority,
- \* Promotions of employment, in a function.

## II TAX SITUATION AND RISKS ASSOCIATED WITH THE PAYROLL (cont'd)

### **Financial pressure**

They are the result of trade union demands :

- Wage increases,
- Specific allowances and special benefits (research grants, overtime, performance bonuses, etc.).

They also come from exceptional recruitments (in the context of a DDR, for example).

### **Timely pressures**

These are claims from certain bodies ( request from non-teaching and non health officials for the index bonus of 150 points in compensation for non-payment of the financial effect of index advances for several years).

## II FISCAL SITUATION AND RISKS ASSOCIATED WITH THE PAYROLL MASS (cont'd)

It should be pointed out that these various pressures are very frequent, after the budgetary guidelines and even after the vote on the budget, during management process.

So how do we take into account all these pressures which aimed to improve the purchasing power of the civil servant while taking into account the financial capacities of the State and paying attention to the ratio payroll tax revenue? For these different pressures of the payroll, the Government has decided to provide the following answers :

# III OPTIONS FOR RESPONSE TO PAYROLL PRESSURES

- Implementation of a payroll strategy and a follow-up committee on this payroll control strategy;

\* As far as structural pressure is concerned, the government's option is to integrate the financial impact when drawing up the budgetary guidelines and therefore the budgetary program. Thus, in 2014, the financial impact on the advances was budgeted and the advances frozen for 25 years (since 1988) were unfrozen and the payment announced by the President of the Republic to Ivorian officials and the Ivorian people.

Concerning the financial pressure exerted by trade unions, the government decided to make projections and simulations to assess the additional expenses would cost to the State budget.



## III OPTIONS FOR RESPONSE TO PAYROLL PRESSURES (cont'd)

Thus, in 2007, the financial impact of the decree adopted by the president of the Republic to institute a special treatment salary grid for the teaching and research staff of higher education and scientific research and to satisfy the request of the union (25%-50%) because of the state capacity.

\* In case of ad hoc pressure, the financial impact is not taken into account in the budgetary guidelines and therefore is not the subject of any budgetary programming. This is what Côte d'Ivoire has seen during the recent months.

In this case the negotiations are often difficult and the positions fixed. However, in order to alleviate the situation, the two sides (government and trade unions) agree to bring social peace.

## III PAYROLL PRESSURE RESPONSE OPTIONS (continued)

The compromise that has been found is to defer the payment of these 150 index points on the 2018 budget.

The government only commits to the sustainable financial impact by the state budget and under the constrained payroll tax revenue ratio. Budgeting will only take place during the preparation of the budget or the budgets to come (budget  $n + 1$ ,  $n + 2$  etc.).

So what are the lessons learned from all these pressures request and what are the future actions?

# IV LESSONS LEARNED AND FUTURE ACTIONS

## LESSONS LEARNT

Between 2000 and 2013, as a result of the requests and in order to reduce partly youth unemployment, the state payroll increased by an overall 129.1% due mainly to:

- Increase in staff number;
- The granting of special status and specific benefits to certain corporations to meet their wage and social requests.

The granting of special statuses and benefits resulting in the widening of disparities on the of civil servants wages. It was also found that, for the same number of years of service, the indices of two officials of the same grade, and step are sometimes different. This has been a source of frustration, discontent and demands.

## IV LESSONS LEARNED AND FUTURE ACTIONS (continued)

### FUTURE ACTIONS TO BE CARRIED OUT:

- Pursue efforts to implement the payroll strategy adopted by the government over the period 2014 - 2022;
- To avoid again frozen the financial effect of advances;
- Recruitment according to the needs in the administration for a better control of the payroll and the staff;
- Work to increase the ratio of payroll taxes to the community standard to 35%.

## CONCLUSION

In our developing country, the state is the main employer.

In order to reduce unemployment among young people, the state sometimes recruits without taking into account the actual needs, which has a consequences on the payroll and pressure on the budget. It is up to each country to implement a payroll control strategy in order to avoid spending items such as investments, maintenance and, health and other expenses. Will be left to the sole profit of salary expenses.

**THANK YOU FOR YOUR  
KIND ATTENTION**