

**Mokoro Ltd**

## **Putting Aid on Budget**

**A Study for  
the Collaborative Africa Budget Reform Initiative (CABRI)  
and  
the Strategic Partnership with Africa (SPA)**

### **BURKINA FASO CASE STUDY – WORKING PAPER**

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## THE AID ON BUDGET STUDY

The Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA) commissioned study of "putting aid on budget" has the following outputs:

An **Inception Report**, which defines the issues and research methodology.

Ten **country studies from sub-Saharan Africa**. Of the ten country studies, **Ghana, Mali, Mozambique, Rwanda** and **Uganda** were studied in depth, and separate country reports are available. The experiences of Burkina Faso, Ethiopia, Kenya, South Africa and Tanzania were also reviewed and summary information is included in the Synthesis Report annexes. Findings from all ten countries are included in the Synthesis Report.

A **Literature Review**, which (a) documents existing good practice guidance that is relevant to the incorporation of aid in recipient country budgets; (b) reviews the policies and guidelines of the major multilateral and bilateral agencies as these affect the incorporation of their aid into government budgets; and (c) documents relevant experiences of efforts to capture aid in government budgets, including desk reviews of some additional countries, including countries from outside Africa.

A **Synthesis Report** which draws on all the other study components to develop overall findings and recommendations.

A **Good Practice Note** which distils the lessons of the study and is aimed at donors as well as partner governments.

The reports can be downloaded from the CABRI website at <http://www.africa-sbo.org/>

The **Burkina Faso case study** is a background working paper to the Aid on Budget study (not a separate country report). (The Section B matrix is used in the Aid on Budget Synthesis Report Annexes.)

### Disclaimer

*This study was commissioned by Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA) and financed by DFID with additional support from JICA (Literature Review).*

*This working paper was prepared by independent consultants. Responsibility for the contents and presentation of findings and recommendations rests with the study team.*

*The views and opinions expressed in the working paper do not necessarily correspond to the views of CABRI or SPA.*

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## Acronyms and abbreviations

AAP	Assessment and Action Plan (HIPC)
ADB	African Development Bank
ADF	African Development Fund
BCEAO	Central Bank of West African States ( <i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> )
CABRI	Collaborative Africa Budget Reform Initiative
CAST	Earmarked Treasury Special Account ( <i>Compte d'affectation spéciale du Trésor</i> )
CFA Fr	West African CFA (Financial Community of Africa) Franc
CFAA	Country Financial Accountability Assessment
CGAB- PRSP	Framework for budget support to the PRSP ( <i>Cadre général d'organisation des appuis budgétaires en soutien à la mise en œuvre du PRSP</i> )
CID	Integrated Expenditure System ( <i>Circuit Informatisé de la Dépense</i> )
CIFE	( <i>Circuit Intégré des Finances Extérieures</i> )
CIR	Integrated Revenue System ( <i>Circuit Intégré des Recettes</i> )
CONEA	National Coordination for Aid Effectiveness ( <i>Coordination nationale pour l'efficacité de l'aide</i> )
CPAR	Country Procurement Assessment Report
DAC	Development Assistance Committee (of the OECD)
DFID	Department for International Development (UK)
DGCEI	Directorate General for the Coordination and Evaluation of Investments ( <i>Direction Générale de la Coordination et de l'Evaluation des Investissements</i> )
DGCOOP	Directorate General for Cooperation ( <i>Direction Générale de la Coopération</i> )
EC	European Commission
FSDEB	Support Fund for the Development of Basic Education ( <i>Fonds de soutien au développement de l'éducation de base</i> )
GBS	General Budget Support
HIPC	Heavily Indebted Poor Countries
ICEF	Integrated Expenditure System
ICR	Integrated Revenue System
IFI	International Financial Institution
IMF	International Monetary Fund
IP	International Partner
MEF	Ministry of Economy and Finance
MTEF	Medium Term Expenditure Framework
OECD	Organisation for Economic Cooperation and Development
ODA	Official Development Assistance
PAP	Priority Action Programme of the PRSP
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PPI	Public Investment Programme
PRGB	Action Plan for Strengthening Budget Management ( <i>Plan d'actions pour le Renforcement de la Gestion Budgétaire</i> )

PRSP	Poverty Reduction Strategy Paper (Strategic Framework for the Fight Against Poverty – <i>Cadre stratégique de lutte contre la pauvreté</i> )
ROSC	Report on the Observance of Standards and Codes
SP-PPF	Permanent Secretariat for Monitoring Financial Policies and Programmes ( <i>Secrétariat permanent pour le suivi des politiques et programmes financiers</i> )
SPA	Strategic Partnership with Africa
SRPF	Strategy for the Strengthening of Public Finances ( <i>Stratégie de Renforcement des Finances Publiques</i> )
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union

## **Introduction**

1. Mokoro Limited was appointed by the Department for International Development (DFID, United Kingdom) in the name of the Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA) to undertake a consultancy on “Putting Aid On Budget”. The aim of the consultancy is to “produce outputs which will better equip sub-Saharan African governments to lead country-level processes to ensure that external development assistance (aid) flows are properly reflected in national budget documents, ex ante (budget presented to the legislative assembly) and ex post (out-turn accounts)”.

2. The Terms of Reference for the consultancy require a literature review of existing good practice, a study of country practices in at least ten African countries, a more in depth investigation of what works and what does not in some of the case study countries and the preparation of a Synthesis Report and a Good Practice Note based on the research results.

3. ECORYS Nederland BV had been asked to work with Mokoro for the case study of Burkina Faso, which was chosen as one of the ten countries. This report gives the results of the research. The information contained in the report is based on the review of available documentation, on meetings with those responsible for budgeting and on the harmonization of cooperation in Burkina Faso and on information received from representatives of the International Partners (IPs).

## A. Country Background

### A1. Sources of Information

4. The budgetary process is governed by legislation. The essential documents were compiled in the “Compendium of texts covering the legal framework of public finances in Burkina Faso” of May 2005. This compendium includes the following texts:

1. Law No 006-2003/AN of January 24<sup>th</sup> 2003 concerning finance laws;
2. Decree No 2005-255/PRES/PM/MFB of May 12<sup>th</sup> 2005 outlining the general regulations of public accounting;
3. Decree No 2005-256/PRES/MP/MFB of May 12<sup>th</sup> 2005 outlining the general regulations applicable to public accountants;
4. Decree No 2005-256/PRES/MP/MFB of May 12<sup>th</sup> 2005 outlining the general regulations applicable to authorizing officers and budget managers of State funds and funds of other public bodies.
5. Decree No 2005-256/PRES/MP/MFB of May 12<sup>th</sup> 2005 outlining the terms and conditions of the State’s financial transactions and those of other public bodies.

5. The budget is drawn up on the basis of policies set down by the government, the most important of which are the Policy of Sustainable Human Development which appeared in 1995, the Strategic Framework for the Fight Against Poverty (*Cadre stratégique de lutte contre la pauvreté*, to be called henceforth the Poverty Reduction Strategy Paper – PRSP), adopted in 2000 and revised in 2004 and its three year rolling Priority Actions Programme (PAP/PRSP). It further refers to the five-year programme 2006-2010 of the President of the Republic made during the build-up to the elections in 2005.

6. The development of strategies is done on the basis of the different diagnostic tools like the Report on the Observance of Standards and Codes (ROSC), the 2002 report of which deals with the “fiscal transparency” module and that of 2004 on the “data dissemination” module, the PFM review (Country Financial Accountability Assessment – CFAA) in 2002, the Heavily Indebted Poor Countries Assessment and Action Plan (HIPC/AAP), the Public Expenditure Reviews (PERs) (the last of which dates from 2004, and is entitled “Burkina Faso: The budget, crucial element for implementation of the PRSP”) and the Country Procurement Assessment Review (CPAR) carried out in 2000 and 2005. The most recent report is the Public Expenditure and Financial Accountability (PEFA) assessment of Burkina Faso, which dates from April 2007.

7. Regarding general budget support (GBS) there is the agreement on the Framework of Budget Support for the PRSP (*Cadre général d’organisation des appuis budgétaires en soutien à la mise en œuvre du PRSP – CGAB-PRSP*), the PRSP and Strategy for the Strengthening of Public Finances (*Stratégie de Renforcement des Finances Publiques – SRPF*) annual reports and the independent assessment reports of CGAB-PRSP. The flow of official development assistance (ODA) is generally dealt with in the reports on “Development Cooperation” drawn up jointly by Burkina Faso and the United Nations Development Programme (UNDP).

8. Progress on the harmonization of aid is the subject of the Paris Declaration monitoring surveys. In terms of accomplishing the objectives of the Paris Declaration, a National Action Plan on the effectiveness of development aid 2007–2010 was drawn up in June 2007 and approved by the Government in September 2007.

## **A2. The Country's Institutions**

9. The Constitution of 1991 proclaims that Burkina Faso is a democratic, unitary and secular State in the form of a Republic.

10. The Head of State is a President directly elected by universal suffrage for a period of five years. He is eligible for re-election once.

11. The country has a Parliament with a single chamber, the National Assembly. It has 111 members (deputies) directly elected through universal suffrage. They are elected for a five-year term.

12. The country is divided into 13 regions, then into urban communities for communities of more than 25,000 inhabitants, and rural communities for communities with less than 25,000 inhabitants. Communal councils are directly elected. From their number they select the mayor and the other members of the office. Further they select two people to sit on the regional council of the region to which they belong, as well as. In adhering to the principle of the separation of powers, the functions of members of the communal office and members of the regional council are separate.

13. From the administrative point of view, the country is divided into Regions under the direction of a Governor, into Provinces with a High Commissioner at their head, and into Departments with a Prefect at their head. Departments correspond with Communities. The Provinces do not have an equivalent in the form of a democratically elected body.

14. Responsibilities regarding planning and budgeting are still largely centralized at the level of the Ministry of Economy and Finance (MEF) and other ministerial departments. The different Ministries prepare their budget proposals on the basis of the budget circular issued by the Head of State. After negotiations between the MEF and the other Ministries, the proposals which are retained are compiled by the MEF in the draft Finance Act which, after being adopted by the Council of Ministers, is submitted for the approval of the National Assembly.

15. During the budgeting process, the different departments and institutions of the Ministries submit estimates of the costs of activities desired at their level. Except for those ministries with sector policies or with projects directly financing these activities, most of them submit budgets which are often completely unrealistic, as they do not have the necessary means and policies to



adjust them. As a result, the departments and institutions draw up their proposals at administrative level, based on previous budgets with modifications according to the level of fulfilment of the budgets and instructions from the budget circular.

16. Local government bodies have administrative and financial autonomy and have their own budget at their disposal. In that capacity, they can acquire income and collect taxes, including donations and legacies. As a result, they can receive external donations. However, they may not take out loans without a guarantee from the Government.

17. From the electoral point of view, decentralisation is effective with the setting up of regional and district councils since 2006. On the other hand, the transfer of skills and resources is still only partial and has just been initiated. It should be completed by 2009, but most Ministries still do not have a plan which sets out the way in which skills and resources are to be transferred. The total amount of transfers to local governments set out in the 2007 budget is only 1.2% of the primary budget.

### **A3. Aid Context**

18. Burkina Faso relies heavily on ODA. The national budget for 2007 is set at 925 billion CFA Fr, of which 334 billion CFA Fr is from external financing. Added to this is 104 billion CFA Fr given in the form of general budget support (GBS) and assimilated into the State's own resources. Therefore, total ODA corresponds to 47% of all anticipated expenditure. The financing gap of 107 billion CFA Fr (12%) corresponds more or less to the commitments given by IPs.

19. ODA is divided into loans and subsidies. For the year 2007, budgeted ODA consists of loans to an amount of 234 billion CFA Fr and in subsidies to an amount of 204 billion CFA Fr.

20. The rate of GBS in the 2007 budget is 24% of committed ODA. In terms of disbursements, it represented 25.5% of ODA in 2005. The rest was in the form of investment projects (70.2%), independent technical cooperation (2.9%), technical cooperation linked with investment projects (0.8%) and food aid and emergency aid (0.6%). According to the report from the General Directorate for Cooperation (*Direction Générale de la Coopération – DGCOOP*) and UNDP,<sup>1</sup> GBS has remained more or less at a stable level since 2002, but aid in the form of investment projects has increased to the detriment of independent technical cooperation, showing greater harmonization and alignment from aid.

21. There are several sector wide programmes, which benefit from basket funding (education, health, HIV/AIDS), but sector budget support itself hardly exists in Burkina Faso. Only the

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<sup>1</sup> DGCOOP/UNDP: *Cooperation for Development "Appropriation, alignment, harmonization": The experience of Burkina Faso* DGCOOP/UNDP, Ouagadougou July 2007.

European Commission (EC) provides sector budget support which is included in GBS. In the statistics, financing through basket funding is not recorded separately but included in the category of investment projects.

22. ODA has increased consistently over the years. However, the amounts vary according to the source of the data. The amounts are systematically higher according to the statistics of the OECD/DAC, which are based on commitments, while those of the DGCOOP/UNDP are based on expenditure.

**Table 2.1 Development of ODA 2002-2005 according to the OECD/DAC and DGCOOP/UNDP (in millions of dollars-EU)**

Sources of data	2002	2003	2004	2005
ODA according to OECD/DAC	522,21	564,45	676,38	718,10
ODA disbursements according to DGCOOP/UNDP	486,65	489,90	629,32	678,50
% DGCOOP/UNDP / OECD/DAC	93%	87%	93%	94%

23. The differences are explained by commitments which were not carried out and by unrecorded disbursements.

24. However, there are other specific differences between the two sources. The amounts received from multilateral IPs according to the DGCOOP/UNDP are systematically higher than those noted in OECD statistics. For bilateral IPs it is the opposite. This confirms the hypothesis that OECD does not capture all the commitments of the International Financial Institutions (IFIs) (see Lanser, 2003), while DGCOOP/UNDP is specifically missing statements of expenditure from bilateral donors.

25. The most important IPs are by far and away the World Bank and the EC. After that, the sources differ, as the following table shows.

**Table 2.2 The ten main IP according to the source of the date in 2005**

Classification according to OECD /DAC	In % of the total	Classification according to DGCOOP/UNDP	In % of the total
World Bank	19,3%	World Bank	19,2%
EC	14,4%	EC	12,5%
France	13,1%	African Development Fund	11,0%
Netherlands	7,5%	France	7,4%
African Development Fund	7,9%	Netherlands	6,1%
Denmark	6,8%	Denmark	4,1%
RFA	4,1%	UNDP	3,2%
Switzerland	2,9%	RFA	2,8%
United States	2,8%	Taiwan	2,7%
Belgium	1,6%	Switzerland	2,6%
<b>In % of the total</b>	<b>80,4%</b>		<b>71,8%</b>

Sources: OECD/DAC; DGCOOP/UNDP.

## **A4. Institutions for Aid Management**

### **Government organisations**

26. GBS is managed directly at the level of the Ministry of Economy and Finance by the Permanent Secretariat for Monitoring Financial Policies and Programmes (*Secrétariat permanent pour le suivi des politiques et programmes financiers – SP-PPF*), an organisation within the Ministry.

27. Programme aid and investment projects are mostly managed by project units which depend on a Ministry or one of its directions or decentralized institutions. In terms of the Paris Declaration, national and international parties agreed to increase alignment with national processes. Therefore, certain programmes are managed directly by a ministry. This is the case with basic education, the national health programme and the joint fund for HIV/AIDS. However, the number of parallel project implementation units is still very large with 131 units in 2005.

28. Except for GBS (managed by SP-PPF), ODA is recorded for the budget by the Directorate General for the Coordination and Evaluation of Investments (*Direction Générale de la Coordination et de l'Evaluation des Investissements – DGCEI*), in charge of public investments, and DGCOOP, which is responsible for the coordination of external aid. DGCOOP leads the negotiations on loan agreements as well as on grants, which require a national own contribution, and takes part in the process of aid mobilisation. Agreements on aid without an own contribution are also followed up by the DGCOOP, but their registration depends on the willingness of the signatories to report them directly or during bilateral discussions.

### **Government coordination organisations – IPs**

29. Since 2005 harmonization and alignment has been sought in the context of the CGAB- PRSP (until 2004 Joint Budget Support for the implementation of the PRSP) by which all GBS is coordinated. This framework not only supports the implementation of the PRSP but also aims to strengthen public finance management with the implementation of the SRPF. The payment

conditions of GBS are tied to macroeconomic stability, as monitored by the International Monetary Fund (IMF), and progress in the implementation of the PRSP and the SRPF. This progress is regularly appraised during joint periodical reviews by all national and international partners.

30. In several sectors there are Consultation Frameworks between the Government and the IP working in those sectors, with initiatives to move towards sector wide approaches with a view, in the future, to the possibility of financing in the form of budget support. Sector strategies exist for basic education, health, HIV/AIDS, drinking water and sanitation. Other strategies are being drawn up in rural development sectors (agriculture, husbandry and forestry), environment and employments.

31. Achieving the objectives of the Paris Declaration is taken very seriously by all parties. From the government's side, responsibility for this is held by the National Coordination for the Effectiveness of Aid (*Coordination nationale pour l'efficacité de l'aide* – CONEA) which is attached to the DGCOOP. From their side, the IP have created the Technical Secretariat for the Effectiveness of Aid, presided over by the president of the IP Contact Group. Although separate, the two bodies collaborate closely. CONEA drew up the National Plan of Action on Aid Effectiveness. This Plan, accompanied by a letter of intent from the IPs, approved in September 2007.

### **Aid management in practice**

32. All GBS is managed entirely in accordance with national procedures, by definition. In the budget, it is associated with the State's own resources as far as expenditures are concerned. However, it is not included on the revenue side and is identified only through a summary table which specifies it. As a consequence, the budget show an important financing gap, which in reality is already largely covered by donor commitments (as discussed previously). Non-GBS ODA is included on the revenue side as project grants and legacy and project loans and on the expenditure side under Title V Investments implemented by the State

33. According to the 2006 Survey on Monitoring the Paris Declaration, 45% of ODA was disbursed using national procedures. This includes GBS, which accounts for 25% of ODA. In other words non-GBS ODA is still largely spent according to IP procedures. Only the IMF and Switzerland use national procedures for all their financial contributions.

34. As far as procurement is concerned, the situation is better with 60% of ODA using national systems. However, this indicator seems to be a little misleading. The African Development Bank (ADB) states that it uses the national system 100%. In actual fact, all procurement is subject to a prior declaration of non-objection by ADB. This leads to many laborious negotiations before an agreement is reached which satisfies both the conditions of the national system and those of ADB. In fact, one can see a situation in which two systems are used, in parallel, which diminishes the effectiveness of the aid rather than improving it.

## A5. Legal and Practical Framework

### The legal framework

35. The legal framework for public finance is broadly set down by Act No 006-2003/AN of January 24<sup>th</sup> 2003 outlining financial laws. Four other basic texts provide additions and specifics, as already mentioned above (see A1).

36. These texts agree with the directives of the WAEMU in the field of public finances. They comprise a series of classic provisions in Francophone public finances prior to the adoption of budget programmes.

37. The law and other texts only contain a few of the specific provisions regarding the processing of aid, except that funds paid by donors are directly registered as income in the State's budget (Article 27). For payments with governments or other foreign organizations, the law anticipates the possibility of opening special Treasury accounts through a finance act. (Article 28). These accounts allow for the tracking of transactions carried out in the implementation of international agreements approved by the law (Article 32).

38. Another category of special accounts is the Treasury Special Earmarked Account (*le compte d'affectation spéciale du Trésor* – CAST). It traces the transactions which, following a provision of the finance act set up on the government's initiative, are financed by means of specific resources. The total amount of expenditure undertaken or ordered in terms of a special earmarked account may not exceed the total income from the same account. (Article 30). Other particular features of special accounts are the authorization given to the Minister of Finance to increase credits by decree if, during the year, the income turns out greater than the estimates and the dispensation of the principles of yearly budgeting and of non-earmarking of revenues for State's expenditure.

39. Although the general tendency is to remove special earmarked accounts, the 2007 budget still has four, the most significant of which is operational in the field of external aid. This is the account "Fund for the support of the development of basic education" (*Fonds de soutien au développement de l'éducation de base* – CAST-FSDEB). Another CAST was the "Special fund for economic and social growth", for HIPC funds. This account has been closed by the Finance Act for the 2007 budget as from this year.

40. CAST-FSDEB was created in 2005 in order to accommodate the donor funds intended for the support of the ten year Programme for the Development of Basic Education (*Programme décennal de développement de l'éducation de base* – PDDEB) by replacing the Education Projects Office, a parallel project implementation unit which was unsatisfactory. CAST allows IPs to harmonize their aid in the form of a joint fund which is aligned with national procedures, without providing non-earmarked sector budget support, which some donors believe the sector is not yet sufficiently prepared for.

41. Although CASTs are permitted by law and ODA, which is spent accordingly, is thus aligned automatically, their use is sometimes criticised. It breaks with the principles of non-earmarking of revenues and of yearly budgeting. In practice, there are problems with classification and allocation of funds, because CASTs do not have an administrative classification. This leads to the excessive use of the so-called simplified procedure instead of the normal one.

### **Main problems of budgeting and PFM**

42. The PEFA report notes that the budget preparation process is robust and structured and that the annual budget calendar is respected. Problems are noted at the level of programme budgets which have yet to be perfected. This limits the possibilities of programme based budgeting of aid for the implementation of sectoral policies.

43. The implementation of the budget is relatively well organized. However, there are a number of weaknesses. As to the aspect of predictability, there is a systematic overestimation of income tax, taxes and customs duties in relation to the collection capacity. This leads to significant budget amendments at the expenditure side during the year. The system of financial controllers has insufficient capacity to deal with the volume of work. The stock of payment arrears is low in accordance with payment delays as defined by the WAEMU, but the organization of the chain does not allow for delays in payment to be made before payment authorisation.

44. The regulatory provisions concerning public procurement have been reworked since 2003 and are now in line with international standards for the greater part, while the Government is working towards achieving full conformity with the 2005 WAEMU directives at the end of 2007. As the reforms are still fairly recent, the new code is still not sufficiently well known and applied.

45. Another weakness is the frequent use of the simplified procedure instead of the normal procedure, which leads to significant delays in reporting and in the provision of proof as to the use of funds. This is one of the problems facing CAST-FSDEB as its classification does not allow for credits to be sent to regions or provinces, which means resorting to the simplified procedure.

46. Regarding the monitoring of budget expenditures and the accounting system, Burkina Faso uses several computerized systems, the Expenditure Information System (*Circuit Informatisé de la Dépense* – CID) and software for integrated public accounting (CIE). For revenues, the Integrated Revenue System (*Circuit Intégré des Recettes* – CIR) is in the process of being set up for operation.

47. The registration of ODA is still not computerized. The Ministry of Finance is in the process of developing the Integrated System for External Finances (*le Circuit Intégré des Finances Extérieures* – CIFE) with an interface with CID and the system for debt management and analysis (*Système de gestion et. d'analyse de la dette* – SYGADE).

48. Monitoring and external checking of public finances by the Court of Auditors is insufficient, but is being reinforced over the years. The Court was set up in 2002, and inherited a heavy backload of unaudited accounts from its predecessor, the former Chamber of Auditors of the Supreme Court. The Court of Auditors still has minimal capacity and the number of magistrates is limited. Its work is generally of good quality, but productivity is still not sufficient.

### **Budget Classification**

49. The budget sets out and authorizes all the State's resources and expenditure. The expenditure includes ordinary expenses and capital expenses.

50. The resources consist of ordinary own resources and extraordinary resources, subdivided according to the following categories:

- Ordinary own resources
  - Fiscal revenues
  - Non-fiscal revenues
  - Capital resources
- Extraordinary resources
  - Project grants and legacy
  - Project loans

Grants and loans provided as GBS are not included in the resources (see A3.32).

51. Ordinary expenses fall under four headings:

- depreciation and expenditure of public debt and expenses to attenuate income from previous management;
- personnel expenses;
- operating expenses;
- current transfer expenses.

52. Capital expenses fall under two headings:

- investments made by the State;
- capital transfers.

53. Beyond this structure, the budget has special allocation accounts (see ¶38). A special feature of the CAST-FSDEB is that it, unlike the other CASTs, corresponds to a budget line under Heading V (Investments). Comparison of the special account and the budget line shows different estimates amounting to over 5 billion CFA Fr, probably because of typing errors. It indicates that accuracy of ODA amounts included in the budget is not systematically well checked.

54. There are five classifications for expenses:

- the administrative classification;
- classification by budget heading;
- classification by object;

- economic classification;
- functional classification.

As already stated, CASTs lack an administrative classification, which acts as an incentive to use the simplified procedures (see ¶41).

55. The budget classification is drawn up according to international standards. However, Burkina Faso does not have a programme classification. This makes the drawing up of programme based budgets and accompanying implementation reports difficult. Modification of the classification is under way in the framework of the SRFP programme

56. GBS is linked with the State's own resources and, as such, is registered under ordinary expenses. It cannot be traced at the level of specific expenses.

57. ODA in the form of project and program aid is written up under capital expenses, even if it partly contains operational expenses, according to classification codes which permit the tracing of expenses at the level of specific projects.

58. CASTs allocate income to expenses. Expenses can then be traced in the same way as that used for making up the budget.

### The budget calendar

59. The budget calendar is clear and generally respected. Because of significant budgeting work, the July-August period has been declared a dead period for missions. The calendar is as follows:

	Description	Period
1	Setting of the macroeconomic framework	February–April
2	Release of budget circular	No later than May 1st
3	Budget preparation within Ministries and Institutions	May–June
4	Work of the Budget Committee of the Finance Ministry	July–August
5	Study and adoption of draft Finance Act by the Council of Ministers	1 <sup>st</sup> fortnight of September
6	Lodging of the proposed Finance Act with the National Assembly	No later than the last Wednesday in September
7	Work of the Finance and Budget Committee [of the National Assembly]	October–November
8	Study and adoption of draft Finance Act by the National Assembly	No later than December 31 <sup>st</sup>

### PFM Reform

60. The Government of Burkina Faso is actively pursuing a policy of strengthening public finance management (PFM). In 2002, it launched the Plan of Action to Strengthen Budget Management (*Plan d'actions pour le Renforcement de la Gestion Budgétaire – PRGB*), with the overall aim of creating a lasting improvement in transparency, sustainability and efficiency in budget management. The PRGB focused on budget management. In February 2007 the scope of the



reform was extended to cover all public finances by adopting and implementing the Strategy for Strengthening Public Finances (SRPF) which aims to produce “an effective and transparent system for the management of public finances in accordance with international standards in this regard” in 2015. The setting up and implementation of the SRPF is being handled through three-year rolling sector Action Plans, the first of which covers the period 2007–2009.

## **B. Evidence and Assessment of Aid Capture**

61. This section deals with whether and how well aid is captured. It is organised according to the different dimensions of aid capture set out in Box 2 of the Inception Report. The study's central focus is on whether aid is captured in official budget documentation: however, the other dimensions of capture are also important in themselves and in explaining the reasons why aid is captured on budget or not, and whether this capture is useful. The section is therefore set out to answer three key questions: what is captured? How well is it captured (how good is the information and is it used)?; and what are the reasons for success and failure?

62. The matrix below shows the structure of enquiry/reporting against each dimension of aid capture

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Dimension	Evidence of capture (What is captured?)	Quality of capture (is it accurate? is it useful?)	Explanations (why/why not?)
<b>On Plan</b>	<p>Programme and project aid is included in the various planning documents, the most significant of which is the Public Investment Programme (PIP). This is a long-term programme and is updated annually. The PRSP's Priority Actions Programme (PAP) includes the programmes and projects listed in the PIP, which have priority or strategic importance for the State.</p>	<p>Most commitments are taken into account. The 2006 Survey on monitoring the Paris Declaration reports recording of disbursements at a rate of 92% of ODA predictable over a period of three years. The DGCOOP has the slightly lower rate of 85%. It passes information to the General Directorate for the Coordination and Assessment of Investments (DGCEI) responsible for the PIP.</p> <p>All the data relate to ODA passing between governments. The ODA provided directly to private sector, to NGOs or to civil society is not taken into account.</p>	<p>GBS is captured via the Finance Ministry's Permanent Secretariat for the Monitoring of Financial Policies and Programmes, which is also responsible for drawing up the overall MTEF, forming part of the planning.</p> <p>The DGCOOP is responsible for the non-GBS ODA. It presides over the negotiations for loan and grant agreements which include Government's own contributions. It takes part in bilateral deliberation processes that enable grants that do not have a government contribution to be monitored. Only aid by small and infrequent donors can therefore slip through the net, or aid kept quiet by connivance between the donor and the beneficiary structure.</p>
<b>On Budget</b>	<p>All known aid is registered in the Finance Law for the the State budget. This recording is done as receipts and expenses. In receipts, the budget does not distinguish between grants and loans. In expenses, programme and project aid is listed in the section relating to investments individually. The type of expenses is not specified, but is rather summarised in the single line: "Project expenses".</p> <p>GBS is mixed in with the Government's own resources and cannot be tracked in this way. That is why the summary budget includes a special table listing GBS by IP.</p>	<p>Most of the GBS is listed in the budget, as long as it is brought to light in time. Undertakings carried out later in the year can be included by the Finance Minister, which is authorised to negotiate with any internal or external source of funding, in order to balance the State budget.</p> <p>Further to the amounts known to be part of the plan, between 80% and 90% are estimated to be listed in the budget.</p> <p>Foreign aid is detailed by source of funding, by project and by beneficiary ministry. Simply designated as "Project Expenses", there is no differentiation made between personnel, operational and investment costs. The same is true of the Government's own contribution, which is entered into the same section of the budget.</p>	<p>GBS is part of the budget by definition.</p> <p>Loans are resources taken out by the State and must be entered into the budget.</p> <p>Grants for investment projects requiring State contribution are entered in the budget together with the government part contribution, which is a prerequisite for the Government for making the money available.</p> <p>Grants that require no part contribution from the Government and technical assistance may be excluded from the budget, especially if they are managed directly by the donor without being moved via a national authorising officer.</p>

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<b>Dimension</b>	<b>Evidence of capture (What is captured?)</b>	<b>Quality of capture (is it accurate? is it useful?)</b>	<b>Explanations (why/why not?)</b>
<b>On Parliament</b>	As the annual budget is voted on by the National Assembly, ODA is also implicitly included. The National Assembly is not generally involved in drawing up agreements. That is the Government's responsibility. It is, however, kept abreast of such agreements insofar as it ratifies them.	ODA as it stands is rarely debated by the National Assembly since negotiations on agreements are the Government's responsibility. However, the National Assembly is informed about it through the ratification of these agreements. Some of them have been criticised due to high operating costs. The National Assembly emphasises the principle that ODA should be used for investments, especially in the case of reimbursable loans. The Burkina Faso country report for the joint evaluation of GBS notes cases where amendments have been made in favour of departments receiving little or no ODA.	With regard to IP, ODA is mainly used to fund activities listed in the PRSP PAP. The PRSP is known to Parliament, but is not its main frame of reference, which is rather the general interest. Given that social initiatives, including basic education and health, already receive significant amounts of foreign aid, the National Assembly tends to lean towards other areas, seeking intersectoral balance.
<b>On Treasury</b>	All GBS passes through Treasury by definition. Programme aid given in the form of pooled funds is either paid to a Treasury account or to the BCEAO. Other programme and project aid does not generally pass through Treasury, but is paid to accounts in the BCEAO or to local commercial banks for the part implemented in Burkina Faso.		

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Dimension	Evidence of capture (What is captured?)	Quality of capture (is it accurate? is it useful?)	Explanations (why/why not?)
<b>On Account</b>	<p>GBS is entered in full alongside the State's own resources and is managed using applicable national procedures. Therefore, it is included in government accounting and consequently in the Budget Review Act.</p> <p>Non-GBS ODA is not taken into account in government accounting. Wherever possible, expenses are kept in shadow accounts and included as such in the Budget Review Act.</p>	<p>Non-GBS ODA disbursements are controlled and flagged if they pass via a NAO. For other disbursements, DGCOOP relies on information provided by the relevant donor or performance structure. Information is often patchy and provided late. Joint efforts have been agreed upon in order to improve the situation.</p>	<p>Some ODA is managed outside national systems. Information depends on whether or not the relevant donor is forthcoming. Furthermore, accounting terms are not always compatible. There are several databases that use different classification systems. DGCOOP is in the process of changing its classification system, moving from the UNDP system to the DAC system for greater harmonisation. The data is not yet fully digitised. DGCOOP is in the process of drawing up the CIFE that will have an interface enabling communication with the CID and the integration of data in the national accounts.</p>
<b>On Audit</b>	<p>The national accounts and the Budget Review Act are checked every year by the Court of Auditors before submission to the National Assembly. The GBS is part of it by definition.</p> <p>The non-GBS ODA does not come with an opinion from the Court of Auditors and is usually checked by external auditing firms in accordance with the conditions set out in the respective agreements.</p>		<p>Non-GBS ODA expenses are not included in national accounts, and are therefore not regularly checked by the Court of Auditors. The Court is aware of this, further to recommendations made whilst checking the application of the financial management law of 2003 and repeated since that "external funding processed by DGCOOP should be sent to the Treasury for accounting." This is scheduled for 2008.</p>

Dimension	Evidence of capture (What is captured?)	Quality of capture (is it accurate? is it useful?)	Explanations (why/why not?)
<b>On Report</b>	<p>All Ministries and their departments are required to produce annual activity reports, including their funding.</p> <p>There are annual PRSP and sector policy reviews at consultation level between the Government and IPs.</p> <p>The most important report for all ODA is the Development Cooperation, jointly published by DGCOOP and UNDP.</p> <p>At international level, there are OECD/DAC statistics and recently the Survey on Monitoring the Paris Declaration</p>	<p>The publication of the DGCOOP/UNDP report often used to be late, with missing data. Efforts have been agreed to improve the quality and quantity of the data, as well as its publishing date. The 2005 report appeared in July 2007. This is a significant improvement with regard to the past.</p> <p>The various reports differ on various aspects, and are difficult to compare. The DGCOOP/UNDP report is based on disbursements. The DAC report is based on commitments. The classification systems also differ. It seems that the DGCOOP/UNDP report is more comprehensive as regards IFI data, while the DAC report has more information about bilateral support (see ¶24).</p>	<p>The harmonisation and alignment processes started by the Rome Declaration and followed by the Paris Declaration on Aid Effectiveness have certainly contributed to bolstering ownership by the country and the willingness on the part of IP to use national procedures and to provide timely data with regard to disbursements.</p>

## **C. Reflections**

63. Harmonisation and alignment has increased with the provision of partnership GBS, which started in 2004 and has been bolstered by the review of the CGAB-PRSP signed in January 2005. The country marked the occasion to confirm strongly its leadership. This leadership is crucial for effective dialogue regarding policy and for improving the effectiveness of aid.

64. At global level, there are clear policy objectives to be made through the Sustainable Human Development Policy Letter, the PRSP and the PRSP PAP. The aims in terms of improving PFM are set out in the SRFP and in the relevant three-year sector action plan. There is also a rolling overall MTEF.

65. As regards the ministerial departments, there are a number of sector policies drawn up and adopted, but they do not cover all sectors. However, the conversion of objectives in financial terms is yet to be done. There are still few operational sector MTEFs based on results-oriented programming. The same goes for performance-based budgeting, for which there is as yet no suitable budget classification.

66. Accounting is carried out according to the usual classifications, but lacks a programme classification. Consequently, normal accounting cannot provide reports in terms of activities and objectives required in the framework of sector support. Financial activity reports can, therefore, only be drawn up through shadow accounts or as part of projects, which explains part of the preference for this aid modality. The CAST (special earmarked account of the Treasury) resolves this classification issue, but has other significant disadvantages.

67. Alignment of ODA to national procedures can only happen if the partners enjoy full mutual trust. The first condition is open and frank dialogue between the partners. The transparency and management of public finances must be improved. Some points that merit particular attention in the framework of the ODA are:

- Authorising officers should be under oath, since corruption is seen more and more as a threat to transparency;
- Independence of justice and auditors should not face untoward pressure of any kind;
- Public finance regulations should be strictly adhered to;
- Adapting the classification to enable budgeting in accordance with performance based budgeting and financial reports under the same terms (action already started);
- Improvement of financial management, including monitoring and speed in processing invoices upon their receipt;
- Unconditional acceptance and observance of regulatory provisions regarding public procurement;
- Transparency in all decisions for exemptions;
- Improvement in the quality of reports.

68. Most of these points are taken into account in the PERs.

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