

Mokoro Ltd

Putting Aid on Budget

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

INCEPTION REPORT

final draft

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Putting Aid on Budget: Inception Report

Contents

Acronyms and Abbreviations	ii
1. Introduction.....	1
2. Study Purpose.....	2
Why Put Aid on Budget?.....	2
Concepts and Definitions.....	2
International Guidelines and Targets.....	5
General Considerations.....	7
3. Approach and Methods	8
Overview	8
Study Components and Timetable.....	8
Country Case Studies.....	9
Literature Review	14
Synthesis Report.....	14
Good Practice Note.....	15
Roles and Responsibilities.....	15
Information Management	16
Reference Groups and Quality Assurance	16
References.....	18
Annexes	19
Annex A: Terms of Reference.....	21
Annex B: Research Framework for Country Reports.....	25
Annex C: Literature Review	31
Annex D: Report Structures.....	33
Annex E: Country Study Teams and Timetable	37
Boxes	
Box 1: Aid and the Budget Cycle	3
Box 2: Different Dimensions of "On Budget"/Capturing Aid	4
Box 3: Different Patterns of Aid Capture – Some Examples.....	5
Box 4: Study Outputs.....	8
Box 5: Key Dates	9
Box 6: Overall Schedule	10
Box 7: Structure of Enquiry/Reports	11
Box 8: Group B Reports Core Structure	33
Box 9: Synthesis Report Core Structure	34

Acronyms and Abbreviations

AAP	Assessment and Action Plans
AOB	Aid On Budget
CABRI	Collaborative Africa Budget Reform Initiative
CFAA	Country Financial Accountability Assessment
DAC	Development Assistance Committee (of OECD)
DFID	Department for International Development (UK)
FMIS	Financial Management Information System
GBS	General Budget Support
GPN	Good Practice Note
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IR	Inception Report
JAS	Joint Assistance Strategy
LR	Literature Review
MOF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
ROSC	Report on the Observance of Standards and Codes
SPA	Strategic Partnership with Africa
SR	Synthesis Report
SSWG	Sector Support Working Group
SWAp	Sector-Wide Approach
tbc	to be confirmed
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme

1. Introduction

1.1 Mokoro Limited has been commissioned by DFID on behalf of CABRI (the Collaborative Africa Budget Reform Initiative) and SPA (the Strategic Partnership with Africa) to undertake a consultancy on “Putting Aid on Budget”. The aim of the consultancy is “to produce outputs which will better equip governments in Sub-Saharan Africa to lead country-level processes to ensure external development assistance (aid) flows are properly reflected in national budget documents, ex ante (budget presented to legislature) and ex post (out-turn accounts)”. Full Terms of Reference (TOR) are at Annex A.

1.2 The TOR 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 (SR) and a Good Practice Note (GPN) based on the research results.

1.3 A first draft Inception Report (IR) was discussed at the CABRI meeting in Mauritius on 17–18 May. This revised draft takes account of comments made there and subsequently/

1.4 The IR demarcates the study in line with TOR requirements, sets out the methodology and outlines the structure of all reports. It is intended to serve as the main operating guideline for the study.

2. Study Purpose

Why Put Aid on Budget?

2.1 The desire to put aid "on budget" reflects a consensus about the ingredients of effective public finance management. In particular it reflects the consensus that government's budget and budgetary reports should:

- **Be comprehensive:** complete information on aid and other resources is required in order to make informed decisions about trade-offs against policy objectives in the budget cycle. A comprehensive view of resources allows for greater discretion in budgeting, and hence promotes allocative and operational efficiency in resource use. Full information on the immediate and medium to long-term government financial obligations associated with aid is also required to support fiscal discipline.
- **Fulfil transparency requirements:** transparency on the source, allocation and use of public resources including aid, is a necessary requirement for accountability to parliament and the public. Transparency requirements also have an internal benefit insofar as they support a disciplined and better informed budget process and the development of capacity in key public finance management processes to produce information in a timely manner.
- **Enable accountability:** this rests on transparency, clear legal frameworks, and the enforcement of consequences. Accountability has several dimensions:
 - fiduciary concerns: are funds spent properly under applicable rules and agreements?
 - management for results: do funds achieve the desired effects?
 - managerial vs. political: are the funded policies appropriate responses to social and other needs? If not, or if implementation falls short, who is accountable, officials or politicians?
 - directions of accountability: accountability in the public sector is multi-dimensional with accountability to executive agencies and parliaments, and overall accountability to the electorate. Public accountability in the aid relationship is also multi-dimensional and not necessarily coinciding. Financing arrangements for aid activities usually have to balance domestic accountability with accountability to donors; donors have to balance their interest in domestic accountability with accountability to their own domestic constituencies; and there is the reciprocal accountability between donors and recipients for making aid effective.

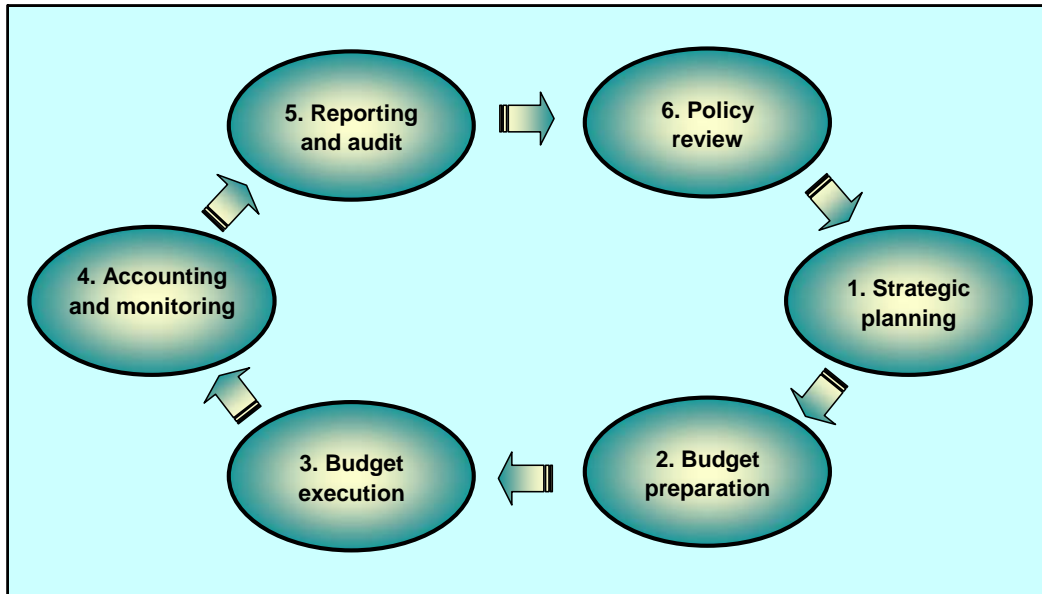
Concepts and Definitions

2.2 For the purposes of this study, "aid" means Official Development Assistance, as defined by the OECD DAC.¹

¹ Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms [if a loan, having a Grant Element (q.v.) of at least 25 per cent]. In addition to financial flows, Technical Co-operation (q.v.) is included in aid. Grants, Loans and credits for military purposes are excluded. (*Development Co-operation Directorate, DAC's Glossary, www.oecd.org.*)

2.3 We have noted the different objectives that motivate bringing aid on budget. Their complexity makes it clear that a simple, legalistic, definition of "on budget" would be unsatisfactory. In practice, aid may enter the equations at each stage of the budget cycle and at each stage there are reasons for wishing to "capture" aid in one way or another – see Box 1 below.

Box 1: Aid and the Budget Cycle



Stage	Relevance of capturing aid
1. Strategic planning	Resource mobilisation; macroeconomic discipline; integration of aid financed and government financed programmes; policy coherence; allocative efficiency.
2. Budget preparation	Resource mobilisation; fiscal discipline; integration of aid financed and government financed programmes; allocative efficiency; policy and spending coherency; spending capacity assessment; financial sustainability, including links between capital and forward recurrent spending; clarity on government's co-financing commitments, scrutiny by executive authorities of trade-offs in view of aid, scrutiny by parliament.
3. Budget execution	Timely aid disbursement, integrated cash flow projections; strengthening of operational planning; strengthening of procurement, commitment and payment systems, lower transaction costs; improved efficiency through coherent programme implementation.
4. Accounting and monitoring	Strengthened accounting systems; integrated financial information; monitoring of and accountability for aid disbursement; monitoring of aid transfers to lower level agencies; comprehensive and integrated monitoring of spending programmes to identify problems early.
5. Reporting and audit	Accountability for budget execution and achievement of policy results.
6. Policy review	Understanding aid effectiveness, and the contribution of aid to overall results (to feed into strategic planning).

2.4 "On budget" is an ambiguous term in itself, and there are a number of related concepts which are also directly relevant to this study. These terms are linked the capture of aid at different phases of the budget cycle, as discussed above. Box 2 shows the terms and the definitions of them that will be used in this study.

Box 2: Different Dimensions of "On Budget"/Capturing Aid

Term	Definition
On plan	Programme and project aid spending integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions.
On budget ²	External financing, including programme and project financing, and its intended use reported in the budget documentation.
On parliament (or "through budget")	External financing included in the revenue and appropriations approved by parliament.
On treasury	External financing disbursed into the main revenue funds of government and managed through government's systems.
On accounting	External financing recorded and accounted for in government's accounting system, in line with government's classification system.
On audit	External financing audited by government's auditing system.
On report	External financing included in ex post reports by government.

2.5 Bear in mind that the budget itself is not a unique concept (there are central and local government budgets, and budget holders at different levels and different agencies of government; budgets appear in draft and revised forms, etc). Aid may be captured at some levels of government and by some budget holders and not others (see Box 3).

² It should be clear from the context if "on budget" is meant in a more general sense than this precise definition.

Box 3: Different Patterns of Aid Capture – Some Examples

Capture point	Case 1	Case 2	Case 3
	A project in Kenya may be managed through separate bank accounts by a project implementation unit, even though parliamentary approval is a legal requirement. This could yield the following pattern.	Irish Aid project in South Africa. Implemented by government units, disbursing through government accounts, but not included in formal budget or documents to Parliament.	General budget support (various) Being on plan depends on how much notice is given by donors. Otherwise likely to be captured in the same way as domestic revenues.
On plan	no	yes	maybe
On budget	yes	no	yes
On parliament (or "through budget")	yes (legal requirement)	no	yes
On treasury	no	yes	yes
On accounting	no	yes	yes
On audit	yes	yes	yes
On report	no	yes	yes

2.6 Whether capturing aid at any of these points will have the desired effects depends on:

- quality of the information (completeness, credibility, disaggregation and detail, etc)
- timeliness and accessibility (who has the information, and at what stage in the relevant process)
- the quality of the information and processes relating to non-aid resources.

Thus the question for the study to address is not simply whether aid is captured in budgets, but how well. Whether aid is well captured will be a contextual judgment, not an absolute one.

2.7 The challenge for this study is to be aware of these important distinctions, but without allowing their potential complexities to prevent the study from arriving at clear and useful conclusions. The study will look at aspects of a country's general budget and aid management systems but only insofar as they impact on the availability and quality of aid information.

2.8 The research and outputs are not aimed at setting out how aid should be reflected on budget under perfect aid and public finance management circumstances. Rather, the aim is to establish how best countries can capture aid under different circumstances regarding levels of aid, aid management sophistication, public finance management sophistication and taking into account development partner guidelines and practices. (See ¶3.7–3.9 below for more on the study's hypotheses about the contextual factors that are most likely to influence the capture of aid in budgets.)

International Guidelines and Targets

2.9 Putting aid "on budget" (in various dimensions) has been identified as an element of good practice in public finance management and an important action point towards greater aid effectiveness.

Fiscal Transparency

2.10 The IMF Manual on Fiscal Transparency stresses that *the accounting system should bring all public transactions to account in a timely way, and cover both domestic and externally financed transactions and all countries (with donor country support, where appropriate) should develop comprehensive and integrated accounting systems covering public transactions, irrespective of the source of financing* (IMF, 2007b: ¶165). It highlights the particular difficulties that arise from special systems set up *to ensure accountability to the donors, usually at the expense of transparency and accountability to the recipient country* (ibid.). However, complete reporting on external financing is seen as a basic requirement of fiscal transparency under the IMF Fiscal Transparency Code. The revised (2007) edition of this code strengthens the relevant standard:

Receipts from all major revenue sources, including resource-related activities and foreign assistance, should be separately identified in the annual budget presentation. (IMF, 2007a: ¶3.1.4, emphasis added).

International Accounting Standards

2.11 More detailed guideline are provided by the International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB), which has undertaken a consultation process on an exposure draft to amend the Cash Basis International Public Sector Accounting Standards (IPSAS) to include additional disclosure requirements and additional encouraged disclosures for recipients of external assistance (International Public Sector Accounting Board, 2006). Recognising the difficulty of recipient governments in collating information from donors on external assistance, the draft reflects the view that reporting requirements for external assistance should be harmonised on the basis of the accounting principles followed by the recipient government.

Paris Declaration

2.12 The Paris Declaration (March 2005) recognises the importance for aid effectiveness of donors aligning with partner countries' national development strategies, and with their institutions and systems, while partner countries commit themselves to making sure that resource management systems are effective, accountable and transparent. Such alignment is aimed at increasing "aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament" (OECD Development Assistance Committee, 2005: ¶II.17).

2.13 Several of the Paris Declaration's indicators and targets reflect the importance attached to using and strengthening governments' financial management systems. Indicator 3 ("aid flows are aligned on national priorities") seeks to increase the proportion of aid flows which are reported on government budgets. Indicators 5a and 5b aim at greater use of governments' procurement and public financial management systems, while Indicator 7 is concerned with making aid more predictable. The OECD DAC 2006 survey of the monitoring of the Paris declaration (OECD Development Assistance Committee, 2006) provides baseline information for 34 developing countries, including all those proposed for inclusion in the present study. This includes, against Indicator 5, separate estimates of the proportion of aid that uses government systems for budget execution, financial reporting, auditing, and procurement.

PEFA Performance Measurement Indicators

2.14 The Public Expenditure and Financial Accountability (PEFA) public finance management (PFM) performance measurement framework also reflects the importance of good information on external development assistance for the effectiveness of government's PFM systems and for aid effectiveness (PEFA Secretariat, 2006). The indicator framework recognises the needs both for government to report on donor funds and for donors to provide sufficient information on their forward commitments, disbursements and the utilisation of funds. Indicator PI-7 measures the capture of income and expenditure information for donor funded projects, even if they are not technically on budget or are managed outside of government's budget management and accounting system. The final section of the performance framework assesses donor practices, looking at the predictability of budget support and the degree to which donors provide financial information for budgeting and reporting on project and programme aid (Indicators D-1 and D-2). The framework also has a separate indicator for the proportion of aid funds that are managed by the use of national procedures (Indicator D-3).

General Considerations

2.15 The undesirable effects of keeping aid off-budget – low integration with government's own spending programmes, duplication of activities, high transaction costs for government agencies, low sustainability, and negative effects on domestic accountability – are likely to be greatest in countries where aid forms a large share of public resources. Weak policy budget cycles and public finance management systems are frequently the cause of keeping aid off budget. Countries with high levels of aid often have weaker systems. Keeping aid off budget in these circumstances, while seemingly appropriate for short term accountability and effectiveness, has serious long-term consequences for the development of sustainable country systems.

2.16 As the Paris Declaration targets imply, bringing aid on budget is a shared responsibility of governments and donors, and this study therefore needs to understand the motives and behaviour of those involved on both sides of the aid relationship. It needs to be aware of the demands for information as well as the supply. Good practice recommendations will be addressed equally to governments and donors.

2.17 As further discussed below, countries' performance in bringing aid on budget has to be assessed in the light of the underlying objectives described in this chapter.

3. Approach and Methods

Overview

3.1 The study requires (and will be greatly strengthened by) a collaborative style of working, in which the government and donor officials engaged in CABRI and SPA will provide important inputs and ensure a practical focus to analysis and findings. There is a tight timetable, starting with preparation of the draft inception report presented to the CABRI meeting of 17–18 May, at least 10 countries to be reviewed (at varying levels of detail), and a Synthesis Report and Good Practice Note to be ready by November. Flexibility will be essential, so as to adapt the work programme en route in a way that takes best advantage of the resources available through CABRI and SPA and responds to feedback from those bodies.

Study Components and Timetable

3.2 Box 4 shows the intermediate and final outputs required from the study, and their due dates.

Box 4: Study Outputs

Output	Dates	Specification
Inception Report (IR)	draft by 15 May (for discussion at CABRI meeting 17-18 May) final IR (incorporating feedback from Mauritius meeting etc) by 8 June	Describes methodology for the study, including key definitions, and the scope of the enquiry, outline structure of all reports and GPN. Includes study work plan and schedule.
Literature Review	mid-May to end-June	This will be a brief survey of existing "good practice" documents, and relevant donor policies and procedures. Not to be separately published – informal working note, and will feed into the bibliography of the Synthesis Report. Note: It is likely that a more extensive literature review, to be published as a free-standing document, will be separately commissioned (see Annex C), also to be completed by 1 November. If so, the main study will also draw on this.
Country Case Studies (at least 10 cases will be written up)	June—October	Five countries will be fully written up as free-standing country reports. Additional cases will be lighter desk studies, but also feeding into the Synthesis Report. All country cases will set out the factual situation as regards putting aid on budget. The fuller studies (Group B) will include a more detailed review and analysis of efforts to bring aid on budget, including the perspectives of government and donor actors involved. The budget allows for special research visits to about four of these countries.
Synthesis Report (SR)	draft: 1 November 2007 final: 2 January 2008	Summary of findings and conclusions from all country case studies, literature review, etc.
Good Practice Note (GPN)	draft: 1 November 2007 final: 2 January 2008	Summary of good practices (for governments and donors) based on the evidence of the study.

3.3 The timetable is shown by the table of key dates below and the work programme chart overleaf.

Box 5: Key Dates

Activity	Date	Milestone
Contract finalised and signed	by 11 May	
Draft Inception Report (IR)	by 15 May	Milestone 1
CABRI regional dialogue (and review of IR)	17–18 May	
IR finalised	by 8 June	
Literature Review	mid-May to end-June	
<i>Stand-alone Literature Review</i>	<i>draft by 30 September</i>	
Country Case Studies	June–October	
4 Group B Country Reports	15 September	Milestone 2
1 Group B Country Report	15 October	
<i>Stand-alone Literature Review</i>	<i>final by 1 November</i>	
Submit draft Synthesis Report (SR) + draft Good Practice Note (GPN)	by 1 November	Milestone 3
Presentation of draft SR + draft GPN	(date tbc) November	
Submit revised SR + GPN	by 2 January 2008	Milestone 4

Country Case Studies

Research Questions

3.4 The Terms of Reference call for two types of country case study, one a set of ‘lighter touch’ studies (Group A countries) and the second a set of more in depth studies (Group B countries). All countries will undergo a Group A study. The Group A study is based on an initial factual scan of the country situation regarding putting aid on budget and reflecting it in the financial accounts. The countries which are likely to be included in Group B have been tentatively identified, but the Group A studies will allow the research team to finalise the selection of Group B taking into account the interest each country holds for the overall study outcome, as well as other practical considerations.

3.5 In designing a methodology three factors were taken into account:

- The need to report on existing country practices and to identify good practices.
- The need to formulate hypotheses about dependent and independent variables to support the description of country practices, the identification of good practices and recommendations on possible country level steps to improve aid transparency.
- The TOR requirement for including at least 10 countries in the study, grouped into Group A (light touch studies) and Group B (more in-depth studies).

3.6 The Group A and Group B grouping, besides being necessary given budgetary constraints, also supports the first factor: the proposal is that both Group A and Group B countries will start the research process utilising a common research instrument aimed at providing a factual scan of practices around putting aid on budget. In Group B countries, the research will go into further depth in order to understand what drives the identified country practices and the effects of efforts to improve aid transparency. Both Group A and Group B country reports will feed into the Synthesis Report and the Good Practice Note, but it is likely that the Group B countries in particular will contribute to the Good Practice Note.

3.7 The research is guided by hypotheses about which factors are most likely to influence the ability of certain countries to capture aid better than others. The hypotheses may be expressed in terms of independent and dependent variables. The research framework identifies four sets of independent variables:

- (i) the spectrum of aid modalities/instruments that are used within a country;
- (ii) the level of development support a country receives compared to domestic revenue;
- (iii) the sophistication of aid management practices in the country (including mechanisms for managing and coordinating aid flows within the context of the budget process, and the degree of aid predictability that is achieved); and
- (iv) the level of sophistication/effectiveness of a country's overall PFM systems (as well as their technical and fiduciary standards, their ability to address resource flows in a medium-term context is likely to be an important dimension).

An important question for the research is whether it is the lack of formal systems that impairs the quantity and quality of aid information that is captured or whether information flow is poor on account of informal practices underpinned by non-aligned incentives, motivations and interests.

3.8 The dependent set of variables is the degree and quality of transparency on development support that the country has achieved (specifically, its success in capturing aid on budget in useful ways).

3.9 Each of these sets of variables unpacks into different factors and research questions. There are existing commonly accepted conceptual frameworks for each of the identified variable sets which have been utilised to draw up the research framework. The proposed main research questions are set out in Annex B. Box 7 shows the main issues, and also the proposed structure of Group A reports.

Box 7: Structure of Enquiry/Reports

Section A: Country Context (*bullet-point text, no more than 4 pages*)

The aim in this part is to identify key characteristics that are relevant to the "aid on budget" issue. This will include:

- A1** A note on **key information sources**
- A2** **Country institutions:** structure of government and the main institutions for planning, budgeting and budget implementation.
- A3** **Aid context:** overview, of aid flows, their importance, the aid modalities/instruments in use, and the main donors active.
- A4** **Institutions for aid management:** government, donor and joint donor/government structures and procedures for aid management.
- A5** **Legal and practical framework for budgeting:** legal requirements and actual practice, including the budget calendar, budget structure and classification, accounting and reports, any special provisions for the incorporation of aid, key weaknesses and any recent or pending reforms.

Section B: Evidence and Assessment of Aid Capture

This is the core of the enquiry and the report. The matrix below shows the structure of enquiry/reporting against each dimension of aid capture (for detailed issues under each heading, see Annex B). For Group B countries there will be additional work to assess the quality of capture, and, especially, to explore reasons for success or failure in capture.

	Dimension	Evidence of Capture (what is captured?)	Quality of Capture (how well? how useful?)	Explanations (why/why not?)
B1	on plan			
B2	on budget			
B3	on parliament			
B4	on treasury			
B5	on account			
B6	on audit			
B7	on report			

Section C: Reflections

Researcher reflections on what works, what doesn't and why. To include:

- Identifiable patterns in the Section B findings, and possible explanations for these.
- Particular examples of good practice.
- Particular examples of bad practice or reforms that do not work.
- Possible recommendations (at country level or wider).
- Issues to be followed up in further work (especially where a fuller Group B report is to be prepared).

3.10 This framework will be used to produce Group A level country reports for all the countries in the study. The Group A report – see fuller outline in Annex D – is intended to be a factual report: where judgements are called for (for example indicating the quality of capture) clear criteria will be provided to assist country researchers to provide answers that are comparable with results from other countries. As far as possible the research will make use of the PEFA PFM Performance Measurement Framework questions and other existing reports. The Group A reports will take the above research framework as far as can be done using existing documentation and a low level of additional research, for example questioning the CABRI senior budget official and other identified key sources, including donor representatives who have agreed to facilitate.

3.11 The Group B studies will delve deeper in a selected number of countries to determine why, given the state of play around aid and budget management systems and the level and types of aid support, a country succeeds or fails to reflect aid sufficiently on budget (the why/why not column in Box 7). The study will attempt to understand the interplay between formal and informal systems (including political economy dimensions) surrounding aid transparency and specific mechanisms used to overcome challenges. While the Group A studies will therefore provide some examples of best practices for the GPN, the Group B studies will provide more opportunity to engage with what works and what does not. The types of question that will be asked will include:

- What aspects of the structures and processes that manage aid information contribute towards the production of timely, full, accurate and useful information for inclusion on

budget and in government's accounts? What are the weaknesses that detract? What are the obstacles/weaknesses within the overall system (on both the donor and the government side) that need to be addressed through the aid management system to improve the capture of aid at various stages in the planning and budget cycle? What are the innovations within the overall system that contribute to improving the quality of information on budget on aid?

- What has contributed to clear and enforced (or followed) roles and responsibilities of both state and donor actors and different actors within the state (compared to other countries in the study)?
- Does the way in which aid information is reflected on budget and in government's financial accounts or on reports contribute to improved aid management/budget management (or improved accountability for aid spending)? If so, how?
- What challenges have been identified (by the government and by donors) and how have they been addressed? Were these attempts successful and if not, why not?

3.12 The Group B studies will be based on a more thorough collection of information. As such there would be more interaction with government and donors on the ground and more thorough analysis of efforts to bring aid on budget or reasons for the absence of such efforts. The Group B studies will not necessarily require an additional formal set of questions, but would rather employ a more open research framework that can be adapted to specific country circumstances.

Choice of Case Study Countries

3.13 Criteria for grouping countries either as Group A or Group B countries centres on research and pragmatic considerations. It is important that a spectrum of countries is reflected across the following dimensions:

- Level of total aid receipts against domestic revenue
- Types of aid modalities in use
- Level of progress on aid management institutions and alignment and harmonisation agendas
- PFM arrangements, particularly:
 - quality of budget documentation
 - dual budgeting or single budgeting systems
 - basic or advanced classification systems
 - weak or strong policy budgeting systems
 - weak or strong predictability and control in budget execution
 - weak or strong accounting, recording and reporting systems, including the existence and use of a financial management information system (FMIS)
 - weak or strong external scrutiny and audit.

3.14 The countries selected for the study, and in particular Group B countries, would need to represent good coverage of these dimensions. In addition, countries where there are existing efforts to bring aid onto budget documentation would be preferred choices for inclusion in Group B on account of the opportunities for learning. However, pragmatic considerations are that the Group B countries would require a high degree of ownership and involvement from government side, reflected in the collaboration through CABRI. It would preferable for the Group B countries to come from the group of CABRI countries that have already indicated their

desire to be part of the study. In addition, given the budget constraints, there will be some attention to selecting Group B countries from among those where Mokoro Limited has or can identify strong country researchers, who can undertake a thorough Group B research effort in a minimum amount of time. This would be particularly true if a country's interest makes it a logical Group B choice, but the country has not indicated interest in the study yet.

3.15 Taking into account these factors, the current listing of countries and their initial grouping is:

<u>Group A</u>	<u>Group B</u>
Burkina Faso ³	Ghana
Ethiopia	Mali
Kenya	Mozambique
South Africa	Rwanda
Tanzania	Uganda

3.16 This list and the grouping are subject to review. Both overall, and among the proposed Group B countries, there is a good range of geographical locations, administrative/linguistic inheritance, and degrees of aid management and PFM sophistication. The proposed Group B countries include several where concerted efforts to bring aid on budget offer scope for learning. The additional Group A countries include a number of large aid recipients and some with federal systems.

3.17 Despite this initial grouping, it would be important to leave the finalisation of the grouping open further into the process, as the initial country scan results may require inclusion of specific countries in one or the other group. The proposal to do a similar basic study for both Group A and Group B countries provides the flexibility to finalise the grouping with more information at hand.

3.18 The first countries to be worked on will be South Africa, Ghana, Mozambique and Ethiopia. These include countries that the Synthesis Team members (see below) themselves will be researching. Experience from Group A research in these countries will thus feed into the guidelines for the later ones and for Group B reports.

Literature Review

3.19 The preparation of Group A and Group B country case studies will take place at the same time as the preparation of a literature review. The basic literature review will comprise a brief survey of existing "good practice" documents and relevant donor policies and procedures. This will not be published separately, but will be an internal working note aimed at supporting the Synthesis Report. (However, it is hoped that a more extensive literature review, to be separately published, will also be commissioned – see Annex C.)

Synthesis Report

3.20 The Synthesis Report will draw on the country studies and the literature review. It will present a summary of the facts presented by the Group A and B country studies, (including country summaries and cross-country tabulations of key findings); a discussion of cross-country findings regarding the factors that assist in or detract from countries' ability to include aid on

³ Substituted for Guinea at the inception stage, as having more, and more accessible, experience to review.

budget, and recommendations on necessary steps by countries and donors to improve the coverage of aid on budget.

Good Practice Note

3.21 The Good Practice Note will distil good practice advice from the SR. It will focus on the reasons why capturing aid in budget processes is important, and give practical advice to both donors and governments on how such capture can be strengthened over time. Cases where the GPN reinforces or modifies existing good practice guidelines will be highlighted (recognising that the appropriate approaches will vary with country contexts and over time). It will include recommendations on how progress in capturing aid on budget can be monitored.

Roles and Responsibilities

3.22 The study will be undertaken by Mokoro Limited consultants supported by in-country teams, particularly the designated CABRI senior budget official and volunteer donor contacts. The latter two groups are crucial to facilitate and augment the work of the researchers, to ensure a practical focus for the research and to help ensure dissemination and buy-in for the findings and recommendations. The research team for each country will therefore consist of the CABRI senior budget official, the country researcher and the designated donor representative. Annex E shows the research team and timetable for each of the study countries.

3.23 The work will also be supported by in-country reference groups and an overall reference group.

Synthesis Team and Country Researchers

3.24 At the core of the Mokoro team is the synthesis team, consisting of Stephen Lister (team leader, lead author of SR and GPN), Alta Fölscher (deputy team leader and country reports for South Africa and Kenya), Rebecca Carter (research coordinator and literature review), Mary Betley (PFM specialist and country reports for Ghana and Mali) and Rupert Bladon (financial management specialist and country report for Ethiopia). The team is responsible for the research methodology and framework, guidelines to country researchers, the collation of responses and drafting of the Synthesis Report and the Good Practice Note.

3.25 The synthesis team is augmented by additional country researchers, where required. These researchers are selected on account of their significant existing knowledge of the country. There is scope to commission additional work by local researchers if required.

3.26 Country researchers, including the members of the synthesis team with responsibilities for country reports, are responsible for liaising with the CABRI senior budget official for the collection of documentation; interviews with the CABRI senior official and other key sources to source additional information and the drafting of an initial Group A country report (see Annex D for format). Where country researchers have responsibility for a Group B country, follow up interviews with further officials at central and line ministry level and with country donor representatives would need to be undertaken. Country researchers in these countries then need to draft a more comprehensive Group B report, incorporating the earlier Group A report.

CABRI Senior Budget Official

3.27 The designated CABRI country-based senior budget official is a critical link in the study. The official will be critical in guiding the country researcher, ensuring access to documents and people, facilitating the review group and taking the work further. Her/his responsibilities will include liaising with the country researcher – either in person or by phone, fax and e-mail; reviewing all research plans and outputs; collecting and facilitating the collection of all relevant documentation; sourcing and verifying additional information; facilitating further interviews or e-mail exchanges that are required with other officials. For Group B countries the senior budget official will be an important partner in the research, guiding the research agenda; directing the country researcher to key informants; accompanying the country researcher to some interviews and acting as a discussant with the researcher on the results and follow-up actions required as the research unfolds. The CABRI senior budget official will also be responsible for facilitating a system of internal review of draft outputs, including putting together and managing a reference group. It is hoped that in the long term the CABRI official will take the work forward by disseminating the study findings.

Volunteer Donor Representatives

3.28 Key donor representatives – such as DFID economists in some of the study countries – will play a similar role to the CABRI representative, but from the donor side. The representative will disseminate information about the study and expected outputs to the in-country donor community. She/he will guide the researcher to engage with key country donors, particularly those who have made efforts to put aid on budget or present aid information in country-compatible formats or those who are less enthusiastic about the alignment and harmonisation agenda, and facilitate the researcher's access to donor-driven documentation and to key donor representatives. Although the formal review responsibility for the Group A and Group B reports rests with government, the donor representatives will comment on research plans and drafts for the study. The donor representative will provide updates on the study to the donor community and assist in disseminating the results.

Information Management

3.29 The core management team will be Stephen Lister (team leader), Alta Fölscher (deputy team leader), and Rebecca Carter (research coordinator).

3.30 Team communications will be facilitated by the establishment of a restricted web page on Mokoro's website. This will act as a common reference point for guidelines and other shared material, and allow team access to all working drafts. When drafts reach the stage where broader comment is invited, they will be posted on the public CABRI web site, and emailed to selected reviewers.

3.31 Brief monthly progress reports will be provided by the team leader to the DFID Task Manager and overall reference group.

Reference Groups and Quality Assurance

3.32 In addition to the research teams and information management team, a reference group will be constituted for the study overall, including SPA and CABRI representatives. This will operate informally, through e-mail. Similarly informal reference groups will also be established at country level at the start of the research, to ensure country ownership of the research results.

3.33 Reference groups will play an important role in quality assurance. In addition, the synthesis team will ensure consistency in approach among the country studies. Informed specialists, in addition to members of the reference groups, (e.g. IMF and OECD DAC staff) will be invited to review key drafts.

References

A fuller bibliography will be prepared as part of the Literature review described in Annex C.

- International Monetary Fund (2001). *Manual on Fiscal Transparency*. Prepared by the Fiscal Affairs Department. (March 23 2001). Washington D.C.: IMF.
- International Monetary Fund (2007a). *Code of Good Practices on Fiscal Transparency*. Washington D.C.: IMF.
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- International Public Sector Accounting Board (2006). *Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance*. Exposure Draft 32. Proposed Amendment to International Public Sector Accounting Standard – Financial Reporting Under the Cash Basis of Accounting. (November 2006). New York: International Federation of Accountants.
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Annexes

Annex A: Terms of Reference	21
Annex B: Research Framework for Country Reports.....	25
Annex C: Literature Review	31
Annex D: Report Structures.....	33
Annex E: Country Study Teams and Timetable	37

Annex A: Terms of Reference

FINAL TERMS OF REFERENCE

Consultancy on “Putting Aid on Budget”

The Objective

1. The aim of the consultancy is to produce outputs which will better equip governments in Sub-Saharan Africa to lead country-level processes to ensure external development assistance (aid) flows are properly reflected in national budget documents, ex ante (Budget presented to legislature) and ex post (out-turn accounts).

Deliverables

2. The most important outputs to be produced are
 - A draft Synthesis Report which will draw from country experience with putting aid on budget.
 - A draft Good Practice Note on putting aid on budget, addressed to aid donors as well as to partner governments.

A series of short Country Reports will also be produced.

The Recipient

3. The work aims to help Sub-Saharan countries which received substantial aid flows. It is conducted for the Strategic Partnership with Africa (SPA) Sector Support Working Group (SSWG) and the Collaborative African Budget Reform Initiative (CABRI), jointly.
4. The SPA is a forum of donor agencies and selected African Governments which discusses aid effectiveness. It was launched in 1987 and is currently in its seventh cycle (2006-8). The SPA has 3 Working Groups. As at February 2007, the Co-Chairs of the SPA’s SSWG are Steve Pierce (USAID), Monique Bergeron (CIDA) and Eddie Addai (Ghana, Ministry of Health).
5. CABRI is a voluntary network of senior budget officials in African governments interested in budget reforms. As at February 2007, CABRI had members in 26 countries.

The Scope

6. The draft Synthesis Report and Good Practice Note will draw primarily from country experience with putting aid on budget from reviews of experience in two groups of African countries
 - (i) Group A countries, for which a “light touch” review will be used. This review will examine official documentation supplemented with a few telephone or email consultations with selected officials or other country-specific experts.
 - (ii) Group B countries, for which a deeper review will be used, possibly including a short country visit by the consultant where this is expected to yield particularly valuable extra information on country experience.
7. Countries for Group B will be selected by the consultant in consultation with the CABRI Secretariat (and DFID) from the list of those which have expressed interest in participating in the study. In those countries from the list not selected for Group B, a Group A review will be conducted. As at end-March 2007, representatives from 7 countries (Kenya, Ghana, Mozambique, Rwanda, South Africa, Mali, Guinea) had indicated to CABRI Secretariat their interest in participating. It is possible that a few more countries may also express their interest

in participating before the consultancy begins. It will be important to include Tanzania, Uganda and Ethiopia in either Group A or Group B. It is expected that the total number of countries (Group A plus Group B) will not greatly exceed 10, but that at least 6 countries should be in Group B and that adequate coverage will be given to Francophone as well as Anglophone countries..

8. In countries which have indicated to CABRI Secretariat their interest in participating in the study, it is expected that a “Lead Official” will agree to be the consultant’s main contact point to facilitate execution of the country review, including by responding promptly to telephone and email queries.
9. The draft Synthesis Report and draft Good Practice Note should also take account of
 - (a) a literature review of country experience (including from outside Africa) on successful processes to ensure aid is properly reflected in national budgets.
 - (b) Consultation with International Federation of Accountants (IFAC) about their International Public Sector Accounting Standards Board (IPSASB) “Financial Reporting Under the Cash Basis of Accounting -- Disclosure Requirements for Recipients of External Assistance” (Exposure Draft 32).

Method

10. For each country reviewed under para 6 above, the consultant will produce a factual Country Report, which will be annexed to the draft Synthesis Report. For Group A countries, a short country report will be required, whose structure will depend on the experience of the country.
11. For Group B countries, the consultant will produce a more detailed Country Report. This will be based on
 - (a) collection of information from countries by means of (i) a carefully focused short questionnaire, and (ii) collation of documentation including
 - relevant budget legislation, procedures and regulations;
 - Budgets as approved and supporting documents;
 - out-turn accounts (audited or unaudited);
 - full details of arrangements (electronic or hardcopy) for donors to submit information ex ante or ex post;
 - relevant reports produced by government or other bodies which addresses the issue of putting aid flows in the budget etc,
 - any documentation (reports, procedures etc) produced by the government explaining or reporting on how aid donors should provide planned aid disbursement information for national or sectoral planning purposes and how this information is reflected in preparation of the annual Budget.
 - (b) analysis of the submitted country information.
 - (c) follow up enquiries by telephone, email and possibly by meetings during a country visit.
12. The Group B Country Report should be a factual summary, including what the country’s legislation and procedures require, how expected aid flows are incorporated in budget negotiations between finance and line ministries, what key challenges have been identified by the government in the past, what steps were taken to address these challenges, what outcomes were observed, what lessons were learned about what worked and why (and what did not

work and why not) etc⁴. The consultant should seek country-level comments on the draft Country Report, [including from the IMF Resident Representative], and revise it so as to finalise a version which is acceptable to the Lead Official.

13. In Group B countries, if the Lead Official requests it, the consultant should also produce a short “Consultant’s Observations” annex to the Country Report. The Consultant’s Observations annex will allow the consultant to make suggestions about what next steps the government might consider taking, in the light of the analysis. This annex will not need to be agreed at country level.
14. In Group B countries, it is expected that the Lead Official will agree to be responsible for ensuring more extensive collaboration and co-operation with the consultant than in Group A countries, including
 - (a) provision of documentation,
 - (b) prompt response to questionnaires and follow-up queries,
 - (c) facilitation of contact with other stakeholders in country as needed (e.g. other government officials, representatives of key donors), for instance during country visits by the consultant (in the subset of Group B countries selected for country visits).
 - (d) coordination of country-level consultation on draft Country Reports and feedback to the consultant as required.
15. The quality and credibility of the Synthesis Report and Good Practice Note will depend significantly on what information can be collected from reviews in Group A and Group B countries. In Group B countries particularly, the usefulness of the review process will depend substantially on the level of collaboration from the Lead Official. In order to maximise high-value information from country reviews while at the same time not exceeding the budget ceiling (£93,000) will require
 - (a) careful selection of countries for Groups A and B (and for country visits in Group B), not least to ensure a range of different experiences are captured.
 - (b) some flexibility to make mid-consultancy adjustment to the planned country review processes in the light of evolving prospects for efficient and productive country reviews.
16. An Inception Report should be produced. This should describe the methodology for the study, the questionnaire for Group B countries, and a proposed work plan including for each of the country reviews. It should also outline what the Lead Official in each of the countries might be expected to do to facilitate execution of the consultancy. During a CABRI meeting in Mauritius on 17-18 May 2007, the Inception Report and work plan will be discussed with representatives from the countries which have expressed interest in participating to the CABRI Secretariat, and confirmation will be sought of their willingness to meet these expectations. If these discussions lead to amendment to the work plan (e.g. in allocating countries between Group A and Group B, and in the country review process proposed for each Group B country) the consultant may need to produce a revised Inception Report.

Reporting

17. The Reporting outputs are
 - (a) Inception Report submitted to CABRI Secretariat (copied to DFID) by 8 June 2007.

⁴ Although the primary focus of the consultancy is on the data regarding aid flows reflected in the annual budget, where countries collect information for this as part of a multi-year expenditure planning framework the Country Report should reflect this.

- (b) Draft Synthesis Report (with annexed Country Reports in a separate volume) and draft Good Practice Note, submitted to CABRI Secretariat (copied to SPA SSWG CoChairs and to DFID) by 1 November 2007.
- (c) Presentation to CABRI members of draft Synthesis Report and draft Good Practice Note at a Workshop (at time of CABRI Annual meeting, November 2007), and facilitation of discussion of the drafts.
- (d) Revised versions of draft Synthesis Report (with annexed Country Reports in a separate volume) and draft Good Practice Note, revised in the light of discussion at CABRI Workshop and comments from SPA SSWG CoChairs, DFID, CABRI Secretariat and key referees to whom they submit the drafts (e.g. IMF Fiscal Affairs Department and Africa Department; OECD/DAC Joint Venture on Public Finance Management CoChairs) to be submitted to CABRI Secretariat (copied to SPA SSWG CoChairs and to DFID) by 2 January 2008.

DFID Coordination

- 18. The Senior Economic Adviser, Pan Africa Strategy Department (currently Peter Dearden) will be responsible within DFID for technical liaison with the consultants, although the contract will be through DFID's Procurement Group.

Background

- 19. In most low income African countries committed to poverty reduction the volume of aid is significant in relation to total public expenditure. Donors have agreed to align their support on partners' national development strategies (Paris Declaration para 16). Yet a very significant part of the existing aid flow is not properly reflected in the partner governments' annual budgets presented to national legislatures. This makes it harder for governments to adjust resource allocation between sectors or within sectors so as to raise the overall quality of expenditure and ensure it is well aligned with the national poverty reduction strategy. These problems may grow, to the extent that donors meet their commitments to "scale up" aid volumes.
- 20. In order for aid flows to be properly reflected in the budget both governments and donors need to take action⁵. Governments need to give clear signals to donors about what information they need from donors and when, and donors then need to comply with these requests. Governments need capacity to analyse and use the information and donors need capacity to provide it. Planning to improve the comprehensiveness of the budget also needs to recognise the political economy tensions between different stakeholders on the government side and among donors, for instance between sector ministries and central ministries.
- 21. Action to bring aid on budget will typically need to be complemented by improvements also in sector strategies, plans and programmes, implementation capacity, aid predictability, monitoring and evaluation, policy analysis etc. But ensuring aid flows are properly reflected in the budget is an essential ingredient in improving accountability, and the transparency and effectiveness of aid.
- 22. The requirements which must be met for aid flows to be "properly reflected in the budget" will vary significantly between countries (and may be evolving over time), reflecting differences in budget legislation, regulations, institutional structures and reform processes. There are also differences between countries in the meaning of "on budget" and "on treasury".

⁵ This fact has been recognised in the design and analysis for Indicator 3 in the Paris Declaration 2006 Survey.

Annex B: Research Framework for Country Reports

The following framework is meant as both a structure for the first round of country reports and a guide to the issues the reports should address.

It is organised in three main sections (A: context; B: analysis; C: reflections) with sub-questions within each. Researchers should use their discretion in organising material. This is not intended as a rigid questionnaire, and it is not essential that researchers respond in a matrix format, but they may do so if desired. It is also acceptable if responses are in bullet form. Researchers should use annexes for longer explanations or to append key material (so that the central team can see key evidence without having to trawl through all the source documents).

Section A: Country Context

The aim in this part is to identify key characteristics that are relevant to the "aid on budget" issue. Long descriptions are not required, but include references to the best source documents for further information. Use annexes for concise supplementary information.

A1 A note on key information sources

This section is included to highlight key sources: it provides the country and central research team an opportunity to take stock of the materials available up front. It will also provide an ex post opportunity to comment on the quality of information available and major gaps. **A full list of references needs to be annexed.**

<p>What reports and other key documents are available?</p> <p><i>(The research coordinator will provide researchers with all documents already collected)</i></p>	<ul style="list-style-type: none"> • Laws and other key documentation of country systems • Standard diagnostics: e.g. Report on the Observance of Standards and Codes (ROSC); Country Financial Accountability Assessment (CFAA), Assessment and Action Plans (AAP), PEFA • Other diagnostics/monitoring: e.g. Public Expenditure Reviews (PER) and tracking studies; Paris Declaration monitoring reports etc; Division of labour exercises, or similar; • Country level reports on aid flows (by govt/ donors/jointly) • Etc
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A2 Country institutions:

<p>What is the structure of general government?</p>	<p>Indicate how many levels of government there are, nature of the political system, and the degree to which the budget is contested.</p>
<p>How is responsibility for planning and fiscal management structured?</p>	<p>Describe very briefly how responsibilities for planning and budgeting are shared between structures at the centre of government and between the centre and the line. Please comment briefly on the level of fiscal decentralisation / devolution.</p>

A3 Aid context: overview of aid flows, their importance, the aid modalities/ in use, and the main donors active.

This section should be used to provide the broad contours of external assistance to the country. Researchers are **not** expected to collect accurate data on how much aid is provided in which modality or instrument or type. However, researchers should indicate whether all modalities are used and which modalities are more commonly used; whether significant aid is provided in kind; and whether grants and loans are used and in which proportion.

(Research coordinator will provide the standard information that is available from OECD DAC records, etc)

<p>Key Issues:</p> <ul style="list-style-type: none"> • Level of aid dependence • Which donors are active and their relative importance • Relative importance of loans/grants • Are other forms of "aid in kind" – e.g. food aid – important? <p>Different aid modalities in use (e.g. budget support, project aid, basket funds etc) and <i>approximately</i> their relative importance.</p>	
<p>A4 Institutions for aid management: government, donor and joint donor/government structures and procedures for aid management.</p>	
<p>What structures manage aid? At central level and at spending agency / sub-national level?</p>	<p>Describe briefly what government structures are in place to manage aid flows, both at the centre and the line. Note what their respective formal responsibilities are and briefly whether in practice these responsibilities are met. What is their capacity? How do they link?</p>
<p>What are relevant donor structures for managing aid?</p>	<p>Describe any structures and initiatives that have been set up, including arrangements that operate in specific sectors. Is there a Joint Assistance Strategy (JAS)? Active donor groups (e.g. around General Budget Support (GBS), sector-wide approaches (SWAs), Paris Declaration)?</p>
<p>What are the procedures for managing aid?</p>	<p>How does the management of aid work in practice? Which institutions/procedures are most important (this may vary by sector and/or donor) and has documentation and alignment of aid been a matter of concern to government and donors?</p>
<p>A5 Legal and practical framework for budgeting:</p>	
<p>This section should describe legal requirements and actual practice, including the budget calendar, budget structure and classification, accounting and reports, any special (legal or administrative) provisions for the incorporation of aid, and any recent or pending reforms.</p>	
<p>What are the legal requirements for managing the budget, and managing aid?</p>	<p>Very briefly state what the legal framework is for the budget itself. Briefly outline what, if any, explicit or implicit provisions are made by law or regulation for how aid should be treated. Are they commonly followed?</p>
<p>What are the main problems in budgeting and PFM?</p>	<p>State very briefly, using existing sources, what is considered to be the main shortcomings of the PFM system. Identify major problems relevant to capturing aid in budget formulation, budget execution, accounting and auditing.</p>
<p>What is the budget structure and classification structure?</p>	<p>Briefly outline how the budget is structured and classified, highlighting issues of importance for including aid in the budget.</p> <p>Highlight the:</p> <ul style="list-style-type: none"> • budget structure: <ul style="list-style-type: none"> – recurrent and capital/investment budgets – other structural divisions (e.g. special funds, budgets devolved to local governments) • budget classification: <ul style="list-style-type: none"> – quality of budget classification (see relevant PEFA indicator, PI-5) <p>Can the system assign different revenue codes to different aid sources and track them to particular expenditures?</p>
<p>What is the budget calendar?</p>	<p>Very briefly outline the budget calendar.</p>
<p>Are there any pending reforms?</p>	<p>Note if there are any recent/ongoing/imminent reforms.</p>

Section B: Evidence and Assessment of Aid Capture

This is the core of the enquiry and the report.

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?

The matrix below shows the structure of enquiry/reporting against each dimension of aid capture. For Group B countries there will be additional work to assess the quality of capture, and, especially, to explore reasons for success or failure in capture.

In all dimensions it may be necessary to distinguish between sectors, donor agencies, aid instruments/modalities, etc.

	Dimension	Evidence of Capture (what is captured?)	Quality of capture (how well? how useful?)	Explanations (why/why not?)
B1	on plan	Note any evidence that aid is captured at the strategic planning stage at national/sector/ministry/agency level and integrated into strategic planning.	Does strategic line ministry and/or central ministry documentation (such as strategic plans, budget submissions, sector PERs or MTEF submissions) show that aid was taken into account when assessing past performance and mapping out forward strategies and plan? Is that common across government or only in some sectors? Is all aid captured when it is on plan, or only some (check for different modalities)? When is aid information available to whom if it is on plan? How effective is the documentation in the planning budgeting cycle?	<p>For all dimensions:</p> <p>Common ways of approaching explanations for success or failure of capture are to analyse where problems are most commonly, or solutions are found most commonly: in the aid management system, in the PFM system or in the interface between them, or in combinations of all three? To what degree are inadequate practices driven by (and solutions are found in) formal systems (legal difficulties; lack of rules and instruments; disparate calendars; lack of</p>

B2	on budget	Note any evidence that aid is captured in official budget documentation. Official budget documentation refers to documentation that is submitted to parliament connected to the executive's budget proposal.	How much aid appears in budget documentation – how complete is it? How credible is the information? Is it aggregated or disaggregated in useful ways? Is it classified similarly to government's own spending and shown against it? Is there comparative information for the past (budgeted and actual aid) and forward projections? Even if information is captured does it arrive in a timely manner to be useful in the budget process?	coordination; lack of capacity and systems) or informal systems (informal rules, incentives, specific interests and attitudes) and what are the connections between these? Why are some instruments or modalities captured better or worse, and are the underlying reasons constant? Do explanations lie in the different approaches/requirements of different donors?
B3	on parliament	Note any evidence that aid is approved by parliament.	For aid that is part of the appropriation process, how complete, credible, useful is the information? Even if parliament does not formally approve aid, how does it engage with information that is on budget or other information on aid flows? (The quality of parliamentary review of the budget as a whole will be crucial background.) Does parliament at any point approve any aid flows and how is that information reflected on budget if approval occurs outside of the budget process?	
B4	on treasury	Note any evidence that aid is disbursed through the Treasury . Researchers can use the 3 channel typology: aid that is disbursed through the central treasury (through the same accounts as domestic funds, or through other regular funds under control of the Treasury); aid that is disbursed through line ministries and through accounts that are government accounts, but not under control of the Treasury; aid that is disbursed through donor units linked to ministries (Treasury or others) but through accounts that are under control of the management unit rather than the government.	Key question is how predictable is aid disbursement: it would be important here to understand whether line ministries have more or less predictability, depending on whether the aid is disbursed through parallel systems or through the treasury (Channels one to three). What information is available on disbursement in the system: who has the information, when and in what formats. Is the information published at any point – e.g. a reconciled table of budgeted aid, aid disbursed and aid used?	

B5	on account	Note any evidence that aid is accounted for using the country's accounting system.	Key question here is the extent to which aid is captured in the government's accounts? Does the accounting system allow for expenditure to be classified by source (main revenue account or other sources)? How does this relate to the three channels used for disbursement and to whether aid is on budget or not? How do the three channels relate to reporting responsibilities, by whom to whom? Are these followed, if not why not? Is there useful internal financial reporting on aid flows? How complete is it, how timely and accessible is it?
B6	on audit	Note any evidence that aid is included in government's audit reports.	Who audits aid? How much of it and what types (by instrument, modality or disbursement channel) is audited by government systems? How complete is audit information on all aid? How timely is it? How credible is it? What is the access to it: who has audit reports on aid and when? What specific efforts are there to bring audit information into government reports?
B7	on report	Note any evidence that aid is reported in official government ex ante and ex post financial and non-financial reports.	What external reporting occurs on aid? If government has ex post financial and non-financial reports, how complete is the aid information in it? Is it provided in a useful way, i.e. so that stakeholders can assess how effectively it has been used? Is the reporting timely? Is the information credible/audited? Is there comparative information for a number of years so that trends can be assessed?

Section C: Reflections

This section is for researcher reflections on what works, what doesn't and why. It could include:

- Are there any patterns of capture point combinations across different instruments, modalities, sources of aid?
 - cf. Box 3 in the main Inception Report. Are there common ways in which aid is captured? e.g. is it generally not on plan, but on budget and on parliament? or is it not on treasury or on account, but is on report? Why do any such patterns occur? Are there some patterns that deliver better internal/public information on aid? Is this related to specific efforts to improve information or because of automatically becoming more visible?
 - Discuss where (at which point of the budget cycle) the weaknesses are most significant given overall requirements of aid effectiveness?
 - Discuss where practice is the strongest in the budget cycle?
- Particular examples of good practice? (What would be good to cite in the Synthesis Report? Half -page boxes summarising key experience could be very useful.)
- Particular examples of bad practice or reforms that do not work? (again possible boxes?) Are there patterns of failure that suggest what not to do, or which demonstrate that certain (missing) ingredients are key?
- What – from the country case study – improvements of information flows on aid in the budget cycle are the most important to address common aid effectiveness and aid management problems? In other words: what is a core set of aid information that should /could be captured at the various points, how, and who should have the information when? Take into account the current state of PFM and aid management.
- Possible recommendations (at country level or wider).
- Things to follow up, and how. (NB proposed research directions for a possible Group B report.)

Annex C: Literature Review

Basic Literature Review

1. The basic literature review will:
 - (a) Document existing good practice guidance that is relevant to the incorporation of aid in recipient country budgets (e.g. any direct or indirect references in OECD DAC guidelines, IMF recommendations, treatment in the PEFA analytical framework, guidelines under development by the International Federation of Accountants (IFAC) etc.).
 - (b) Review the applicable policies and guidelines of the major multilateral and bilateral donors as these affect the incorporation of their aid into government budgets.

Expanded Literature Review

2. It is possible that a more extensive literature review, to be published as a free-standing document, will be commissioned by another aid agency. If so, this publication will be a maximum of 30 pages, excluding a full bibliography and annexes (if appropriate). As well as covering points (a) and (b) above, it will:
 - (c) Seek and document relevant experiences of efforts to capture aid in government budgets. This will focus mainly on countries that are not case-studies for the main Aid on Budget consultancy, including countries from outside Africa. It is expected that relevant material will mainly be found in the documentation of harmonisation and aid coordination efforts at country level.
3. In covering point (b), the expanded literature review will be more thorough (in terms of the number of agencies surveyed and the systematic write-up of findings). It is expected that the aid agencies to be covered in the review of stated policies relevant to the incorporation of their aid in country budgets will comprise:
 - The World Bank and the main regional development banks.
 - A sample of UN agencies (UNDP, Unicef).
 - The European Commission.
 - The principal bilateral aid agencies (say, the top ten bilateral donors by volume of ODA).
4. The expanded Literature Review will not involve any additional primary research, but it will aim to gather relevant experiences from a range of countries wider than the core African countries. It will include a check for existing literature relevant to the "aid on budget" issue in the following specific countries:
 - Africa: Senegal, Botswana
 - Asia: Bangladesh, Vietnam
 - Latin America: Nicaragua, Bolivia
5. The preparation of the literature review in parallel with the main study is expected to considerably enhance the Synthesis Report, and strengthen the evidential base for the Good Practice Note, as well as producing a report of significance in its own right.

Annex D: Report Structures

Country Reports

Group A reports

1. The guidelines on Group A reports are indicated in Box 7 and Annex B above. The reports will follow the same sequence of issues, organised according to the different dimension of "on budget" identified in Box 2 above). This will enable the synthesis team to collate the information with greater ease and make comparisons between countries (a standard summary matrix will be developed). For countries that remain Group A countries, country researchers will be required to write an executive summary of up to 4 pages, that captures the key aid transparency issues and findings that emerged from the scan.

Group B reports

2. Group B reports are likely to share a core structure, as shown in Box 8.

Box 8: Group B Reports Core Structure

<p>An introduction (largely common to all CRs)</p>	<ul style="list-style-type: none"> • The introduction will provide a summary of the study purpose and explain the research methodology, highlighting sources of information and obstacles to the research process that may qualify the results.
<p>The aid transparency context</p>	<ul style="list-style-type: none"> • A discussion of the context (or independent factors), including: <ul style="list-style-type: none"> – A discussion of the level of aid, aid instruments and modalities, key development partners, and general aid management structures, processes and institutions in the country. – A discussion of the overall PFM system, with particular emphasis on factors relevant to putting aid on budget, namely budget structures, coverage and classification systems, planning instruments, accounting and financial information systems and audit systems.
<p>Aid transparency: successes and weaknesses</p>	<ul style="list-style-type: none"> • A discussion of the level of aid transparency, including: <ul style="list-style-type: none"> – How, where and to what level of detail is aid reflected on budget and in accounts? What are the differences between different aid instruments, modalities, sectors and donors? What supports better information on aid on budget in some of these categories compared to others? – What is the quality of the information? What are the differences between categories and what drives those differences? – What are the structures, processes and rules regarding putting aid on budget and recording aid spending; how well do these function (what happens in practice)? – What specific efforts have been made to bring aid on budget, were they successful, if so why, and if not, why not? – What systems are in place to ensure the integrity of the information?

Findings: What works and what does not	<ul style="list-style-type: none"> Country specific concluding analysis of determining factors for either success or weaknesses, and contributing factors, and the interdependencies between factors. This analysis would include an investigation of whether formal systems are sufficient to ensure proper reflection of aid (across different instruments and modalities) and if they are, what causes them not to be followed?
Conclusion	<ul style="list-style-type: none"> A conclusion highlighting specific lessons arising from the country study regarding putting aid on budget.
Annexes	<ul style="list-style-type: none"> An annex of the Group A country matrix. Annexes that provide evidence for, analysis of, or more detail on the facts and arguments presented in the main report. If appropriate, country research teams may include an annex with recommendations for an in-country programme of action to improve transparency on aid.

Synthesis Report

3. It is likely that the Synthesis Report will follow closely the outline structure of the Group B country reports, with additional allowances for reporting on overarching conclusions.

Box 9: Synthesis Report Core Structure

An introduction	<ul style="list-style-type: none"> A summary of the study purpose and explanation of the research methodology.
Different Aid Transparency Contexts in Sub-Saharan Africa.	<ul style="list-style-type: none"> An analysis of the different contexts and how the study countries fitted into the identified different contexts.
Levels of Aid Transparency	<ul style="list-style-type: none"> Conclusions about levels of aid transparency, by aid dependency, by type of instrument and aid modality. A summary discussion of aid transparency against context in each of the study countries. A summary discussion of different aid management and PFM contexts and how they influenced levels of aid transparency across different study countries. A summary discussion of important initiatives across countries to get aid onto budget, included in government accounts and in government ex post reports, and their relative success.
Findings	<ul style="list-style-type: none"> An analysis of key factors that assist or detract from countries' ability to include aid on budget, in government's accounts and in ex post reports. An analysis of which factors are within government's sole control, and which would require donor cooperation.
Conclusion	<ul style="list-style-type: none"> A systematic presentation of findings, conclusions and recommendations.
Annexes	<ul style="list-style-type: none"> As necessary (including bibliography etc).

Good Practice Note

4. It is difficult at this stage to specify a structure for the Good Practice Note. Design principles for the GPN are:

- To keep it brief and readily accessible to donor and recipient audiences.
- To include an explanation of the reasons for seeking to capture aid in the budget process, and a summary of the study's empirical findings.
- To set out good practices both at the level of general principles and specific examples drawn from the research.
- To highlight areas where the GPN advice reinforces or differs from earlier Good Practice advice.
- To provide good practice advice descriptions both for government systems and processes, and for donor behaviour.
- To include recommendations on monitoring progress in bringing aid on budget.

Annex E: Country Study Teams and Timetable

(See Aid on Budget web site www.mokoro.co.uk for latest version.)

Country		Timetable	Country Researcher	CABRI Senior Budget Official		Volunteer Donor Reps	
				Name	Position	Name	Position
Burkina Faso	A		Piet Lanser	Moumounou Gnankambary	<i>tbc</i>		
Ethiopia	A	June–July <i>tbc</i>	Rupert Bladon	Melaku Kifle <i>tbc</i>	Ministry of Finance and Economic Development		
Kenya	A	June–July	Alta Fölscher	Kubai Khasiani Tom Mokaya	Deputy Director Budget, Ministry of Finance Head, Middle East Division, External Resources Department	Tim Lamont	DFID Economist, Chair of Donor PFM Group
South Africa	A	May–June	Alta Fölscher	Lesley Fisher	Director: Budget Reform, Expenditure Planning Budget Office		
Tanzania	A		<i>tbc</i>	<i>tbc</i>	<i>tbc</i>		
Ghana	B	July <i>tbc</i>	Mary Betley	Mr. Kwadwo Awua Peasah Eddie Addai <i>tbc</i> Hellen Allotey <i>tbc</i>	<i>tbc</i> Director, Ministry of Health (SPA SSWG CoChair) Head of External Mobilisation	Christian Rogg	DFID Economist
Mali	B	Mid-Sept onwards <i>tbc</i>	Mary Betley	Abdoulaye Toure	Director General, Budget		
Mozambique	B	June and October <i>tbc</i>	Alex Warren	Alvaro Loveira	<i>tbc</i>	Jolke Oppewal Eduarda Gray	Chair of On Budget Task Force DFID Economist <i>tbc</i>
Rwanda	B		Mailan Chiche	Elias Baingana	Director of Budget	Duncan Overfield	DFID Economist
Uganda	B	July (<i>tbc</i>)	Tim Williamson	Lawrence Kiiza			