

TOWARDS A GREATER USE OF COUNTRY SYSTEMS IN AFRICA: RECENT TRENDS AND APPROACHES

BURUNDI CASE STUDY



CABRI 

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CABRI Secretariat
PostNet Suite 314
Private Bag X 06
Waterkloof
Pretoria 0145
South Africa
e-mail: info@cabri-sbo.org
www.cabri-sbo.org

Copy-editing by Laurie Rose-Innes

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CABRI reports describe research by the authors and are published to elicit further debate.

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
AMP	Aid Management Platform
BS	budget support
CABRI	Collaborative Africa Budget Reform Initiative
CFE	Common Fund for Education
CPIA	Country Policy and Institutional Assessment
CSLP	Cadre stratégique pour la lutte contre la pauvreté (Strategic Framework for Poverty reduction)
DSRP	<i>Document de stratégie de réduction de la pauvreté</i> (poverty reduction strategy paper)
EU	European Union
GBS	general budget support
GDP	Gross Domestic Product
IDA	International Development Association
IMF	International Monetary Fund
MoF	Ministry of Finance
MoFEDP	Ministry of Finance and Economic Development Planning (<i>Ministère des Finances et de la Planification du Développement Economique- MFPDE</i>)
MTEF	medium-term expenditure framework
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PCG	Partners Co-ordination Group
PEFA	Public Expenditure and Financial Accountability (Assessment)
PFM	public financial management
PFRS	Public Finance Reform Strategy (<i>Stratégie de reformes des finances publiques</i>)
PIU	project implementation unit
PRSP	poverty reduction strategy paper
SIGEFI	Integrated Public Finances Management System (<i>Système intégré de gestion des finances publiques</i>)
SP/CNCA	Permanent Secretariat, National Committee for Coordination of Aid
TA	technical assistance
UNDP	United Nations Development Programme
UCS	use of country systems
USA	United States of America
USD	United States Dollars

EXECUTIVE SUMMARY

Due to geographical circumstances and a recent history of prolonged internal ethnic conflict, the Republic of Burundi experienced a significant decline in GDP in the 1990s and early 2000s, and is now highly dependent on international development assistance. Official development assistance (ODA) reached a peak of 41 per cent of GDP in 2009, and today still accounts for around half of the government's budget. This assistance is, however, fairly limited in size (approximately USD500 million), and only four donors (the EU, Belgium, the USA and the World Bank) account for 50 per cent of aid funds provided to Burundi.

Use of country systems by development agencies

While donor partners have stated their intention to align their support to government priorities through the Poverty Reduction Strategy Paper (PRSP), the (*Cadre stratégique pour la lutte contre la Pauvreté*) (CSLP), the Organisation for Economic Co-operation and Development (OECD) 2011 Paris Declaration Survey notes that indicators relating to the use of country systems declined over the previous five years and that relatively little donor funding to Burundi passes through national public finance systems. In 2011, only a quarter of donor funding (budget support funding) used country systems, while a third of donor support utilised national procurement systems in 2011, up from less than 20 per cent in 2005. The government has been led to believe that the reason for budget support (BS) to Burundi falling in real terms from year to year is legislatures in donor countries raising concerns about budget support due to perceived weaknesses in fund management in sub-Saharan African countries.

Only general budget support (*appui budgétaire*), provided by the principal multilateral donors (the World Bank, AfDB and EU) for macroeconomic, balance of payments and overall institutional support, fully uses government systems, and this funding is on a declining trend. Relatively recently, a Common Fund for Education (CFE) was introduced – a basket funding arrangement that uses a designated account, annexed to the single government Treasury account. However, this funding accounted for only around 2 per cent of total government spending in 2011. The bulk of ODA is provided through a large number of projects, which despite relatively few donors, leads to a highly fragmented aid landscape.

Burundi's 4 main donors

The EU, Belgium, the USA and the World Bank account for 50 per cent of aid funds provided to Burundi



The country's public financial management (PFM) systems and processes have improved in recent years, according to regular PEFA,¹ World Bank and IMF assessments. Since 2008, the Burundi government has put in place a Public Finance Reform Strategy (*Stratégie de réforme des finances publiques*) (PFRS), and has been diligent in passing laws and introducing new systems and processes, including an Organic Finance Law (2008), a new Procurement Code (implemented in 2009), an Audit Court (*Cour des Comptes*) and a new financial information management system, *Système Intégré de Gestion de Finances Publiques* (SIGEFI). The PFM system in Burundi revolves around a codified budget preparation process, following the enactment of a new Organic Budget Law. This law incorporates sector and overall spending envelopes and is well adhered to by country actors. The main oversight bodies – the Inspectorate-General and the Auditor-General – are functioning reasonably well, but need further strengthening.

¹ The 2012 PEFA registered positive changes in 16 out of 26 categories assessed over the previous three years.

Despite these PFM reforms, donors are clear that there are marked capacity weaknesses in systems and ministries. As a result, donors are ‘comfortable’ with funding modalities, such as delivery of programmes through NGOs and projects, which do not use country systems. Only patchy information on these projects is reported to the Ministry of Finance through the Aid Management Platform (AMP) and its successor. Unlike in some countries (e.g. Tanzania), most project funding is not on-budget, and is not disbursed, reported and audited using national systems.

Burundi’s national aid policy, *Politique Nationale de l’aide publique de Développement, 2011–15*, states that the country has a preference for budget support and that, in the absence of budget support, donors should use sector support instruments that conform to the Paris, Accra and Busan pledges made by donor governments. Donor partners were fully involved in elaborating the Republic’s aid policy, and so are familiar with its contents. However, donors feel that this policy is not being forcefully articulated by the government. The policy also seeks to encourage donors to input their aid commitments into the aid database, but adherence by donors to the government’s requests for information is patchy.

In a post-conflict environment like Burundi, external development agencies are under pressure from headquarters and their own governments to ensure that aid monies are verifiably and effectively spent. This leads to little ‘natural’ incentive for donors to use country systems. On the basis of PFM assessments (PEFA, IMF, etc.), donors judge government financial systems as insufficiently robust to be able to account for aid spending accurately, and so are unwilling to use country systems, although these now conform significantly better to international norms. Donors have concerns about the quality and high turnover of senior government staff, in turn partly due to very low civil service salaries and the absence of attractive pension systems. In contrast, Ministry of Finance officials state that the use of government systems has few risks, as these systems have been reformed and now conform to ‘international best practice’.

Donors also have strong concerns about the governance environment, especially regarding the independence of the judiciary, media and the capability and bias of the police. Burundi’s scores on indicators of corruption, rule of law and government effectiveness are low and only improving very slowly, if at all.²

Use of project implementation units

The use of project implementation units (PIUs) is still widespread in Burundi. The number of PIUs grew from 37 in 2005 to a peak of 84 in 2010, falling back slightly since then to the low 70s. Given that external assistance is relatively limited, this constitutes a significant use of parallel implementation modalities. Donor preference for operating outside government systems is due to the perceived high fiduciary risk of Burundian finance systems, as well as donor country headquarters and parliamentary scrutiny and audit requirements. Donors, such as Belgium and the EU, have stated that they use PIUs partly to reduce fiduciary risk, often associated with perceived low calibre government personnel, and partly to ensure that projects move forward quickly. One

² Burundi is still in the bottom quartile of countries on the Worldwide Governance Indicators (WGI) indicator for ‘Government effectiveness’, while Transparency International rates Burundi very poorly on corruption (165th of 176 countries ranked). The WGI indicator for ‘Control over corruption’ has fallen in recent years, although the government questions the value of such subjective approaches to measuring governance.

In a post-conflict environment like Burundi, external development agencies are under pressure from headquarters and their own governments to ensure that aid monies are verifiably and effectively spent.

Burundi's Paris Declaration monitoring surveys record that donors were not able to disburse assistance in a timely way, demonstrated by considerable discrepancies between actual and indicated/scheduled disbursements.

of the big obstacles to reducing the use of PIU's is the fact that staff in such units are paid significantly more than civil service pay rates. There is little incentive for such (ex-government) staff to return to operating within ministry structures and pay scales.

Other issues related to country aid management

The 2012 PEFA recorded little progress since 2008 with respect to the predictability or within-year information on disbursements provided by external donors. The OECD notes that the government finds the lack of predictability of aid disbursements problematic. Burundi's Paris Declaration monitoring surveys record that donors were not able to disburse assistance in a timely way, demonstrated by considerable discrepancies between actual and indicated/scheduled disbursements. These were due mainly to delays in approving disbursements and delays in starting or completing assistance programmes. Furthermore, the ability of the government to understand disbursements is still limited, due to incomplete donor information provision.³

Conclusions and recommendations

In order to increase the use of country systems further, and address current donor concerns over their use, the government of Burundi should tackle weaknesses in PFM systems, including in revenue management and in ensuring that budget execution data is fully and accurately captured. There is a need to improve government leadership on aid management, and to strengthen capacity to implement PFM systems, especially in some line ministries. Donors, for their part, need to provide timely short- and medium-term data on aid disbursements to help with planning. Given that general budget support is likely to decline, it is recommended that donors:

- continue to **provide general, 'macroeconomic' budget support**, perhaps through a multi-donor trust fund, and increase the use of sector budget support, or 'basket funding' arrangements, in the light of the relative success of the Common Fund for Education (CFE) and the fact that such 'baskets' typically use the government procurement process;
- make more of an effort to **use the government's new aid management platform** to ensure that the government is informed of commitments and disbursements in a timely and accurate manner; and
- gradually **reduce the use of parallel systems**, such as PIUs, and utilise government financial management and procurement systems (to do this, thought will need to be given to the incentives, and appropriate structures, required to move away from PIUs).

³ In 2011, Paris Declaration monitoring revealed that 56 per cent of donor disbursements were captured by government systems, compared to 40 per cent of disbursements in 2005.

INTRODUCTION

This report was prepared by Mark Minford and presents the detailed findings from the Burundi country case study of the 2014 CABRI report *Towards a Greater Use of Country Systems in Africa: Recent Trends and Approaches*. The objective of the overall study is to increase the knowledge of CABRI members and other African countries of the different practices of the main donors in Africa, in order to strengthen their approach to using country systems and, potentially, their bargaining positions, thereby promoting the use of country systems.

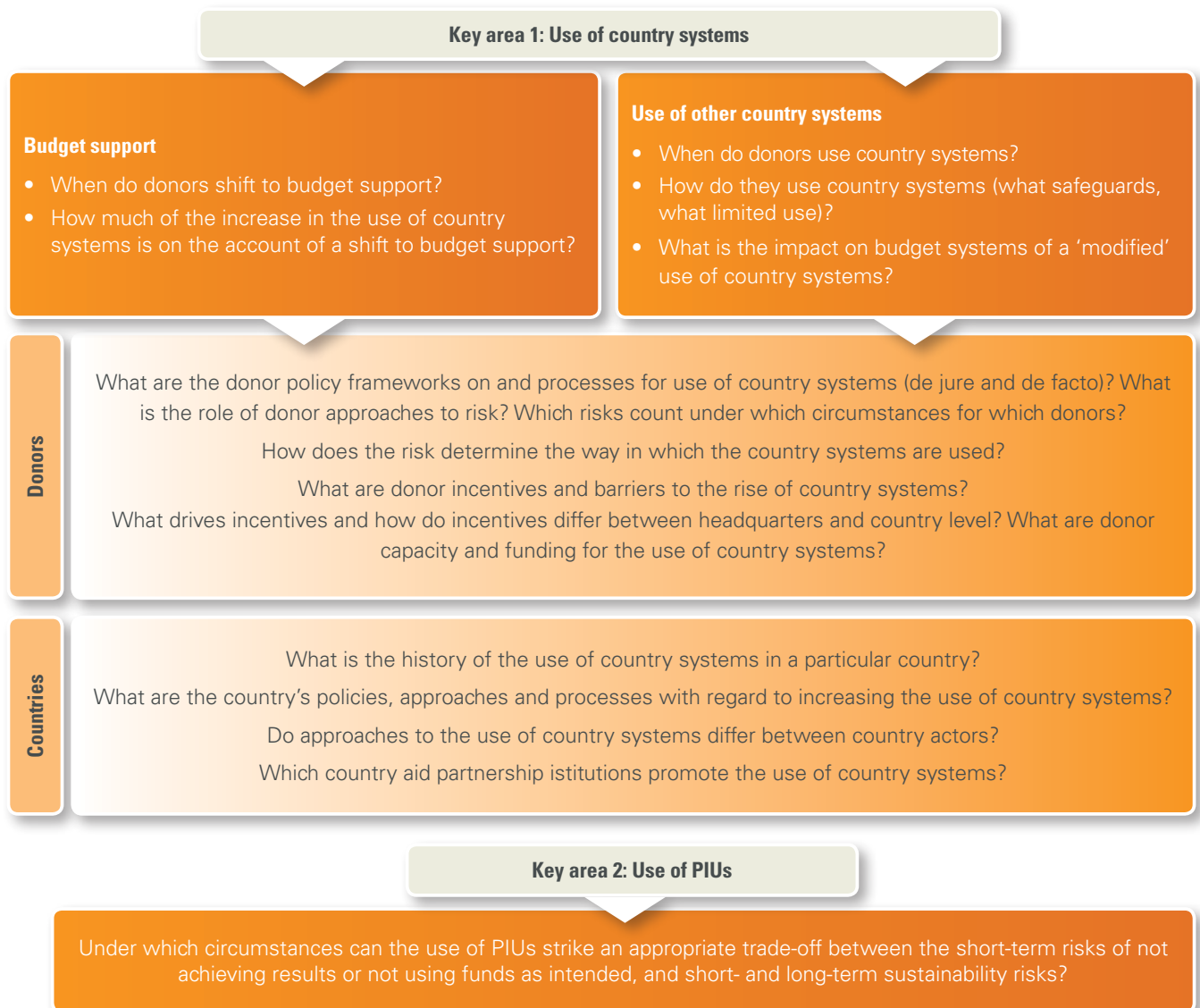
Background research relating to the use by donors of country systems was undertaken (see References) and a draft country systems questionnaire was developed (see Annex 2). Fieldwork was undertaken in Bujumbura between 26 and 31 May 2013, during which time key informants were interviewed, including officers in the Ministry of Finance, the Ministry of Education and Vocational Training, the National Aid Co-ordination Committee Secretariat and donors representing the bulk of assistance provided to the Republic of Burundi – the EU, AfDB, the World Bank, Belgian Technical Cooperation, the IMF and UNDP (see Annex 4).

The country research framework is outlined in Annex 1, and a summary of the research scope is provided in Figure 1. Following the research scope set out in the Study Inception Report, this report focuses on two key areas: the use of country PFM systems in Burundi; and the use and impact of project implementation units (PIUs).

This case study begins by providing the context for the use of country systems by briefly reviewing flows of official development assistance (ODA) to Burundi. The state of country public financial systems is considered next. The section thereafter examines the history of the use of country systems in Burundi, including budget support and other aid modalities, country-level awareness and adherence to donor policy frameworks, and processes related to country systems, and country policy frameworks and processes. Factors related to the use of country systems, including risk as a factor at country level, incentives to use country systems, capacity at country level and barriers and enablers that impact on the use of national systems are then reviewed. The use and impact of PIUs in Burundi are discussed next. The final section sets out some conclusions and recommendations relating to the use of country systems.



Figure 1: Use of country systems research scope



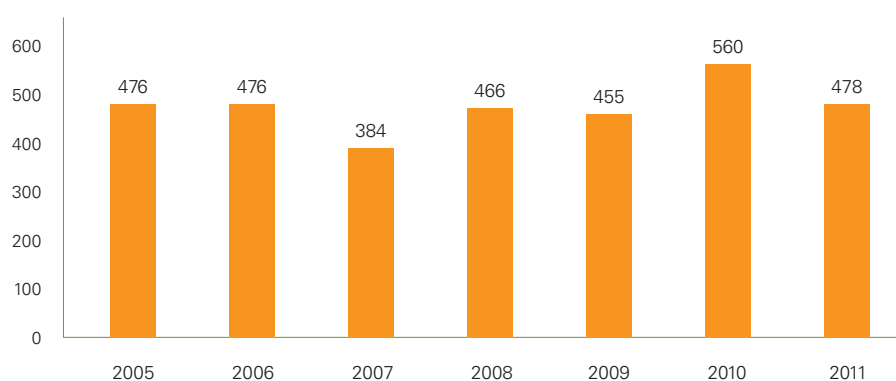
OFFICIAL DEVELOPMENT ASSISTANCE STRUCTURE AND FLOWS

The Republic of Burundi is a relatively small country, with traditional (and low-productivity) agriculture, very high population growth and a debilitating history of internal conflict. As a result of these factors, 80 per cent of the population subsist on less than USD1.25 per day, and mean GDP per head is currently only around USD250 (OECD 2011). Consequently, Burundi is highly dependent on ODA – aid represented about half of the state budget in 2010.

During the period of internal conflict between 1993 and 2005, ODA was very limited outside of humanitarian assistance. Between 1990 and 1992, a period of political stability, Burundi received USD288 million per year on average from development partners, 70 per cent of which was devoted to financing the public investment programme. With the onset of the crisis in 1993, aid declined sharply and only returned to pre-crisis level after the conclusion of the Arusha Agreement for Peace and Reconciliation and with the advent of democratically elected institutions in 2005 (Government of Burundi 2011).

However, the number of development partners (around 20 in total) and the absolute level of assistance (approximately USD500 million) remain limited. Burundi receives only around 1.2 per cent of total African ODA (OECD-DAC 2013) but, since it has a relatively small (albeit growing) population, Burundi receives a higher level of aid per citizen than the sub-Saharan African average.⁴

Figure 2: Levels of ODA to Burundi, 2005–2011 (USD million)



Source: OECD-DAC (2013)

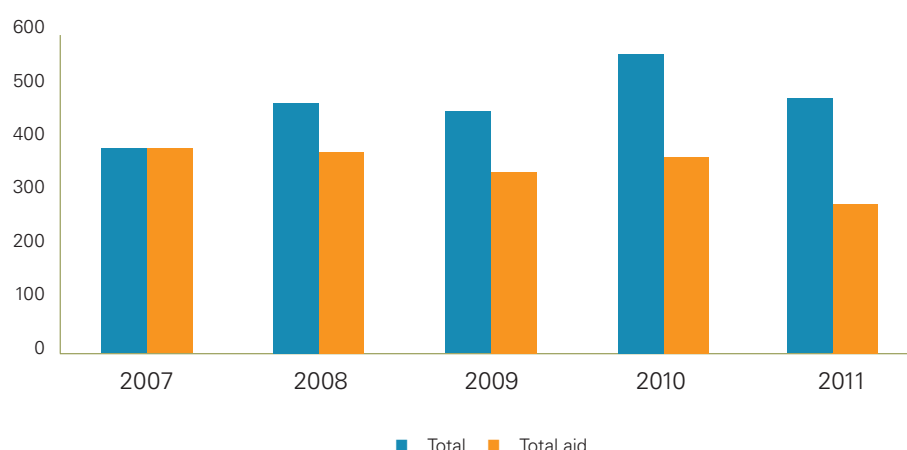
⁴ Burundi has received significantly lower levels of aid per capita (around USD60), compared to the levels of assistance Rwanda and Uganda received from donors when they were in a similar post-conflict situation.

Burundi is highly dependent on ODA – aid represented about half of the state budget in 2010.

Figure 2 shows the recent trend in overall levels of aid. Average annual ODA was USD274 million during 1990–1995, USD118 million during 1996–2003, rising to USD454 million on conclusion of peace treaties in the mid-2000s. The figure shows that total international development assistance to Burundi has been fairly constant since the end of the conflict in 2005 at around USD475 million (with a low point of USD385 million in 2007, and a high point of USD560 million in 2010). The reduction between 2010 and 2011 is attributed to a reduction in spending by some bilateral donors due to the euro/financial crisis, and to some programmed assistance from the World Bank and the EU coming to an end.

However, Figure 3 shows that adjusting the nominal figures for inflation reveals that aid has declined significantly in real terms in recent years. While ODA levels have apparently grown from around USD380 million in 2007 to around USD500 million in 2011, once inflation is taken into account, real levels of assistance have fallen significantly – by more than a quarter over the last five years. As such, Burundi could be characterised as an ‘aid orphan’.

Figure 3: Nominal and real levels of ODA to Burundi, 2007–2011 (USD million)



Source: OECD-DAC (2013)

Low levels of GDP and public spending mean that Burundi is heavily dependent on aid. In 2011, ODA represented 25 per cent of gross national income (GNI), a decline from 31 per cent in 2009, and a high point of 47 per cent after the ending of the internal conflict in 2005. The social, infrastructure and economic sectors have benefitted most from aid in Burundi (OECD 2011).

ODA percentage of Burundi's gross national income

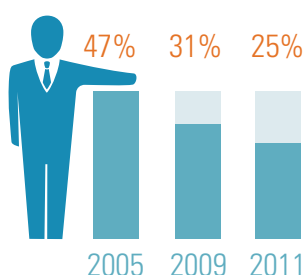
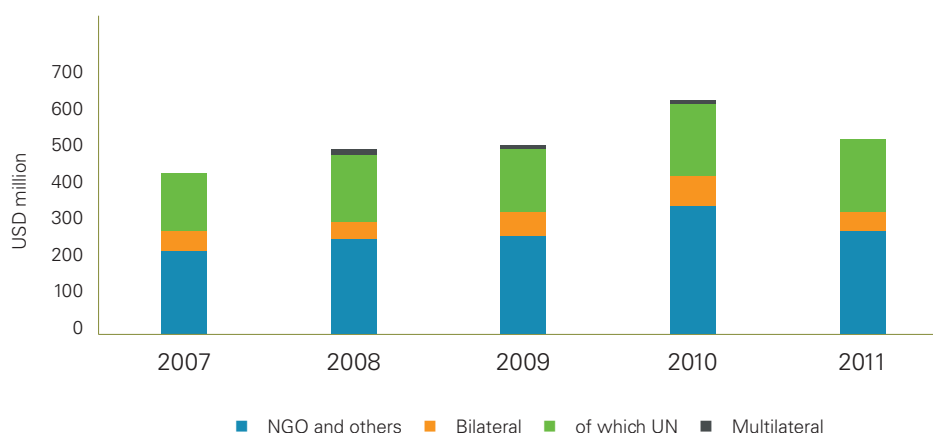


Figure 4 provides a breakdown of assistance according to type of donor. Over the five-year period, the share of bilateral aid remained fairly constant at around 40 per cent of the total. In 2011, multilateral aid (USD276 million) outweighed bilateral assistance (USD202 million), though this balance may change as International Development Association (IDA) technical assistance programmes come to an end and the UN winds down its humanitarian assistance. According to OECD data, in 2011, four development partners contributed more than 50 per cent of aid funds provided to Burundi: the World Bank (IDA) (USD102 million), the EU (USD58 million), the USA (USD52 million) and Belgium (USD45 million).

Figure 4: Recent ODA flows by funding source, 2007–2011 (USD million)



Source: OECD-DAC (2013)

Aid flow predictability

Overall, aid predictability remains problematic for the government. Although donors have accepted, in principle, to provide ODA commitments for inputting into the Aid Management Platform (AMP), this is not yet fully honoured in practice. It is, therefore, difficult for the Burundi government to undertake medium-term fiscal planning, since donor aid flows are not well signalled to the government and, in any case, do not take the government's own spending plans into account. Donors often report commitments late, which means that funds are not included in government plans, and the Ministry of Finance and line ministries have to allocate such funds after the budget cycle, which adds to their workload and makes the medium-term expenditure framework (MTEF) less reliable. The bulk of bilateral (and some multilateral) donor funds are committed to projects, for which the government has very limited consolidated data.

Indicator 7 of the Paris Declaration reveals weaknesses in the capture of donor data in state accounts,⁵ and in transparency by donors. Paris Declaration monitoring showed predicted assistance in 2010 of just over USD500 million, while State Accounts in 2010 recorded only USD260 million disbursed, or 52 per cent of total planned disbursements. The difference between aid recorded by the government and disbursements made is due to two main reasons: development partners disbursed less than they had planned for 2010 (the average donor disbursed under two-thirds of planned amount); and even when funds were disbursed by a funder, these disbursements were not routinely captured in Burundi government accounts.

Table 1 provides figures from the 2011 Paris Declaration Monitoring Survey report on the proportion of 2010 donor disbursements of which the government was notified and which were included in Burundi's state budget. Although figures vary from year to year, there appears to be significant differences between multilateral and bilateral donors. The government was notified of the bulk of the assistance provided by multilateral donors – the AfDB, the EU, IFAD and the World Bank. However, the GAVI Alliance, the UN and

Although donors have accepted, in principle, to provide ODA commitments for inputting into the Aid Management Platform (AMP), this is not yet fully honoured in practice.

⁵ Sums communicated by donors at least 6 weeks before State Budget figures are presented to Parliament

the Global Fund performed less well in 2010 (although the Global Fund appears to be improving over time).

The government recorded significantly less information from bilateral donors, although around 40–45 per cent of actual aid from Germany and the Netherlands was recorded in the state budget. The government recorded none (or hardly any) of the funds provided by Belgium, France, Japan and Switzerland. In addition, a good deal of assistance provided by the USA is disbursed through NGOs, and these sums are rarely visible to the government. In total, only USD37 million out of over USD140 million – 26 per cent of the sums disbursed by the main bilateral donors in 2010 – were recorded in the state budget. This compares to a figure of 65 per cent for multilateral donors.

Burundi, not unreasonably, given its implementation of an MTEF for government budgeting, has requested donor partners to also commit to multi-year budgeting systems. The government, through the Permanent Secretariat, National Committee for Co-ordination of Aid (SP/CNCA), hopes that, in the future, improvements in the AMP software platform for capturing aid flows will go some way to addressing the problem, though the record of donors in fragile countries in this respect is not encouraging.

Table 1: Realism of government aid estimations, Paris Declaration monitoring (USD million)

	Aid included in 2010 state budget	Aid disbursed to government in 2010 notified by development partners	2005 (%)	2007 (%)	2010 (%)
Multilateral donors	(1)	(2)			(3) = (1)/(2)
AfDB	25	36	--	100	70
European Commission	76	100	35	65	76
GAVI Alliance	0	3	--	0	0
Global Fund	8	18	0	0	46
IFAD	8	8	69	100	97
United Nations	0	78	0	0	0
World Bank	105	101	60	83	96
Bilateral donors	(1)	(2)			(3) = (1)/(2)
Belgium	0	36	11	0	0
France	1	5	--	36	22
Germany	14	33	--	90	44
Japan	0	32	--	0	0
Netherlands	12	31	--	0	40
Norway	10	0	--	0	11
Switzerland	0	4	--	0	0
TOTAL	260	503	39	54	52

Source: OECD-DAC (2013)

COUNTRY PUBLIC FINANCIAL MANAGEMENT SYSTEMS

Both the government and donors have placed considerable emphasis on strengthening PFM in Burundi through the Public Finance Reform Strategy (*Stratégie de réforme des finances publiques*) (PFRS), which is currently in its second phase (PFRS-II). This has a particular focus on: the tabling of the Finance Bill before Parliament; the preparation of budget execution procedure manuals; and the preparation of quarterly execution reports. Since 2008, systems and processes have been strengthened through the enactment of an Organic Finance Law (2008), a new Procurement Code (implemented in 2009), an Audit Court (*Cour des Comptes*) and a new financial information management system, *Système Intégré de Gestion de Finances Publiques* (SIGEFI). The reforms have been aided through general budget support (with associated monitoring and safeguards) provided by multilateral donors (the EU, World Bank, AfDB and IMF).

The AfDB (2011: 6) notes that, despite the new Procurement Code, and the establishment of relevant bodies to oversee it, 'institutional capacity to implement new rules and procedures remains limited, mainly due to limited professionalisation of staff'. Box 1 provides a reasonably up-to-date assessment on the capacity of procurement institutions.

Box 1: Challenges in implementing the Procurement Code

The Public Procurement Regulatory Authority (ARMP) and the National Procurement Monitoring Directorate (DNCMP) were established in 2009. The integrity of the system depends essentially on the DNCMP and ARMP. The DNCMP advises on all dossiers above certain defined thresholds and exercises ex-post control on contracts below these thresholds. The ARMP has an independent review mechanism, managed by its Dispute Resolution Committee, and is responsible for regular audits of procurement contracts. A key weakness of this system is its lack of financial autonomy, and having the Ministry of Finance as its supervisory authority is not appropriate. With respect to transparency, there is no public procurement journal or website to ensure wide dissemination of information on procurement. In the short term, procurement units, which are ad hoc structures, should be made more operational and effective. With regard to controls, the ARMP should conduct ex-post audit of contracts.

Source: AfDB (2011)

Burundi has had regular PEFA assessments. The 2012 PEFA report shows a marked improvement in public finances – 16 out of 28 PEFA indicators showed an improvement between 2009 and 2012 (see Figure 5). Burundi's average PEFA score rose from D+ to C in 2009 to C+ in 2012. Areas such as budget comprehensiveness and transparency, audit scrutiny and budget credibility are still rated C+ or weaker, and have improved at a slower rate, if at all. To take one example, estimates of revenue collected are lower than amounts actually collected, and the 2012 PEFA reports that it is not possible for the government to plan on the basis of reliable revenue collection. There are indications, though, that the government is trying to address this problem by setting up a new revenue authority, *l'Office Burundais des Recettes*. Managing the finances of the large number of public bodies remains a considerable challenge for the government, and the capacity to decentralise financial management remains very limited.

Burundi's average PEFA scores

2009

D+ to C

2012

C+

Successive reports have noted that more work needs to be done to build reliable country systems.

However, several elements of Burundi systems have shown a particularly marked improvement over recent years, and include:

- accounting, recording and reporting (from scores of D/D+ to an average score of B);
- revenue collection and cash management (from an average score of D+ to C+);
- budget execution (from a score D+/C to B); and
- policy-based budgeting (from a score of D+/C to B/B+).

Figure 5: Burundi PEFA scores, 2009 and 2012



Source: PEFA (2012); Author calculations

Successive reports have noted that more work needs to be done to build reliable country systems (see, for example, OECD 2006). Progress in recent years includes the fact that links have been established between the budget and the Burundi PRSP through the establishment of a tracking system to monitor the flow of public spending to specific facilities, projects and activities. In addition, sectoral MTEFs are planned in line with the PRSP and periodic public investment programmes at macroeconomic level and at individual budgetary sector level. Finally, the new Procurement Code was enacted to reduce corruption in public procurement.

Although the government is of the opinion that its PFM systems are strengthening over time, Paris Declaration Indicator 1, which measures the relevance of the national planning framework, showed a deterioration in the last assessment, from C in 2007 to D in 2010 (OECD-DAC 2011: Table C.10). The World Bank attributes the reduction in score to a lack of use of the DSLP (PRSP) by ministries in planning and in devising sector strategies.

The 2011 Paris Declaration Survey Indicator 2a measures the reliability of PFM systems by assessing if there is: a comprehensive and credible budget linked to priorities; an effective financial management system to ensure that the budget is implemented, in a timely manner; and accurate accounting and fiscal reporting, including timely, audited public accounts. In 2010, Burundi was rated as 3.0 for donor use of its PFM systems, an increase on the rating of 2.5 in 2005. The 2011 Paris Declaration Survey notes that,

as of 2010, progress in improving PFM remained insufficient and there was a large gap between the perceptions of the government and foreign donors. This perception gap remains.

Budget preparation, approval and execution

The PFM system in Burundi revolves around a codified budget preparation process, following the enactment of a new Organic Budget Law. This law incorporates sector and overall spending envelopes and is well adhered to by country actors. The process works as follows: after preparation of macroeconomic forecasts and an overall spending framework in April, a budget framework letter and budget documents are drafted for discussion and approval by the Council of Ministers.

Then, in July, ministries are sent budget preparation instructions, with spending envelopes, and have a month to prepare their budget submissions. The resulting estimates are then subject to technical discussions between ministries and the Ministry of Finance and Economic Development Planning, (*Ministère des Finances et de la Planification du Développement Economique*) (MoFEDP), before issues are resolved through ministerial 'bilaterals' and the consolidated budget document is sent to the Council of Ministers and to the National Assembly for approval by the end of the year.

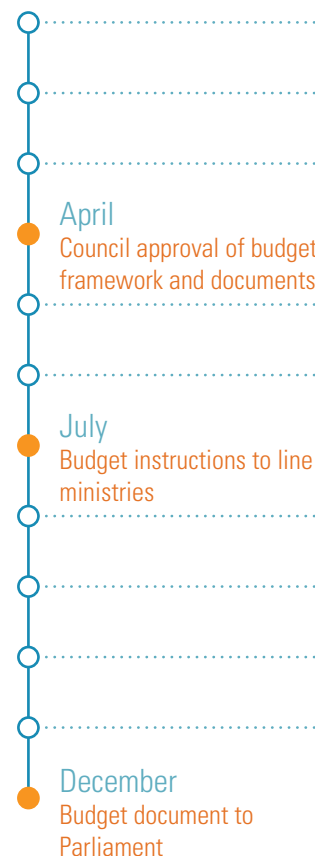
The government uses SIGEFI to keep track of financial information incorporating Treasury data (EU 2009). This system is being refined and, in principle, provides information on the whole payment cycle from budget commitments to authorised payments. Since SIGEFI is dependent (as any system is) on the quality of data input, which remains of variable quality, there are still areas where data recording can be improved in SIGEFI.

Audit and accounts preparation

In 2004, the government created a *Cour des Comptes* to strengthen jurisdictional control over PFM; the Audit Court is still being strengthened (OECD 2006). The main oversight bodies – the Inspectorate-General and the *Cour des Comptes* – are reasonably recent innovations. The *Cour des Comptes* was put in place in 2004, and is responsible for examining and certifying (*ex-post*) the accounts of all public bodies. The *Cour des Comptes* assists Parliament in monitoring the implementation of the Finance Act. Even more recent is the General State Inspectorate, dating from 2010, with a mandate to provide external verification (*ex-ante*) of all entities receiving public funds. The PEFA (2012) diagnostic reveals a lack of human resources, the unattractive status of inspectors, a lack of auditors to support the inspectors, and the length of time taken to provide accounts for public bodies.

The Annual Budget Law is approved by Parliament, but it is not clear how active parliamentarians are in scrutinising the budget. Given that the budget is passed to the National Assembly only late in the calendar year, for approval by end-December, it is unlikely that detailed scrutiny takes place.

The PFM system in Burundi revolves around a codified budget preparation process



USE OF COUNTRY SYSTEMS BY EXTERNAL DONORS

One recent innovation is a platform for dialogue between the different development partners and the government by a formal co-ordination framework, the Partners Coordination Group (PCG).

A recent donor document put the case for using country systems very clearly: 'The ultimate goal of development co-operation must be to enable developing countries to devise and implement their own solutions to key development challenges... Sustainability is about building skills, knowledge, institutions, and incentives that can make development processes self-sustaining' (USAID 2011: 12).

However, the OECD (2011) observes that in Burundi, alignment with local priorities is only happening in general terms and rather informally. The government of Burundi (through the SP/CNCA) notes that there is not a common international engagement strategy, despite the fact that a renewed PRSP (*Document Stratégique pour la Réduction de la Pauvreté – DSRP II*) has existed since 2011 and that aid to Burundi is, therefore, very fragmented.⁶ Paris Declaration monitoring suggests that in a context where stakeholders do not agree on the analysis of the situation, or on the opportunities for national PFM system usage, a common dynamic for state-building in these areas is 'probably hard to find'. Donors, the OECD (2011), for example, have countered that the lack of a clear results framework regarding the strengthening of state institutions in the first PRSP (DSRP I) represented a missed opportunity to get donors to coalesce around the use of country systems.

One recent innovation is a platform for dialogue between the different development partners and the government by a formal co-ordination framework, the Partners Co-ordination Group (PCG). The PCG is subdivided into 12 thematic groups dealing with technical and sector issues. Monthly meetings are held with the ministries concerned. Donors are members of different sector groups (e.g. the AfDB is a member of groups related to transport, energy and governance).

Table 2: Performance against relevant Paris Declaration indicators

Indicator	2005	2007	2010 Actual	2010 Target
3. ODA aligned on national priorities (reported on the government budget)	39%	54%	52%	85%
5.a Use of PFM systems	24%	33%	23%	no target
5.b Use of national procurement systems	19%	35%	31%	n/a
6. Avoidance of parallel implementation systems – number of PIUs	37	29	84	12
7. Predictability of aid	53%	44%	48%	76%
9. Use of common procedures (programme-based aid)	54%	36%	49%	66%

Source: OECD-DAC (2011)

⁶ This divergence of views has been made worse by dual external assistance strategies (PRSPs and UN-overseen peace-building plans) and critical perspectives by donors on country governance.

The Paris Declaration Survey shows there are still problems with reflecting donor financial commitments fully and accurately in the national budget (see Table 2). Paris Declaration Indicator 3, which assesses the extent to which aid flows are aligned with national priorities, shows that, in 2005, less than 40 per cent of Burundi's aid was accurately estimated on budget. In 2010, this had risen moderately to 52 per cent, but this is still significantly short of the Paris Declaration country target of 85 per cent. Paris Declaration monitoring (Indicators 5a and 5b monitoring) shows that the use of national PFM systems has stagnated (only one-quarter of donor funds use national finance systems) and the use of national procurement systems has increased only moderately.

None of the main donors scored highly on this indicator, with the EU, World Bank and AfDB channelling only their budget support contributions (respectively, 39 per cent, 25 per cent and 43 per cent of their aid) through PFM systems. Apart from its budget support operations, the World Bank does not use country systems, and projects financed by the bank rely on PIUs.⁷ This contrasts with the situation in Tanzania, for example, where the use of programme-based aid in 2010 was 60 per cent, and where the Global Fund, United Kingdom, Germany, Canada and Denmark all channel more than 90 per cent of their aid through programme-based approaches.

Forms of country systems used in Burundi

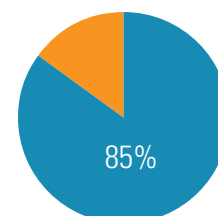
There is a relatively low use of country systems across the budget cycle in Burundi. General budget support, provided by donors including the World Bank, IMF, the EU and Belgium, uses country systems for the whole budget cycle. Basket funds (such as the CFE, funded by Belgium, France, Norway and UNICEF) are on budget, and are audited through country systems, but sometimes use donor systems and additional safeguards. Projects that are managed directly by donors and the line ministries typically do not use government systems. Neither the EU nor the World Bank uses country systems for projects. The only example of use of country systems for a project is support by donors to education through the CFE, which uses government planning, budget, execution (subject to additional reporting safeguards) and accounting systems. Government audit and reporting procedures/systems are not used, and Parliament scrutinises only part of CFE expenditures.

The MoFEDP notes that only donor resources committed to general budget support (22 per cent of total donor funds in 2011) use government systems fully (and so are 'on plan', 'on budget', on 'accounts', etc.). General budget support and basket funds are recorded as revenue on the central budget, the latter as an annex. General budget support funds are mixed with budgets funds and, therefore, are untrackable. For basket funds, such as the CFE, a separate account below the Treasury Account is used, in order to ensure that the transfer of their funds to the Treasury can be reported on separately, although the number of donors requiring this is said to be declining. Projects run by NGOs do not use Burundi government systems, and most donors do not report information on such projects to the MoFEDP through the AMP.

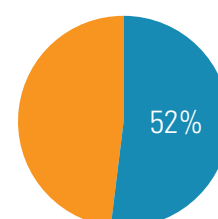
Government of Burundi procurement systems are only used for GBS and sector baskets (around 30 per cent of total donor funds), with the majority of bilateral donors using their own procurement systems for projects and support, apart from the CFE. For multilaterals,

Paris Declaration Indicator 3 (Aid on Budget) Target vs. Achievement

2010 Target



2010 Achievement



⁷ Communication to the author by Chiara Bronchi, World Bank Governance Adviser, Burundi, 22/05/13.

There are three main aid modalities in Burundi: general budget support, sector basket funding ('common funds') and direct project support.

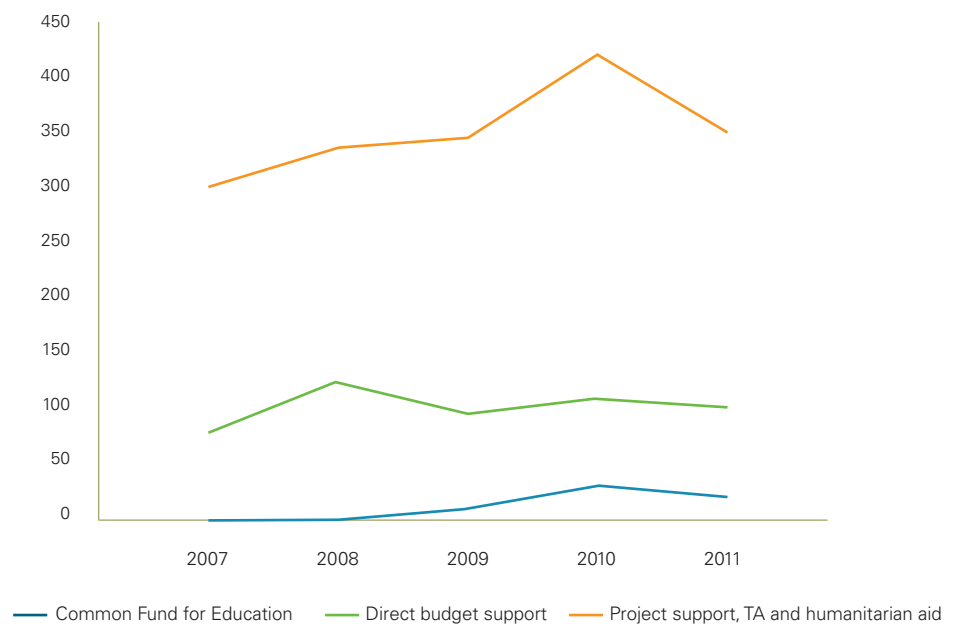
the World Bank uses its own systems for all funds, except for GBS which fully uses government systems. This policy may change in the future, however, as the AfDB (and possibly the EU) is looking to move towards greater use of government systems throughout Africa, in order to be more in line with Paris Declaration commitments⁸.

Budget support and other aid modalities

There are three main aid modalities in Burundi: general budget support, sector basket funding ('common funds') and direct project support. General budget support, including World Bank and IMF support in the form of an extended credit facility, has been used as a form of direct support to the state budget and has been linked to progress on PFM improvements, macroeconomic management (improved revenue mobilisation, debt management, exchange-rate flexibility, etc.) and addressing institutional constraints to private sector development.⁹

In 2011, three basket funds (Education, the Electoral Process and Aid Co-ordination) were in operation. These basket funds accounted for a relatively small proportion of funding, having grown to 5 per cent of aid funds in 2011, from 1.25 per cent in 2007–2009. Nevertheless, the government and donors have found this type of funding useful and are exploring the possibilities of basket funds in other sectors (such as energy and agriculture). Figure 6 shows the change in the total amounts disbursed through all three modalities. Over the period 2007–2011, general budget support was relatively constant in USD terms at around USD100 million (approximately 20 per cent of total aid volumes). The bulk of external assistance is still in the form of fragmented project support, technical assistance (TA) and humanitarian aid.

Figure 6: Disbursement by aid modalities (USD million)



Source: OECD-DAC (2013)

⁸ Communication to the author during Burundi field visit in discussions with AfDB and EU (see Annex 4 for discussants).

⁹ IMF reports on ECF approval and implementation (see IMF 2010, 2011, 2013).

Despite regular Paris Declaration monitoring and exhortations to use country systems, donor practice in Burundi is only changing slowly. As far as could be ascertained, no project support in Burundi uses government systems. The low use of country systems, despite recorded improvements in Burundian PFM systems, which have received significant support from donors, may be due to a ‘threshold’ effect, whereby until donors believe that procedures are sufficiently robust, parallel systems continue to be used.

Under the CFE, donors put their pre-programmed and budgeted funds into the Fund; in other words, the CFE uses country planning and budgeting systems, and uses Treasury systems in a hybrid fashion (a separate account being ‘annexed’ to the Single Treasury Account). CFE funds are not committed or controlled solely by using country systems. There is a gradual increase in the use of national procurement systems by donors, but even basket funds (such as the CFE) use significant additional safeguards, which include separate reports being compiled on fund use, to comply with donors’ reporting requirements, additional audit and external monitoring, and ‘no objection’ procedures being used for large value procurements.

Paris Declaration monitoring has found that, although donors are aware of the issue of state strengthening, only six out of the ten donors who responded to a question regarding factors behind the choice of financing tools took into account the potential impact on the strengthening of the state in the choice of financing tools, and four out of the ten indicated otherwise. Many donors reported that final decisions on financing instruments are made on the basis of other considerations, often in donor capitals.

Donors agreed that, from a theoretical point of view, budget support programmes and approaches could better contribute to strengthening the state than could projects implemented through parallel units. Currently, however, they felt that Burundian institutions in general – and, certainly, key sectors, such as agriculture, transport, justice and energy – do not offer the guarantees regarding fiduciary risk (and, in particular, the risk of funds not being clearly accounted for and appropriately spent) that international actors consider necessary in order to use country systems (see discussion in OECD 2011, Principle 7). There seems to be a feeling among donors in Burundi that a ‘threshold’ of capability, or confidence in government systems, has not yet been reached.

There is an indication that, with the expiry of certain budget support mechanisms, the amount of ODA channelled through general budget support may drop. Reductions in budget support may not necessarily imply a fall in usage of country systems if funds are redirected to sector baskets or other programmatic support. However, more fragmentation in aid modalities, even if country systems are used, places more of a burden on the government in terms of having to undertake additional planning, budgeting and auditing.

There seems to be a feeling among donors in Burundi that a ‘threshold’ of capability, or confidence in government systems, has not yet been reached.

FACTORS IN THE USE OF COUNTRY SYSTEMS

The fact that donors finance half of the state budget was seen as leading to a problem of motivation for state officials in putting into place firm policies to address corruption.

Use of country systems policy frameworks and processes

The Burundi government has a written aid policy, *Politique Nationale de l'aide publique de Développement, 2011–15*. This directs donors towards country systems and encourages their use. The government would like donor support to be in the form of general budget support and, if this is not deemed possible, through sector budget support, by way of programmatic approaches rather than projects, to reduce the fragmentation of aid. The provision of information on ODA commitments is also strongly requested, and the Ministry of Finance has established an AMP to allow donors to input their own commitments.

Although Burundi's donor partners feel they are helping to build state capacity, an OECD (2011) review of Paris Declaration implementation in fragile states expressed the view that this was difficult to judge as there seemed to be little consensus among donors about the best means of strengthening state institutions in Burundi. According to Burundi officials, the government has made considerable efforts to strengthen its systems, while donors are seen as not contributing significantly towards strengthening or using government systems, and not acknowledging progress made. The donors have very different visions of how to strengthen state institutions and which aid modalities are most suitable to strengthen institutions. Some donors, with a longer-term vision (the EU, Belgium, the World Bank and the IMF, among others), feel that budget support is appropriate, while other donors, with a shorter-term vision, believe the contrary.¹⁰

The same OECD review noted that several donors felt that the lack of co-ordination among donors regarding spending controls, especially in the case of general/sector budget support, has been the root cause of corruption. The fact that donors finance half of the state budget was seen as leading to a problem of motivation for state officials in putting into place firm policies to address corruption. Furthermore, the fact that donors are not using country systems to plan their funds, combined with their preponderance, means little control by sector ministries. The fact that scant social sector support was in the form of budget support meant there had been little progress in using country finance and procurement systems within key line ministries.

Capacity to manage aid through use of country systems at country level

Country personnel capacities for managing aid through use of country systems

The capacity of ministries in Burundi is generally perceived to be very weak. Even central institutions such as the MoFEDP and Ministry of Justice are perceived to have variable leadership and weak capacity, with only a handful of personnel capable of engaging in

¹⁰ 'There is a glaring discrepancy between the perceptions of Burundi as to its efforts to improve public systems and their use by international partners, which is limited and does not always reflect progress. Finally, the staff of international partners express very different views on the elements of change, particularly on aid modalities best suited to strengthen the state. Thus, some believe, based on a long-term vision, that budget support strengthens the state, while others think the opposite, because of the challenges of managing public finances that remain in the short term.' OECD (2011: 12)

policy/PFM dialogue. The MoFEDP has seconded staff to line ministries to improve their PFM functioning, but the general lack of capacity means that for nearly all projects, PIUs, secretariats or co-ordination units are established by donors to enhance capacity and ensure that activities are well managed.

Donor personnel capacities for managing aid through use of country systems

In Burundi, only the larger and better-resourced donors (the EU, World Bank, Belgium) have had the capacity (and ability to diversify risk) to provide aid using country systems. Budget support requires significant investment of time in attending to co-ordination, monitoring meetings and participation in sector dialogue. This is particularly the case for those donors that co-ordinate sector baskets or that are part of the small group providing budget support (AfDB, EU, WB, IMF). Donors are well aware of the internal organisational policy on the use of country systems, but seem to have rather less awareness of the country's aid policy (at least one donor claimed not to know about the policy).

Most donors have the policy that country systems should be used where possible. For example, the AfDB (2011: 18), in a note on harmonisation, states that: 'to the extent possible, no ad-hoc units (PIUs) will be set up to supervise the operations. Instead, the existing capacity of the administration will be used and, if necessary, strengthened'. The World Bank (2008: 18, 31) notes in its *Country Assistance Strategy FY09-FY12* that:

the Bank will support improved aid effectiveness by building the capacity of Burundi's aid coordination unit and helping the government move toward sector-wide approaches...The Bank will continue to move away from stand-alone project implementation units (PIUs). Several ongoing projects are implemented through government structures, notably the Road Sector Development Project and the newly approved Multisectoral Electricity and Water Project.

Interviewees were also well aware of the diagnostics that needed to be undertaken before country systems could be used, such as fiduciary risk assessments, in the context of the discretion that they have at country level in the use of country systems. In most cases, a formal process of assessment was required in order to assess risk and justify the use of country systems. In some instances, headquarters policy had shifted over the past few years, such as in the case of USAID, which now can use country systems as part of the USAID Forward Policy introduced in 2010. This encourages the use of country systems and acknowledges that not using country systems has reduced incentives to help build the capacity of receiving institutions. This policy allows 30 per cent of country budgets to strengthen local civil society and private sector capacity, and to make more extensive use of partner government systems. The USAID office in Burundi has the flexibility to decide how to implement this policy in-country. This also represents a challenge, as it is still a legal requirement that USAID funds are earmarked for activities, which rules out budget support and is not easily reconcilable with the use of basket funding, given that basket funds are not normally ring-fenced.

Donors providing budget support in Burundi



AfDB



EU



WB



IMF

The main risks identified by donors relate to corruption, weakness in public finances, and insufficient capacity of government officers.

Risk as a factor at country level

Donor perception of risks

There is broad agreement on the issues and risks, but little consensus on the strategy or practice required to reduce the problems of corruption in Burundi, and donor partners have adopted very different approaches to the matter, on the basis of their own objectives (OECD 2011). The main risks identified by donors relate to corruption, weakness in public finances, and insufficient capacity of government officers. Some donors (e.g. the EU, Belgium and Switzerland) are very concerned specifically about the slow pace of reform in the justice sector,¹¹ including the seemingly very slow progress in addressing issues related to maladministration of justice and, more generally, corruption, and poor performance and capacity of judges and the police force. Government officials counter that there is a lack of a nuanced understanding of the local context, and that reform of judicial and law-enforcement institutions necessarily takes time in the post-conflict situation in Burundi.

To date, these risks have been mitigated by donors jointly undertaking PEFAs (most recently in 2012) and other financial assessments. There is extensive use of additional safeguard measures by donors in Burundi, including 'non-objection' procedures for larger value procurement, additional reporting (often using peripatetic TA) and additional inspection and external audit procedures.

In general, donors (particularly the EU and other European donors) have become more risk averse due to a weakening appetite for risk – partly due to political changes – among European governments. Belgian donor representatives noted that sector governance, capacity issues and justice/corruption issues meant that substantial fiduciary risk remained associated with providing support in Burundi. The EU noted that fiduciary requirements were substantial and that justification and safeguards were increasingly required, but the representative noted that there was agreement to continue providing EU general budget support until 2015. Risk is becoming more of a factor impacting on donor decisions in terms of aid modalities and use of country systems, as donors differ as to the amount of risk they are prepared to face, due mainly to political pressure. This risk aversion has manifested itself through requiring additional reports and audits relating to the use of country systems.

Country perception of risks

No country interlocutors mentioned risks in using national systems. However, objectively the main risks in using country systems involve being able to manage funds effectively, given the variable control over budget execution and accurate recording of expenditure against plans. In some line ministries, the capacity for financial management is weak, due to inadequate quality and levels of staffing. Interestingly, and illustrating the divergence of perceptions of fiduciary risk in Burundi, the MoFEDP has stated that there was 'no risk' for the government in using national systems.¹²

¹¹ Discussion at Donor-Government Partnership Group meeting in Bujumbura, 29 May 2013.

¹² Response by MoFEDP official to the Questionnaire used for this Report

Incentives to use country systems

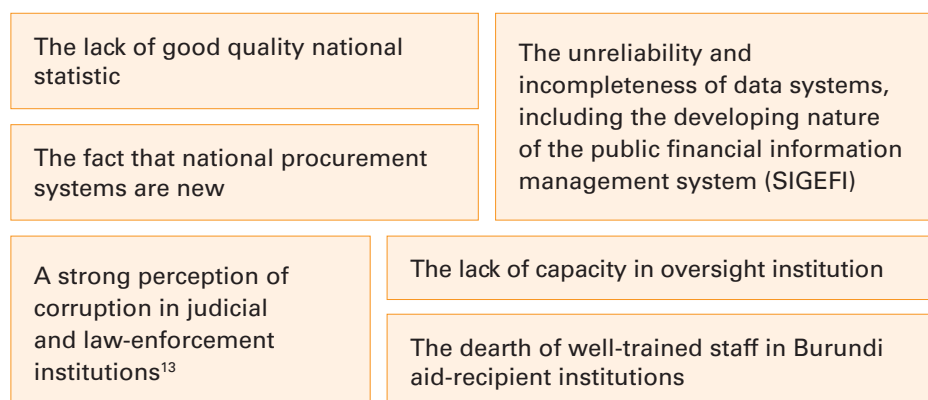
There appears to be only a limited incentive for donors to use country systems in a post-conflict, fragile governance environment like Burundi. The government is not exerting any legal (as opposed to moral) pressure and, in practice, pressure from headquarters to use country systems is limited to reviews of practice against the harmonisation and alignment agendas included in the Paris Declaration, Accra and Busan accords, since these accords (and their periodic monitoring) do mandate the use of country systems, except when diagnostics indicate that the systems are not strong enough to be used.

Incentives for country officials to encourage the use of government systems exist through being seen to secure compliance with the government's preference for using country systems. However, since external funding is such an important share of public spending, officials acknowledge that they have little leverage to insist on donor compliance – the view being that, after all, the funds concerned 'belong' to donor governments (and, ultimately, taxpayers).

The question of personal incentives of Burundi officials is less clear. For a few officials (e.g. those in SP/CNCA and the MoFEDP unit that oversees aid partnerships), greater use of public systems by donors, especially if linked with increases in funding, may reflect well on them personally, although it is unclear whether an increase in the use of country systems is mentioned as an objective in their role profiles, if these exist. Against that, less use of PIUs, and greater use of ministry personnel, to manage projects is clearly to the disadvantage of people currently working for donors in such units, since their livelihoods will be reduced (probably significantly) if the units were to be reabsorbed into ministries and salaries paid on civil service terms. Since these PIUs are located in association with line ministries, the most vocal opposition for removal of PIUs is likely to come from line ministries.

Barriers to the use of country systems and enabling factors

The main barrier to using Burundi country systems is the perceived fragility of country financial management systems, and administrative and governance structures. Some of the systemic issues that impinge on donors' use of country PFM systems include:



Since external funding is such an important share of public spending, officials acknowledge that they have little leverage to insist on donor compliance – the view being that, after all, the funds concerned 'belong' to donor governments.

¹³ See Transparency International corruption perception data on Burundi (Transparency International 2012)

An independent report has observed that 'Burundi is a striking example of a state where the ambitious goals of the donor community have not matched the capacity on the ground, resulting in a significant lack of agency resources to manage and implement activities' (Specker, Briscoe & Gasana 2010). These institutional resource and structural weaknesses, combined with two other factors – strong concerns about the impartiality and professionalism of country governance structures (judiciary, customs and police), and a reduced appetite for risk on the part of donor governments – together combine to act as a significant brake on the use of country systems.

In contrast to these factors, which may lead to a decline in support in the short-term, there are factors that may encourage increased use of country systems:

- the steady improvement in Burundi PFM systems (evidenced by PEFA and CPIA) has encouraged donors to use procurement systems, albeit with additional safeguards (e.g. no-objection procedures on procurement);
- the satisfactory use of sector/basket funding instruments, which may lead to more use of such funding instruments outside the education sector;
- the setting up of a donor-government partnership group, facilitated by the Ministry to the Presidency in Charge of Good Governance and Privatisation and the World Bank;
- greater regional economic integration (East African Community, TradeMark East Africa initiatives); and
- relative democratic stabilisation post-Arusha, and continuing country economic growth.

However, it might be some time before donors feel that a 'threshold' of confidence in government systems has been reached, permitting the broad use of country systems.



PROJECT IMPLEMENTATION UNITS

Use of project implementation units

In Burundi, there is extensive use of PIUs within the government structure, to implement donor activities. Paris Declaration Indicator 6 measures the number of PIUs and shows that their number doubled from 37 in 2005 to 73 in 2011. This may be due to donors expanding their assistance programmes once the Arusha Accord was signed. There has been an indication of modest decline recently (from 84 PIUs in 2010 to 73 in 2011), but that may simply be related to the ending of projects.

It is possible that the increase in PIUs reported may be a 'statistical artefact' of the better capturing of PIUs by Paris Declaration monitoring and the government,¹⁴ and the fact that PIUs not previously so defined (e.g. USAID has stated in the past that its units were not PIUs) are now regarded as PIUs. Some activities, such as the Aid Co-ordination Secretariat, funded by the UNDP, and the unit in the MoF charged with co-ordinating public finance reform and monitoring donor co-ordination, probably were not initially classified as PIUs, but are now recognised as such, mainly because posts and administrative costs are funded by donors.

Some donors surveyed (World Bank, AfDB) by the OECD's Paris Declaration Survey believed the use of PIUs to be justified in Burundi, because of weak PFM systems, a lack of capacity in ministries and the pressure to disburse funds, which, in turn, required functional project management to be put in place quickly. According to the OECD, most donors 'regretted' this situation, but considered it necessary until PFM improved. Some donors noted that while the in-country donor offices would now be prepared to use host-country systems (implicitly recognising their improvement), donor headquarters policy or donor country Parliaments constrained their use due to fiduciary concerns.

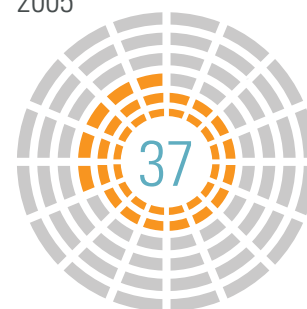
In practice, most donors use either classic PIUs or secretariats/co-ordination 'cells' to deliver projects and programmes, and often hire additional staff to fill these posts. The latter 'cells' differ from traditional PIUs in that they manage and co-ordinate activities, but do not implement them. Such arrangements (e.g. for basket funds) have been put in place due to donor concerns regarding the capacity of staff within line ministries to manage and co-ordinate projects and programmes.

Impact of project implementation units

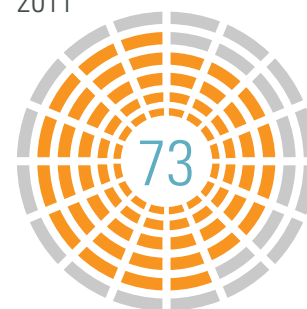
The policy of the Burundi government is to aim for a reduction in the number of PIUs, and to use PIUs only in exceptional circumstances, after agreement with the government. The government (MoF, SP/CNCA) believes that using existing line ministry staff to co-ordinate and manage donor aid would be preferable to build staff skills and capacity and to ensure sustainability. The government's aid policy notes that PIU transaction costs (salaries, international TA, etc.) are high, thereby undermining value for money in donor

The amount of PIUs between 2005 and 2011

2005



2011



¹⁴ 'Cependant, la situation réelle est probablement celle d'une stagnation du nombre d'unités mais d'une meilleure qualité des données fournies dans le cadre du suivi de la DP' OECD (2011)

There are strong incentives making it difficult to incorporate PIU staff into the government after projects have been completed, as civil service salaries are significantly lower than the salaries paid by donors/PIUs.

projects, and that the use of PIUs ‘clearly erodes the capacity of the public administration as capable personnel are attracted by high salaries and do not return to public service’.¹⁵

However, government officials noted that there are strong incentives making it difficult to incorporate PIU staff into the government after projects have been completed, as civil service salaries are significantly lower than the salaries paid by donors/PIUs (by a factor of 10–20 times). Donors spoken to (e.g. AfDB) stated that the capability does not exist within line ministries (e.g. transport) to efficiently scope and manage projects and ensure progress. On the other hand, ministry staff are likely to have a better understanding of government planning and budgeting systems, which is a clear advantage over staff from outside of government.

No criticisms were raised concerning the operation of PIUs, but time prevented much discussion of the operation of individual PIUs and few generalisations are possible. The World Bank noted that the ‘basics’ were not yet in place in Burundi to move away from PIUs. However, if a ministry had capacity (and this could be tested using an institutional diagnostic), and Treasury systems were functioning, then it would be possible to build capacity within a specific institution by using civil servants for all tasks except project financial management and procurement.

¹⁵ Government’s Aid Policy, Section 5.1.4, p.20 (Author’s translation from the French). The relevant text, in full, reads as follows : ‘*En effet, outre les coûts de transaction, cette pratique érode sensiblement les capacités de l’administration dont les personnels compétents sont attirés par les salaires élevés et ne retournent plus dans la fonction publique. Le Gouvernement et les PTF travailleront à faciliter ce processus en renforçant les capacités de l’Administration Publique, et en relevant durablement le niveau de rémunération des fonctionnaires compétents qui auront choisi de relever le défi de l’efficacité au sein de l’administration. Le recours aux structures parallèles ne se fera qu’exceptionnellement et après concertation.*’

CONCLUSION

The use of country systems in Burundi has stagnated or even declined, as evidenced in greater use of PIUs, fewer collaborative in-country missions, and opaque donor commitments in recent years, according to the Paris Declaration Surveys. This has been driven by a sense that Burundi is extremely fragile after the implementation of the Arusha accords, and that many social, political and governance challenges remain.

There seems to be an ongoing lack of confidence in government PFM systems, despite the fact that reforms in various related areas of public finance (see PEFA results in Figure 5) have been moving forward, and the Audit Court and other oversight institutions (e.g. the Inspectorate-General) in Burundi are generally perceived to operate well, although in need of strengthening. Donors' PFM qualms are reinforced by the perception of governance weaknesses rooted in concerns about the operation of the judiciary and police, and recent constraints on the freedom of the press, and a lack of progress in addressing governance issues.

Recognising PFM weaknesses, donors have established programmes to support the key areas where systems and processes have been weak, in order to mitigate against fiduciary risk, and have explored the use of basket funding with limited use of country budget and procurement systems.

Recommendations addressed to the government

For there to be increased use of Burundian systems, and in order for donors to become confident that there is an acceptably low risk in using government systems, thereby addressing the heightened fiduciary concerns of the donor community, the government will need to **continue to improve PFM**, particularly in the areas of weakness that remain, such as: budget credibility; payroll, procurement and expenditure controls; and audit. The government will also need to **exert greater country leadership of the aid agenda**, and increasingly mandate the use of country systems.

As in other fragile states, **capacity will need continued enhancement** within government bodies, in order to manage donor funds that flow through country systems, so that PIUs, co-ordination units or secretariats do not need to be put in place to give donors confidence that funds will be managed well.

Since donor confidence in judicial and law enforcement governance is low, and this is impacting on general donor attitudes to using country systems, special attention needs to be paid by the government to **addressing the existing challenges relating to probity, transparency and corruption in the justice sector**.

Recommendations addressed at donors

Donors need to recognise and **build on areas where PFM improvements are evident**, such as the generally sound budgeting process, and improved recording and reporting. Donors also need to **ensure that the government is informed of commitments and disbursements in a timely and accurate manner**, by using the AMP that is in place, so that aid can at least be on plan even if it is not disbursed through Treasury systems.

There seems to be an ongoing lack of confidence in government PFM systems, despite the fact that reforms in various related areas of public finance have been moving forward.



Three specific recommendations flow from a recognition that donors have imperfect information about the constraints, challenges, strengths and weaknesses of key actors in Burundi. This situation is leading to less-than-optimal policies being adopted, and donors not fully supporting improved institutions and practices.

- *Recommendation 1: Commission an institutional governance review* in central and key ministries that could be future recipients of 'basket funding'. Initially, it is recommended that reviews should focus on the key agencies at the centre of government (Finance, Justice and Second Vice-President's Office). However, reviews could also be conducted in key ministries impacting on the economy (Governance and Privatisation, Agriculture, Energy, Transport and Education).
- *Recommendation 2: Consider expanding sector/basket funding* into sectors/ areas beyond those already considered, such as health (e.g. energy and transport), in order to reduce the fragmentation of assistance through a plethora of projects, many of which are currently managed through parallel mechanisms such as PIUs.
- *Recommendation 3: Investigate the possibility of general budget support being consolidated* and channelled through an 'Economic Development Trust Fund for Burundi', managed by the IMF or World Bank, and focused on providing institutional assistance for economic development. There are substantial costs to the host government in complying with the multitude of safeguards requested by different donors. Often these are duplicative and onerous, requiring the setting aside of dedicated (and precious) in-country resources. Although there are downsides to setting up a 'trust fund', not least of which are the costs to the multilateral institution of managing such a fund, and the difficulties associated with donor co-ordination, it would probably reduce the number of supervising missions, technical assistance requirements and multiple conditionality/safeguards attached to existing general budget support.

ANNEX 1: COUNTRY RESEARCH FRAMEWORK AND QUESTIONS

Use of country systems	
Country history in respect of ODA and use of country systems	<p>ODA volume, flow, type and predictability.</p> <p>What is the history of the use of country systems at the country level (data and narrative)?</p> <p>Have there been concentrated and/or significant shifts across donors, and what triggered such shifts?</p> <p><i>The research teams will not attempt to collect additional data on the use of country systems for each of the selected two country case studies, but will provide a thorough analysis of existing OECD-DAC and Paris Declaration data. The country fieldwork will collect qualitative information to construct a narrative on the use of country systems.</i></p>
Country PFM systems	Analysis of quality and change in quality of country PFM systems, using PEFA and other assessments (prior to country visit, standard analysis for focus countries).
Actual use of country systems	<p>What are the links between quality of PFM systems and use of country systems, if any?</p> <p>Across the budget cycle, is there a difference between the use of country systems by type of aid flow (grant/loan)?</p> <p>Across the budget cycle, which donors use which country systems in which ways? What are examples of additional safeguards? What are examples of partial use of country systems within a specific phase? How does this relate to risk assessments?</p> <p>Does the application of such additional safeguards and limited use impact on the benefit of the use of country systems for the country? How?</p>
Budget support and other aid modalities	<p>What budget support is provided and how much of the shift to use of country systems is on account of budget support (Paris Declaration Survey Data, modified by country level information, if readily available)?</p> <p>What drives a shift to budget support? What blocks a shift to budget support? How does this differ across donors (headquarters factors and country factors)?</p> <p>Were there shifts to other aid modalities or disbursement channels that contributed to the use of country systems (e.g. to programmatic rather than project, or basket rather than individually managed funding modalities)?</p>
Country-level awareness and adherence to donor policy frameworks and processes	<p>How aware are donor country personnel of donor use of country systems policy frameworks? How well are they able to apply these?</p> <p>Are formal processes for use of country systems decisions followed?</p>
Country policy frameworks and processes	<p>What is the country's policy in terms of the use of country systems? Is this policy applied consistently across government?</p> <p>What processes, driven by the country, have increased or could increase the use of country systems?</p>
Risk as a factor at country level	<p>How do donors view risk in the country concerned? Which risks count for which donors and why? How does risk impact on the use of country systems?</p> <p>What risks does the country face when country systems are used? Do these feature in country decisions when requesting or agreeing to the use of country systems? Are these risks considered by donors?</p> <p>Is the assessment of risk modified by an assessment of possible benefits?</p>
Incentives	<p>What incentives do country donor personnel face to use country systems? What drives these incentives?</p> <p>What incentives do country officials face to use country systems? Do these differ between central institutions, like the Ministry of Finance, and line departments? What drives the incentives?</p>
Capacity at country level	What are donor and country personnel capacities for managing aid through the use of country systems?
Barriers and enablers	<p>What barriers specific to the country impact on the use of country systems? Are there key country actions that may overcome such barriers?</p> <p>What factors are enabling the use of country systems? Are there country-donor partnership factors or institutions at country level that enable the use of country systems?</p> <p>Are there country actions – across donors or donor specific – that have triggered increased use of country systems?</p>

PIUs	
Use of PIUs	<p>How many PIUs are in place and what is the history of the use of PIUs?</p> <p>Are there aid programmes that are managed through institutional arrangements that mimic PIUs, but are not defined as such? What are these and what has driven their establishment?</p>
Impact of PIUs	<p>What is the impact of PIUs on aid sustainability at the country level? Are there instances where PIUs/similar arrangements arguably ensure the delivery of results or safeguard funds, but do not affect long-term sustainability of programme outcomes or development?</p>

ANNEX 2: PFM AND USE OF COUNTRY SYSTEMS QUESTIONNAIRE

1. COUNTRY PFM SYSTEM

General

- 1.1. What are the key structures and features of the Burundi PFM system?
- 1.2. What arrangements exist for review of the PFM system (PEFAs, CFAA, etc.)?

Budget preparation and approval

- 1.3. How are budgets prepared and approved?
- 1.4. How do ministries prepare budget submissions?
- 1.5. What are the key steps for parliamentary approval of the budget?

Budget execution

- 1.6. What are the budget appropriation release processes? Is there an integrated financial management system?
- 1.7. How are funds released? Are payments centrally controlled/authorised?

Audit and accounts preparation

- 1.8. Are accounts done on an accruals or cash basis?
- 1.9. What is the fiscal year (month–month)?
- 1.10. What is the role of accounting officers in expenditure oversight/fund use?
- 1.11. Are government accounts prepared in a timely manner? Are 2011 accounts available? When are 2012 accounts estimated to be ready?
- 1.12. Does Parliament discuss the accounts? Is discussion detailed/satisfactory?
- 1.13. What national accounts audit arrangements are in place? Is there a national audit office? How well is it staffed?

2. USE OF COUNTRY SYSTEMS (UCS)

General

- 2.1. Are country systems used in aid management/disbursement? If so, which?
- 2.2. What systems are used by donors in the various elements of the budget cycle (i.e. in budget planning, budget execution, expenditure reporting, budget monitoring, etc.)?
- 2.3. What different forms of UCS modalities (budget support, pooled funding, etc.) are used? Why?
- 2.4. If country systems are not/less used now than in the past, why is this?
- 2.5. Is there a difference in the UCS by *type of aid* (infrastructure-related, social sector, humanitarian, etc.)?

Budget support

- 2.6. Is budget support (BS) important? If so, why? What has driven a shift to BS? If not important, what factors have blocked use of general and sector budget support?
- 2.7. Factual/MoF: How important is budget support in: a) total external assistance? b) total public funding? (c) different sectors?
- 2.8. MoF: How does use of budget support differ across donors?

Examples of use of country systems

- 2.9 What examples are there of full UCS?
- 2.10 What examples are there of hybrid/partial UCS?
- 2.11 In cases of full/partial UCS, are additional safeguards used? If so, which?

3. FACTORS IN THE USE OF COUNTRY SYSTEMS

Policy-related factors (MoF/other ministries)

Government

- 3.1 What is the government of Burundi's policy in terms of UCS?
- 3.2 How well known is the policy? Is this policy applied consistently across ministries?
- 3.3 What country processes have driven, or could drive, UCS?

Donors

- 3.4 Are country donor personnel aware of country/donor UCS frameworks? How was this awareness generated?
- 3.5 If so, how well are Burundi frameworks/guidelines applied in practice? Are formal/correct decision-making processes followed?

Capacity to manage aid through UCS at country level

- 3.6 What are *country* personnel capacities for managing aid through UCS?
- 3.7 What are *donor* personnel capacities for managing aid through UCS?

Risk as a factor in UCS at country level

Donor perception of risks

- 3.8 How do donors assess and perceive risk in Burundi?
- 3.9 Which risks do you think are important, and why?
- 3.10 How does this risk analysis impact on your UCS?
- 3.11 Is the assessment of risk modified by an assessment of possible benefits?

Country perception of risks

- 3.12 What risks does the government of Burundi face when country systems are used?
- 3.13 Do UCS risks feature in government decisions, when UCS is requested agreed?
- 3.14 If these risks are different to risks perceived/considered by donors, why is this?

Incentives to use country systems

- 3.15 What incentives do country donor personnel face concerning UCS? What factors influence donor decisions to UCS?
- 3.16 What incentives do country ministry personnel face concerning UCS? Do these incentives differ between MDAs (e.g. MoF and line ministries, agencies)?

Barriers to use of country systems and enabling factors

- 3.17 What Burundi-specific factors/barriers impact on UCS?
- 3.18 Are there key country actions that may overcome barriers to UCS?
- 3.19 What factors are enabling UCS where it occurs (e.g. specific donor-country partnerships or particular institutions)?
- 3.20 Are there particular country actions that have triggered or increased UCS?

4. PROGRAMME IMPLEMENTATION UNITS

- 4.1 How many PIUs are in place? Provide examples.
- 4.2 How did the use of a PIU(s) come about?
- 4.3 Are there programmes that are managed through PIU-like institutional arrangements?
- 4.4 If so, what are these alternative PIU-like arrangements? What has driven them?
- 4.5 What is the impact of PIUs on aid sustainability at the country level?
- 4.6 Are there instances where PIUs ensure delivery of results, but do not affect the long-term sustainability of programme outcomes or development?

ANNEX 3 : OECD (2011) TABLE ON PARIS DECLARATION TARGETS AND ACHIEVEMENTS

Indicator	2005 (for reference purposes)	2007 (for reference purposes)	2010 results	2010 target	
1	Partners have operational development strategies	D	C	D	B or A
2a	Reliable country public financial management systems	2.5	3	3	3
2b	Reliable country procurement systems	Not available	Not available	Not available	N/A
3	Aid flows are aligned on national priorities	39 %	54 %	52 %	85 %
4	Strengthen capacity by co-ordinated support	43 %	41 %	53 %	50 %
5a	Use of country public financial management systems	24 %	33 %	23 %	No target
5b	Use of country procurement systems	19 %	35 %	31 %	N/A
6	Strengthen capacity by avoiding parallel implementation units	37	29	84	12
7	Aid is more predictable	53 %	44 %	48 %	76 %
8	Aid is untied	90 %	92 %	104 %	Over 90 %
9	Use of common arrangements or procedures	54 %	36 %	49 %	66 %
10a	Joint missions to the field	24 %	13 %	14 %	40 %
10b	Joint country analytic works	55 %	74 %	33 %	66 %
11	Results-orientated frameworks	D	D	D	B or A
12	Mutual accountability	No	Yes	No	Yes

ANNEX 4: IN-COUNTRY STUDY DISCUSSANTS

Name	Position	Organisation
Alain Hatungimana	Director General, Finance	Ministry of Finance & Planning for Development
Désiré Musharitse	Co-ordinator, Unit responsible for the monitoring of reforms and the partnership framework between the government and development partners	Ministry of Finance & Planning for Development
Emile Nimpaye	Database and monitoring and evaluation expert	Secrétariat Permanent du Comité National de Coordination des Aides
Eric Nshimirimana	Chief Financial Officer	Ministry of Basic & Secondary Education
Nolasque Ndikumuna	Officer, DGFI	Ministry of Finance & Planning for Development
Pasteur Mpawenimana	Officer	Ministry of Finance & Planning for Development
Stefan Herweg	Economist (ODI Fellow)	Ministry of Finance & Planning for Development
Chiara Bronchi	Lead Governance Advisor, Burundi, DR Congo, Rwanda & Tanzania	World Bank
Ferdinand Barazunza	Economist, Burundi Office	World Bank
Koffie Yao	Resident Representative, Burundi	IMF
Sibraye Joel Tokindang	Principal Country Economist	African Development Bank
Guy Hambrouck	Aid Attache	Belgian Embassy, Burundi
Herve Corbel	Programme Officer	Belgian Development Agency
Arthur Rushemeza	National Economist	UNDP, Burundi
Jurgen Heimann	Minister Counsellor, Head of Co-operation	EU Office, Burundi

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