

CABRI sector dialogue on value for money in agriculture spending

Burkina Faso case study

The Project in Support of Agricultural Value Chains: How effective is its tracking and monitoring of budget expenditures?



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Acronyms and abbreviations

CABRI	Collaborative Africa Budget Reform Initiative
FCFA	<i>Franc des Communautés Financières d'Afrique</i>
FIDA	<i>Fonds Internationale Développement Agricole</i>
FODEF	Value Chain Development Fund (<i>Fonds de Développement des Filières</i>)
GDP	gross domestic product
IFAD/FIDA	International Fund for Agricultural Development/ <i>Fonds International de Développement Agricole</i>
MASA	Ministry of Agriculture and Food Security (<i>Ministère de l'Agriculture et de la Sécurité Alimentaire</i>)
NGO	non-governmental organisation
PMU	Project Management Unit
PROFIL	Project in Support of Agricultural Value Chains (<i>Projet d'Appui aux Filières</i>)

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1. Introduction

1.1 Overview

In Burkina Faso, agriculture is one of the main pillars of the economy. About 34 per cent of GDP comes from agriculture, and the rural sector employs nearly 86 per cent of the workforce (MASA 2014). Agriculture and livestock alone employ over three-quarters of the total population. These sectors ensure food security and are considered the main source of income for the rural population. Agricultural production is hardly mechanised and displays low yields. Extensive livestock farming, widely practiced, also suffers from low productivity. Although Burkina Faso has a high potential for the development of its food industry, the processing of agricultural products remains marginal.

Following a long cycle of disinvestment from the agricultural sector, a new paradigm shift is noticeable, highlighted by the 2003 Maputo Declaration that calls on all African countries to devote at least 10 per cent of public spending to agricultural investments. The government of Burkina Faso is among the few that have complied so far with this African Union directive. Moreover, donor investments through projects and programmes for many years have represented a significant proportion of the budgets of the rural sector. The extent and quality of these investments are vital determinants of whether agriculture leads to poverty reduction, improved food and nutrition security and, above all, contributes towards economic and social development. In this context of increased financing for the agricultural sector, how budgeting for agriculture is carried out is crucial for a positive impact.

1.2 Problem statement

In general, several challenges are common in budgeting for agriculture. The lack of an effective tracking and monitoring system has often been underlined as a major issue. This problem encompasses several dimensions.

First, data collection on ongoing expenditures is critical in the provision of information on progress and achievements in the use of allocated resources. Measuring and reconciling data at different stages of the expenditure process contributes towards improving the quality of budgeting. When organisations fail to record commitments or leave bills unprocessed for some time, there is a high risk of accumulating payment arrears, and perhaps exposing the entity to non-transparent behaviour.

Second, a good system of data collection is not a panacea and does not guarantee satisfactory results. It is vital for organisations to possess capacity in budget analysis. Otherwise, it is hard to make good use of the data, regardless of its quality. The extent to which the project or programme has people suitably qualified in budget analysis, and reporting and feedback mechanisms are available within the organisation, is complementary to accessibility of the data. Third, along with the reliability and effectiveness of the tracking and monitoring system, good governance ensures predictability of operations.

The Project in Support of Agricultural Value Chains (PROFIL) is analysed against these three aspects of an effective tracking and monitoring system. PROFIL is a suitable candidate for this exercise as it normally prefigures the strengths of well-designed projects funded by external donors. However, it experiences many challenges, including the lack of an effective tracking system.

1.3 Objectives and methodology

This case study bears some light on issues of budgeting for agriculture through a close examination of PROFIL. The objective of the study is to examine the tracking and monitoring system of PROFIL's budget, and to provide policy officials with inputs for a dialogue on budgeting for agriculture.

The following key questions will shape the discussion:

- Is PROFIL's budget monitoring system compliant with good practices in project management?
- What are the implications of a deficient tracking and monitoring system on agricultural outcomes?
- How can governments and donors ensure that an effective tracking and monitoring system is in place and functional from the inception of agricultural projects and programmes?
- What are some of the good practices encountered in other countries that would be helpful to Burkina Faso?

This study draws on literature reviews and interviews. Various evaluation reports on PROFIL, along with research documents, are gathered and analysed. Services of the Ministry of Agriculture and Food Security (MASA), the Ministry of Economy and Finance, and the Project Management

Unit (PMU) offer details on budgeting in the Burkina Faso agricultural sector, in general, and on PROFIL, in particular. Interviews were conducted with actors responsible for the design, monitoring and implementation of the budget in MASA. Other interviews targeted the Directorate General for Development Co-operation for matters related to the management of public aid, and the Directorate of Studies and Planning for budget planning issues.

The study was prepared for the Agricultural Sector Dialogue series of the Collaborative Africa Budget Reform Initiative (CABRI). The purpose of these dialogues is to create a platform for peer learning in the field of agricultural budgeting and financing.

This introductory section is followed by an overview of PROFIL. The next section focusses on the case study, shedding light on PROFIL's system of monitoring budget expenditures. The final section presents concluding remarks.

2. PROFIL: an overview

PROFIL is co-financed by the International Fund for Agricultural Development (IFAD), the government of Burkina Faso and various beneficiaries. Its funding amounts to USD 16.86 million. PROFIL identifies five key value chains (sesame, cowpea, onion, small ruminants and traditional poultry) in the four regions of its intervention area (North, Sahel, *Boucle du Mouhoun* and Centre-North). The project's approach is to: facilitate access to markets of primary stakeholders in these value chains, and to help these players to enter a dynamic structuring of apex organisations in order to increase their voice in these markets.

Specifically, the project aims to: develop links between the target groups and other value chain actors, strengthen the capacity of members of target groups and their organisations, and improve the rural poor's access to

productive investments and marketing services. The project includes the following four components:

- A – rural communication, networking of actors in supply chains and market linkages (8 per cent of the base costs);
- B – capacity building (44 per cent)
- C – development funding (Value Chain Development Fund – FODEF) (33 per cent); and
- D – organisation and management of the project (15 per cent).

Five years after the IFAD loan came into effect, disbursements amounted to only 25 per cent. Until late 2011, the annual rate of utilisation of the IFAD loan was around 5 per cent (see Table 1).

Table 1 : Use of IFAD loan (XDRs), 2008–2013

	Items	30-09-09	30-09-10	30-06-11	29-02-12	01-02-13	Outstanding included	Initial allocation
I	Civil engineering	27 851	77 758	77 758	77 758	77 758	92 924	60 000
II	Vehicles and equipment	49 713	75 269	195 207	198 743	214 692	227 025	470 000
III	Technical assistance and studies	45 642	32 639	54 632	57 292	64 986	94 423	240 000
IV	Training and information	108 709	186 494	205 604	259 069	282 074	397 513	1 940 000
V	Value Chain Development Fund					349 234	567 714	2 550 000
VI	Service provision	60 811	132 957	189 692	274 944	326 944	396 837	1 300 000
VII	Salaries and allowances	177 887	314 235	426 166	580 897	705 913	849 148	860 000
VIII	Cost of operation	53 592	93 234	121 334	223 424	273 389	314 480	560 000
IX	Not awarded							1 370 000
	Total	524 205	912 585	1 270 392	1 672 126	2 294 990	2 940 064	9 350 000
	Percentage use of initial allocation	6%	10%	14%	18%	25%	31%	

Source: FIDA/IFAD (2013)

Note: XDR = special drawing right, the value of which is defined by a weighted currency basket of four major currencies (the US dollar, the euro, the British pound and the Japanese yen)

MASA oversees the PROFIL project. For this purpose, a steering committee was set up and liaises nationally. A PMU runs the project and has administrative and financial autonomy. A regional co-ordination committee is set up in each project area and is responsible for, among other things, the validation of the annual work plan of the project in the region and the examination of the implementation of the project. The target groups are part of this committee. In addition, in each intervention region, there is a micro-project approval committee, responsible for receiving and approving micro-projects prepared by the actors.

The PMU consists of the following positions: project co-ordination; administration and finance; planning, monitoring and evaluation, and targeting; communication and capacity building for the co-ordination of components A and B; value chains for the co-ordination of component C; accounting; and support staff (drivers, custodians and secretaries).

In principle, PROFIL has a flexible programme approach, allowing for regular reviews of annual work plans and budgets, and ensuring an ongoing dialogue between the PMU, beneficiaries, the apex organisations and regional authorities. Allocations of the FODEF are determined by the targeted organisations and the rural communities. The fund finances 90 per cent of the micro-projects, and the contribution of the target group is set at 10 per cent in kind or in cash. Between 2010 and 2012, 1 098 micro-projects were approved for a total of 12 208 beneficiaries (see Table 2).

Each year, with support from implementing partners, and in a participatory and inclusive process, target groups identify their investment needs and develop an action plan (business plan) for that year. It is the same for the socio-economic and community investments (e.g. road infrastructure). The aggregation of all these action plans constitutes the annual work plan and budget for the project.

The annual work plan and budget, consolidated by the PMU in collaboration with its implementing partners, receives validation from the co-ordinator before seeking approval from the steering committee and IFAD. The manual of procedures defines the budgeting process. The approved budget is entered in the accounting and financial management software, TOMPRO, to monitor its implementation. The quarterly financial report submitted to IFAD and the government includes the report on budget monitoring.

PROFIL relies on the TOMPRO software for its accounting. In practice, the financial manager is responsible for:

- establishing an accounting system and the financial management of funds;
- preparing cost estimates within the scope of the work plans and annual budgets, and plans for procurement;
- managing accounts (designated accounts, counterpart accounts and, possibly, accounts of operations); and
- recording financial transactions and preparing annual financial statements, and maintaining all documentation of financial and accounting management of the projects.

Table 2 : Number of micro-projects approved by value chain and gender of beneficiaries

Value chain	Number of MPs	Beneficiaries				Amount subsidy (FCFA)
		Total	Ave. benef./MPs	Female	Female (%)	
Small ruminants	326	2 987	9	1 862	62%	277 672 105
Cowpea	281	3 930	14	2 837	72%	211 682 643
Poultry	226	2 219	10	1 382	62%	193 517 711
Sesame	186	2 064	11	1 089	53%	142 141 755
Onion	79	1 008	13	587	58%	65 662 469
Total	1 098	12 208	11	7 757	64%	890 676 683

Source: FIDA/IFAD (2013)

Note: MPs = micro-projects

According to systems in place, accounting secretaries at the different decentralised units (antennae) are responsible for fund management and the sending of expense vouchers to the PMU, under the responsibility of the chief financial officer, who assumes overall financial management responsibility of the project.

There are internal and external audit systems. The role of internal auditing is to ensure the proper application of financial, administrative and technical procedures. These internal procedures, based on good practice, are detailed in the manual of administrative and financial procedures. The co-ordinator of the PMU is responsible for implementing the terms of the manual. An audit of the internal control

mechanism is often done during supervision missions and external audits. These external audits deal with project accounts and management, which are audited annually by an independent and qualified audit accounting firm hired by the project/programme support unit of the Ministry of Economy and Finance, with IFAD's approval. Audit reports are sent to IFAD no later than six months after the close of the fiscal year. The non-submission of an annual audit report within this period could result in the suspension of disbursements.

3. Assessing the PROFIL tracking and monitoring system

3.1 Data collection and analysis of budget expenditures

Because PROFIL relies heavily on three decentralised local offices and a number of service providers to implement its activities, it is necessary to have mechanisms to collect budget-related data on a regular basis. From its conception, the project envisaged the establishment of a budget-tracking mechanism through internal controls that maintain a dashboard on the status of expenditure and the use of project resources. The financial manager is responsible for budget monitoring and, as such, must report monthly to the project co-ordinator about the state of spending and the use of resources. Likewise, the PMU reports twice yearly to MASA, the steering committee and IFAD, on project activities and expenditures. In principle, these reports cover partners' activities. Finally, the project's accounts and management are audited annually by an independent firm of auditors.

Despite all these provisions for the collection and transmission of budget information, serious deficiencies are noted in the collection and processing of data. The framework for data collection and report contents are not respected by the antennae. Activity reports by both service providers and antennae are routed with delays to the PMU. There is also a significant gap between the selection/financing of micro-projects and the actual start of the technical and financial monitoring. Finally, upon approval of the annual work plan, the budget is entered in the TOMPRO software, but the budget monitoring and control functions are not assured. Indeed, all three antennae operate self-accounting procedures, and consolidation must be done 'manually' within the PMU. The potential of the TOMPRO software remains underutilised. It is only functional on a single computer workstation at the PMU, and several components (contract register and inventory, for instance) are still processed in Excel, with the risk of inconsistencies.

Discussion question

From your own country's experiences, are the issues of budgetary data collection pervasive in agricultural projects (especially in the decentralised context? What measures can be taken to improve these deficiencies?)

The PROFIL monitoring and evaluation manual was revised during the first half of 2012 with the support of a consultant, and information feedback sheets were developed, tested and implemented. Real improvements in information gathering were made, although the system was still not operational. The use of the TOMPRO software could be further improved by ranking budget allocations and uses, on the basis of the three levels of institutional targets (GIE, apex organisations and regional value chains) and by achieving budget monitoring in 'real' time. Consequently, these budget data can be distributed to antennae and technical managers on a monthly basis, provided the latter are trained in the use of these tools.

Currently, PROFIL reports display a low level of analysis of the data collected and processed. As a result, it is difficult to determine the project trends and progress towards achieving the defined objectives. The analysis undertaken by the 2014 IFAD supervision mission on the state of the budget execution shows overruns and unbudgeted expenses that should have been spotted.

Discussion question

What are the skills and tools needed for effective budget analysis?

3.2 Governance and budget monitoring

Since starting operations in 2008, PROFIL has been affected by recurring conflicts within the PMU that totally blocked its implementation and operations until the second half of 2011. Audits of accounts during these years highlight many shortcomings. In January 2011, a performance evaluation of the project staff (PMU and antennae) was carried out. Following this assessment, the government terminated the contracts of key personnel and appointed an interim management team charged with implementing a priority programme. PROFIL was put on probation with a high risk of termination. A year later, a supervision mission concluded that the interim team was able to achieve the overall goals of the priority programme, and recommended the continuation of the project with enhanced vigilance from IFAD and the government.

The mid-term review of February 2013 identifies significant deficiencies due to the project co-ordinator lacking vision and showing weakness in terms of planning and responsiveness throughout the implementation process. His reports sent to IFAD were of poor quality, and his procurement records were particularly weak. Following the recommendations of the mid-term review, MASA decided to fire both the project co-ordinator and

the financial manager. The former project accountant was promoted to the financial manager position in April 2013, and was tasked with strengthening the internal control of the project and managing a financial situation characterised by: a high number of vouchers with inconclusive spending by the decentralised units and service providers, late repayment of the balances on the activities already conducted, and the absence of monitoring protocols.

These governance issues in the budget sphere are exacerbated by structural problems, especially the lack of procedures for key activities. For instance, the PROFIL manual of procedures fails to describe procedures for: implementation and justification of workshops and meetings; requirements for the financing of fairs, and technical and financial monitoring protocols with partners (apex organisations, regional technical assistance entities and NGOs). Finally, the separation of financial monitoring processes and physical achievements is not a good practice.

Discussion question

What are your recommendations on appropriate governance structures?

4. Conclusion

PROFIL is an example of a project which aims to contribute to poverty reduction for the rural masses. After five years of implementation, and despite the availability of abundant resources through an IFAD loan and an important contribution by the Burkinabè government, achievements were below expectations. The project suffered from reckless governance, which jeopardised its chances of success.

Measures taken by authorities in collaboration with IFAD to replace key personnel contributed to significant improvements in physical implementation and in budget management. Could such shortcomings be avoided or mitigated with a more effective tracking system? In the presence of good governance, it remains true that effective

tracking and monitoring of budget expenditures can constitute a formidable driver of a sound budgeting process.

Given the growing importance of agricultural financing, and the prevalence of major projects and programmes in the sector, it is imperative for governments and development partners to focus more on the issue of budget monitoring and the use of its outputs through feedback mechanisms.

For meaningful results, the regular collection of budget information is intrinsically linked to capacity in budget analysis. However, effective budget monitoring cannot be achieved without strong ties to virtuous governance. It is only under these conditions that investments in agriculture have the intended impact (and realise the desired value for money).

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