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“Aid on Budget” Study
Country case studies
Rwanda and Mali

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Rwanda PFM characteristics

- Key instruments
 - EDPRS, MTEF (+PIP), Sector strategies, Annual Action Plans, Annual Budget (turned into Finance Law), SMARTGOV
- Budget Structure and Classification
 - Programme based, but also economic, administrative and functional dimensions
 - Separate recurrent and development budget, but uses same programmes, same chart of accounts, jointly passed as Finance Law
- Decentralisation
 - 2000 accelerated in 2004
 - Block grant + earmarked transfers for health, education, governance, land, environment, agriculture
 - 12.6% of total budget
- Budgeting and financial management devolved

Rwanda Budget Calendar

- Joint district and sector reviews
- Budget circular specifying ceilings
- Ministries prepare strategic issues papers (linked to sector reviews)
- Draft Budget Framework Paper followed by budget consultations and final ceilings (in final Budget Framework Paper)
- Ministries prepare annual action plans and detailed budgets

Mali PFM characteristics

- Key instruments
 - CSCR, MTEF, Investment Plan (BSI), Sector Strategies, Appropriation
- Budget Structure and Classification
 - By ministry and line item in finance law (economic, functional and administrative)
 - By existing and new expenditures
 - Showing both internally and externally financed expenditures
 - Sector budget support shown separately by line item
 - All ministries, agencies
 - Ministry Programme budgets in annex to budget
 - Investment expenditure authorised for three years
- Based on francophone system with strong emphasis on internal controls
 - Legal basis separates steps in execution process (commitment, verification, payment order and payment)
 - Officers of MEF in ministries responsible for ex ante control of expenditure

Mali budget calendar

- ❑ Ministry review of budget-programmes
- ❑ Preparation of macro-fiscal framework as part of the Medium Term Budget Framework (MTBF)
- ❑ Preparation of Budget Circular (including ceilings and donors disbursement projections)
- ❑ Preparation by sector ministries of draft annual budget estimates, including the detailed budget-programmes, on the basis of sector expenditure ceilings in line with the CBMTMEF review of ministries' budget requests, including the budget-programmes
- ❑ Budget negotiations and finalisation of draft *Budget d'Etat*
- ❑ Adoption of draft Budget by Council of Ministers
- ❑ Government submits the draft *Budget d'Etat* to the National Assembly
- ❑ Examination and adoption of the *Loi de Finances* by the National Assembly

Rwanda aid context

- Just below 50% of consolidated budget, USD497.6 million (41% of budget in 2005)
 - 41% as budget support (on budget, 50% of recurrent budget)
 - Mostly grants (84%)
 - Top 10 donors 85% -- WB, EC and DFID 48%
- Structures
 - MINECOFIN (3 units)
 - External finance unit – entry point
 - CEPEX – monitoring donor project execution
 - Budget and planning – development and recurrent budget
 - Donors
 - Development partners coordination group
 - Budget Support Harmonisation Group
 - Aid Coordination Unit (mirroring EFU)
 - Joint
 - Development Partner's Meeting
 - Sector Working Groups

Rwanda Aid context (2)

□ Aid management

- Databases: EFU DAD, CEPEX and PIP
- Fragmentation through multiple units responsible for different aspects

□ Legal framework

- All revenues and all expenditures must be included in budget
- One consolidated fund for all revenues
- Not fully applied (Finance Law recently passed)

Mali Aid Context

- 40% of budget
 - BS (20% of aid, 8% of budget)
 - SBS (10% of aid, 4% of budget)
 - Project support (70% of aid, 28% of budget) includes pooled funding arrangements
 - Top 3 donors provide 48% of support (WB, EC and France)
- Aid structures
 - 5 government agencies involved
 - President's Office (Development and Coordination Initiative)
 - MEF Debt Management Department
 - Ministry of Planning and Land Management (Investment)
 - Ministry of Foreign Affairs and International Cooperation (negotiation and coordination)
 - Donors
 - Donors meet among themselves on a monthly basis
 - Joint
 - Government Development Partners' commission
 - Joint sector groups for sectors with budget support

Capturing Aid on Plan

□ Rwanda

- In EDPRS and BFP as sources of funds only
- In PIP: source and use of funds for projects
- Sector strategies poorly captured
- District budgets and plans poorly captured

□ Mali

- In CSCRP as sources of funds
- In MTEF and budget programmes GBS as source of funds but SBS also use of funds
 - Planned as projects
- In BSI: as source and use of funds
 - Separately planned from recurrent spending
- Differences in figures between instruments
- 22% captured on plan

Capturing aid on budget

□ Rwanda

- 49% of total ODA captured on budget
 - 41% is Budget Support
 - Project support poorly captured
 - But, what should be on budget?
 - Timeliness of information

□ Mali

- Grant financed GBS not captured as source of funds
- Credit financed GBS captured implicitly as source of funds in deficit financing, but deficit financing not disaggregated
- SBS captured both as source and use of funds
- Details of project support captured in BSI
- 79% of support captured

Capturing aid on parliament

□ Rwanda

- Finance law including both recurrent and development budget expenditure approved by parliament
 - Therefore budget support and some project support on parliament, discussion on internally financed projects
 - Parliament does not approve grants, but does approve loans

□ Mali

- Parliament votes finance law (excludes grant financed budget support, includes credit finance budget support and sector budget support), includes external project financing at aggregate level
- 79% captured

Capturing Aid on Treasury

□ Rwanda

- Channel 1 (BS) and Channel 2 (Project Support)
- Legal framework for Single Treasury Account
- But only budget support
- PIUs for projects (1 468 public sector accounts in 2004)
- Smartgov only used for BS, to be extended

□ Mali

- Channel 1 (GBS and SBS) and Channel 2 (Projects and pooled funding)
- GBS and SBS use Single Treasury Account
- Projects use PIUs and separate bank accounts
- 37% captured

Capturing aid on Account and on Audit

□ Rwanda

- First annual statements due out soon (for 2006)
- Budget support mostly but new CoA allows for all development budget expenditure to be classified for inclusion
- OAU audits both BS and project support, but the latter not comprehensively

□ Mali

- Two types of accounting, at commitment (ministry) and payment (central level) stage
- Accounting system limited to what passes through finance law (only BS and domestic resources)
- 37% of ODA captured on account
- Court of Accounts responsible for auditing
 - Poorly resourced
 - 69% captured

Capturing aid on Report

□ Rwanda

- In-year reports capture budget support
- CEPEX quarterly and annual development budget execution report captures projects (50% not captured in timely manner)

□ Mali

- Quarterly reports and Consolidated Annual report captures GBS and SBS
- Separate reports for commitments and payments
- Reconciled in annual report
- Quarterly and annual BSI reports on project support
- Reporting is fragmented and not reconciled at sector level
- 91% captured

What works and what does not?

□ Rwanda

- International pressure
- Introduction of aid policy and EFU added momentum
- EDPRS and PFM reforms (single treasury account)
- Joint working at sector and district level + other coordination initiatives
- Efforts to integrate recurrent and development budget
- Shift to budget support helps
- But challenges remain
 - Different databases and fragmentation of process
 - Sector strategies weak and poorly costed
 - Quality of the investment portfolio
 - Poor reporting on donor project support
 - Poor results on steps to integrate projects at sector level
- Obstacles are of political nature

What works and what does not?

□ Mali

- International pressure increases donors' appetite for BS
 - Also desire for stronger sector dialogue
- Strong sector approach positive
- Joint Government Donor Commission good forum for discussing issues
- Decentralised decision-making by Netherlands more flexible
- But
 - Budget support policy matrices not well constructed
 - Conditionalities not orientated to medium term
 - Fragmentation of aid management process, between recurrent and development, within budget execution and between reporting modalities problematic
 - Prioritisation of legal compliance over use of budget as policy tool
 - Line ministries not always in support of BS
 - Lack of predictability of disbursements (BS particularly)
 - Quality of information flows
 - Weakness of parliamentary scrutiny
 - Weaknesses of external audit
 - Approach to transparency generally

Main lessons

- Rwanda
 - Important to streamline government information requests
 - Clarify roles and responsibilities for reporting and ensure accountability for providing information in place
 - Internal coordination within government important to streamline aid management
 - Be clear on structure and function of joint review structures
- Mali
 - Predictability of funds flow
 - Aligning the timing of planning for donor assistance with the Government's budget cycle
 - Removing the disincentive to treat sector budget support in a similar manner to domestic resources is an important step towards greater accountability.
 - For both donors and Government, policy matrix objectives should be realistic
 - Strengthen the ex ante and ex post accountability loop
 - Grant financed BS should be added to finance law
 - Development of a single source for managing a comprehensive aid database.