



USE OF COUNTRY SYSTEMS

Progress, Challenges and Way Forward

DPM

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Presentation Outline

1. Strengthening country systems

2. Progress and challenges

3. How can GoR and DPs improve?



Strengthening Country Systems

- ▶ **PEFA outcomes** – PEFA 2010 shows a solid and progressive improvement from PEFA 2007.
- ▶ **Aggregate expenditure out-turn** compared to original approved budget changed from B to A showing real improvement.
- ▶ **Total expenditure variation** exceeded 5% in only one of the past three years, compared to twice for the 2007 PEFA.
- ▶ **Composition of expenditure out-turn** compared to original approved budget changed from D to C showing real improvement.
- ▶ **Variance in expenditure composition** exceeded total expenditure variation by 10% in only one of the past three years, compared to two in the three years examined by the 2007 PEFA.



Strengthening Country Systems

- ▶ **Comprehensiveness of information** included in budget documentation changed from D to A . Since 2007 GoR has consistently used a comprehensive budget documentation process.
- ▶ **Public access to key fiscal information** changed from C to A. Change in GoR practices - now provides 5 of the required 7 information areas.
- ▶ **Effectiveness of internal controls** for non-salary expenditure changed from D+ to B+. Since the 2007 PEFA the GoR has introduced specific manuals and instructions that are now widely used.



Strengthening Country Systems

▶ Comparative Grades

Score	PEFA 2007	PEFA 2010
A	3	10
B	8	6
C	6	7
D	11	5
Total	28	28

- ▶ No indicator dropped from PEFA 2007 to PEFA 2010.
- ▶ No of 'D' scores dropped by 45%, and no. of 'A' scores increased threefold.
- ▶ 57% of scores at A or B in PEFA 2010, compared to 39% in PEFA 2007.



Progress and Challenges

▶ DPAF FY 09/10 indicators on use of country systems

INDICATOR		2007 BASELINE	2008 ACTUAL	FY2009/10 TARGET	FY 2009/10 ACTUAL	2010 TARGET
B2	% ODA disbursed using GoR budget execution procedures (PD indic 5a)	41%	34%	53%	40%	59%
B3	% ODA disbursed using GoR auditing procedures (PD indic 5a)	41%	41%	54%	53%	59%
B4	% ODA disbursed using GoR financial reporting systems (PD indic 5a)	43%	50%	57%	57%	59%
B5	% ODA disbursed using GoR procurement systems (PD indic 5b)	43%	49%	62%	63%	66%
B6	Number of parallel PIUs (PD indic 6)	41	15	18	31	14
B7	% of TC provided through coordinated programmes (PD indic 4)	84%	87%	Maintain or improve	94%	Maintain or improve

- ▶ Much of improvement due to the increased use of Budget Support (up by 56% since 2008 – representing 36% of ODA to Government).
- ▶ Fraction of project support uses the budget execution procedures.
- ▶ Many externally funded projects require separate/ parallel financial reporting and auditing.



National Planning Process

Current Status:

- ▶ Some Country Assistance Strategies/Programmes aligned to EDPRS (ending 2012)
- ▶ Allocation of aid/development cooperation bilaterally agreed

Current efforts made:

- ▶ Agreed DoL to guide future sector allocation
- ▶ Aid Policy: all aid be aligned with the priorities set out in the EDPRS
- ▶ Several DPs had aligned their programming cycle to EDPRS

Challenges remain:

- ▶ EDPRS financing framework calls for 35% for Social Sector, 36% for Productive Sector, and 29% for Governance. Aid allocation across sectors bilaterally driven.
- ▶ Absence of overall coherence and Development Cooperation Strategy that determines overall direction of development cooperation in support of national priorities.
- ▶ Different programming cycles makes it difficult for the MTEF to guide the Government strategic planning over the 3 years.
- ▶ Development of individual development cooperation strategy/framework requires consultations, with Government taking a leading role. Various programming cycle and requirements poses challenges on availability and capacity to lead.



Budget Execution Procedures

Current Status:

- ▶ Use of Execution procedures limited to Budget Support and Basket Funds
- ▶ Project support not channelled through Treasury (Treasury Single Accounts)
- ▶ 65% of ODA to Government Sector not executed by GoR

Current efforts made:

- ▶ All domestic and external resources executed by GoR required to be in the Finance Law (GoR assuming responsibilities for budget execution, enhancing domestic accountability)
- ▶ Smart FMS facilitating effective budget execution (including the process of authorization, approval and payment)

Challenges remain:

- ▶ Cash management and monitoring of resources availability hampered by resources inflow not managed centrally (e.g., 150+ development project accounts) => accounting of resources inflow require tremendous follow-up and done ex-post
- ▶ Budget controls with availability of resources mostly done outside of SmartFMS (by project implementation units or departments within Ministries) => challenges in ensuring effective cash management and budget execution
- ▶ Undermining domestic accountability



Financial Reporting Systems

Current Status:

- ▶ Execution of Budget Support reported in the quarterly and annual budget execution reports. Development projects execution reported in quarterly and annual execution report by CEPEX
- ▶ Increasing volume of project support indicated as using financial reporting systems

Current Efforts:

- ▶ SmartFMS facilitate reporting on budget execution and has been upgraded to capture projects.

Challenges:

- ▶ Considerable variance of execution rates are observed at disaggregated project level per CEPEX Project Execution Report (some projects reported as 0% as their budget execution rate)
- ▶ Very slow execution rate or poor reporting of execution?
- ▶ Project management modality/process affecting Government's ability to report on execution adequately (small islands of project execution within Ministries with limited reporting and accountability towards national counterparts)
- ▶ Undermining domestic accountability



Audit Procedures

Current Status:

- ▶ Use of audit procedures increased to 53%
- ▶ A progressive shift (policy changes) in the use of audit procedures for projects seen by several DPs – project funds being subject to audit undertaken under the OAG responsibility

Current Efforts:

- ▶ Continued widening scope of audits (now 75% of total expenditure annually audited)
- ▶ Financial audit methodologies conform to international standards.
- ▶ Continuous capacity strengthening efforts for OAG

Challenges remain:

- ▶ Increased volume and % of ODA using national audit procedures does not automatically translate to the reduction of transaction costs associated with parallel auditing procedures and requirements
- ▶ A large number of projects still requiring parallel audits.
- ▶ Some DPs continue to require parallel audits on small projects, even if more than half of their ODA is provided through Budget Support and using national audit procedures



PIUs and Technical Cooperation

Current Status:

- ▶ Parallel project implementation arrangements continue to pose challenges in ensuring sustainability and strengthening capacity for execution and implementation.
- ▶ Selection of Technical Advisors continued to be supply-driven, resulting in ineffective use of technical cooperation (i.e. areas of technical cooperation not matching with priority technical/expertise areas)

Current Efforts:

- ▶ Strengthening Management Functions of Government (i.e. MINISANTE's Management Unit)
- ▶ Strengthening of Public Sector Capacity Building Secretariat (PSCBS)

Challenges remain:

- ▶ Technical cooperation continues to be supply driven given that weakness of Government agencies to effectively engage in selection of technical cooperation.
- ▶ Control over technical cooperation continues to be outside of Government
- ▶ Ensuring appropriate remuneration structure



How can Government and DPs improve?

Government:

- ▶ Put in place a process for channelling project support through Treasury Single Account (TSA)
- ▶ Accelerated efforts in implementing Single Project Implementation Units (SPIUs) – piloting 3-4 sectors in FY 2010/2011 (legal framework, management manual, etc.)
- ▶ Continued efforts in strengthening country systems through PFM Reform
- ▶ Strengthening effectiveness and functioning of SWAp for streamlined reporting and audits (e.g. facilitating single audit for SWAp) – starting with 3-4 sectors in FY 2010/2011

Development Partners:

- ▶ Progressive shift to using national execution
- ▶ Reforming project implementation systems and modality
- ▶ Channelling project support through TSA on a pilot basis
- ▶ Simplification and harmonisation of reporting and audit requirements with country systems
- ▶ Undertaking joint programming/Joint Country Assistance Strategy under the Government leadership in line with the GoR programming/planning cycle



Thank you