

ENHANCING GOVERNMENT-DP COORDINATION

Presentation made in Aid Management Workshop by
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Outline of presentation

- Background
- Rationale for more engagement
- Guiding principles
- Current constraints
- Building mutual accountability framework
- Rwanda experience/aid mgmt structures
- Case for Liberia: where are we
- Medium term issues(way forward)
- Aid analytical framework(CABRI)
- Quizz

Background for enhanced engagement

- Monterrey Conference
- G8 Gleneagles
- Paris Declaration
- AAA
- GoL Aid Management Policy(draft)

Rationale(1)

- Long-term objective is to have most external aid integrated in budget & accounting cycle: on plan-budget- appropriation-treasury-procurement-accounts-report-audit
- Legal obligations under the PFM Act 2009
 - Section 8(1) on medium term fiscal planning & budgeting
 - Section 9(2) on coverage of the budget
 - Section 12(1)(g) on documents & content of the proposed budget
 - Section 30(1) on disclosure of off-budget donor resources to MoPEA within seven(7) working days of signing cooperation agreement/MoU
 - Section 35(3) on accounting for off-budget donor funding
 - Section 36 on quarterly reporting requirements

Rationale(2)

- Macro economic planning
 - GDP forecasts and consistency between sectors of the economy
 - Ensure full alignment of the budget to PRS and compliance with public financial management reforms (BCC 2009/10)
 - Planning for future funding obligations of recurrent costs of ongoing projects (both counterpart and government funding)
- Medium-term planning and budgeting(MTEF/MTBF)
 - Comprehensiveness of information for sector strategies
 - Predictability of resources
 - Timing of disbursements
- Meeting medium and long term targets(PRS,MDGs)

Current shortcomings

- Too many projects (and PIUs), resulting in poor alignment, high transaction costs (many reporting arrangements, review missions etc)
- Aid programming is not coordinated with annual budgeting cycle - hence full picture of donor funding is not known at the time of finalization of the budget
- Short-term commitments may imply long-term obligations in certain sectors
- Inadequate budgeting for future recurrent activities of today's capital investments
- Projects may be allowed to start up during the year - which may require counterpart funding
- Such arrangements result in extra-budgetary activities (in-year unplanned/unbudgeted requests)

Guiding principles

- Underlying guiding principles of the government Aid Management Policy (draft)
 - aid management through an inclusive approach
 - Use of country systems and processes that meet mutually agreed upon standards
 - DPs to direct and manage aid to support national priorities
 - GoL to strengthen the linkages between public expenditures and results
 - Both GoL and DPs to improve efforts to have mutual assessment reviews

Building mutual accountability framework

- It's a long and incremental process
- Common assessment framework
- Government commitments and actions against Paris Declaration
- Donor commitments against PD
- Develop and sign an MoU
- Consensus on review mechanisms
- National budget calendar should guide all engagements

Rwanda experience: coordination structures + review mechanisms

- Harmonized calendar of actions
- Establishment of dialogue Platforms
 - Development Partners Meeting(annual)
 - Development Partners Coordination Group (quarterly)
 - Budget Support Harmonization Group (quarterly)
 - Joint Budget Support Reviews (bi-annual)
 - Joint Sector Reviews (bi-annual)
 - Sector Working Groups-guides PRS review process and highlights emerging issues to the DPCG + JBSR + JSR above
- PFM Steering Committee (quarterly)

Rwanda donor commitments: example

United States 2009

- Support the GoR efforts to get USG assistance on budget by reaching the 2009 target of 30% of ODA recorded in the national budget
- Support the encouragement of shared analyses by conducting at least 67% of any analytic work jointly thereby reaching its target “to maintain or increase” the percentage of Donor analytic work that is coordinated (indicator 10b in Paris Declaration)
- Maintain assistance disbursement rate that is “on plan” at 100% within the agreed period, thereby helping to meet PD indicator 7 concerning the predictability of aid

Rwanda: Commitments made by United Kingdom 2009

- Improving the quality of UK data in DAD (equivalent of AMP)
- Ensure compliance with agreement to disburse all budget support funds (GBS and SBS) within the first six months of the new Rwandan FY
- Finalize plans for closure of the last DFID funded parallel PIUs

Aid Modalities to Liberia 2009/10(est)

Modality	Amount (million of USD)	Paris Declaration indicators
1. Budget support	22.0	<i>Indicator 3</i> (% aid on budget)= 74%
2. Pooled Funds	29.0	<i>Indicator 5a</i> (% aid using GoL PFM systems)= 59% <i>What % of this aid uses govt systems?</i>
3. Off-budget projects executed by government	81.8	<i>Indicator 5a</i> (% aid using GoL PFM systems)= 59% <i>What % of this aid uses govt systems?</i>
4. Off-budget projects executed by DPs	340.2 <i>Total=473 of which budget support= 4.6%</i>	

Paris Declaration guiding principle and (some) targets 2010:where are we?

- Aid effectiveness: *ownership, alignment, harmonization, managing for results and mutual accountability*
- Indicator 3(% aid on budget)= 74%
- Indicator 5a(% aid using GoL PFM systems)= 59%
- Indicator 10a(joint missions)=40%
- Indicator 10b(coordinated analytical work)= 66%

Medium term issues: way forward(1)

- Pre-requisites:
 - Finalize and adopt government aid management policy
 - Finalize and agree on mutual accountability framework
 - Strive to implement the provisions of the PFM Act 2009
- Government ownership is central to the implementation of the policy and the PFM Act
- Government-wide Chart of Accounts adopted early 2010(has segment for projects with 4 digits and sub-project components)

Medium term issues: way forward(2)

- Develop a realistic plan to use government CoA that identifies category of eligible projects(e.g pooled funds for full integration into the budget and accounting cycle in FY 2012/13)
- Sector strategies (under MTEF)to cover all funding sources as part of sector investment plans
- Need for an increase in the volume of grant aid in the medium-term to avoid costly borrowing
- Further strengthening of PFM and planning systems at both the MoF and agency levels

Analytical framework for aid on budget(CABRI)

Term	Definition
On plan	Programme and project aid spending is integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submission
On budget	External financing including programme and project financing and its intended use are reported in the budget documentation
On Parliament	External financing is included in the revenue and appropriations approved by Parliament
On Treasury	External financing is disbursed into the main revenue funds of government and managed through government's systems
On procurement	Externally financed procurement follows government procurement procedures
On accounting	External financing is recorded and accounted for in the government's accounting system in line with government's classification system
On audit	External financing is audited by the government's auditing system
On report	External financing is included in ex-post reports by the government

External aid management in Liberia: Research/Quizz

- Quantum of aid on-plan??
- Quantum of aid on-budget??
- Quantum of aid on-appropriation?
- Quantum of aid on Treasury??
- Quantum of aid on procurement??
- Quantum of aid on accounts??
- Quantum of aid on audit??
- Quantum of aid on report??

End of slides

- Discussions