



Task Force on Public Financial Management Task No. 1: Using Country Systems

Good Practice Note

Draft, November 2010

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Abbreviations and Acronyms

AAA	Accra Agenda for Action
AEA	Aid Effectiveness Agenda
AOP	Annual Operational Plan
BS	Budget Support
CABRI	Collaborative Africa Budget Reform Initiative
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
GBS	General Budget Support
IMF	International Monetary Fund
MDA	Ministries, Departments and Agencies
MoF	Ministry of finance
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
PBA	Programme Based Approach
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Reviews
PFM	Public Financial Management
PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Support Programme
PSR	Public Sector Reform
SAI	Supreme Audit Institution
SBS	Sector Budget Support
SWAp	Sector-Wide Approach
SAE	Strengthening Aid Effectiveness
UN	United Nations

Executive Summary

- i. The objectives of this document are to: (i) propose a framework for guiding the use of country Public Financial Management (PFM) systems (Section I); and (ii) report on the different ways and approaches in which Donor organizations (bilateral and multilaterals) decide and use country PFM systems in order to strengthen a country's sustainable development (Sections II, III and IV).
 - ii. A core element of the analysis was a survey distributed in May, 2010 to six multilateral organizations and to thirty-seven bilateral organizations of twenty-four countries. As of August, 2010 seventeen Donor answers were received, albeit not all of them complete.
 - iii. **Framework for a Practitioner's Guide.** Defining where, how and to what extent use the partner country PFM systems in Donor-financed programs represents an important challenge for the Donor and its dialogue with partner countries. This paper proposes a high-level framework for guiding decisions on the use of country PFM systems, organized around the following components:
 - I. Deciding on the use of country PFM systems**
 - a. Policies and procedures
 - b. Analytical tools
 - c. Supporting mechanisms
 - II. Implementing use of country PFM systems**
 - a. Budgeting
 - b. Treasury
 - c. Accounting
 - d. Financial reporting
 - e. Internal audit
 - f. External audit
 - iv. This proposed framework argues that the decisions to use country PFM systems in Donor-funded operations should be based on (a) clear policies and procedures applicable to different assistance modalities, (b) analytical tools at the country and –when necessary- sector, MDA and sub-national level to influence operational design and manage PFM risks, and (c) supporting mechanisms that go beyond strengthening and building capacity in PFM.
 - v. This framework is also based on the principle that the use of country PFM systems, especially for earmarked funds, does not entail an “all or nothing” approach. Depending on the characteristics of the Donor-financed operation and the level of development and operation of PFM systems, the risk management strategy can call for the selective use of certain PFM elements and a gradual and sequenced process to expand to other elements.
 - vi. **Approaches and constraints to deciding on the use of country PFM systems.** Survey answers confirm the clear intention of participant Donors to support the use of country PFM systems in the programmes they finance. Although the extent of such use is diverse, almost all the participant Donors declared their intention to increase it. Many of them already approved medium term action plans in that direction.
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- vii. The majority of the reviewed policies suggest that understanding and harmonizing Donor and Government procedures and requirements require a transition process. The survey showed that bilateral Donors policies in many cases foster explicitly the full use of country systems as a first option, while the majority of multilateral Donors policies showed a preference for determining the most convenient extent of using the country systems as a consequence of fiduciary risk analysis and operational capacity assessment.
- viii. The identified constraints for increasing the UCS were mainly focused in two general concepts: the limited preparedness of the Donor systems for this relatively new challenge and the fiduciary risk posed by the partner country operational and fiscal environments. In this respect, a wide range of actions are being performed by Donors including: amendments to their policies and procedures, implementing a diverse range of training courses, preparing handbooks and guidance documents on using country systems, and providing guidance and methodology for assessing the PFM and fiduciary risk. PFM strengthening processes are also included as an objective in many assistance programmes.
- ix. Lack of harmonization between Donors procedures when implementing multi-donor programmes were also reported as a constraint. On these cases, each Donor decides the use of country systems according to its policies and technical criteria, but the level of robustness required for using country PFM systems is not standard for all Donors.
- x. Assessing the financial management functions of the partner country is for the majority of Donors a prioritized activity when deciding on the use of country PFM systems. Since each Donor has its own assessment requirement and objectives, the depth, scope, objective and methodology of the assessment could vary. Some Donors identify only the fiduciary risks while other Donors only assess specific operational aspects. Some Donors assess the monitoring capacity of the country systems in reference to the execution, results and benefits of the programme, other Donors are more concerned with the operational procedures during the programme execution. A group of Donors prefer to have a comprehensive diagnosis of the country systems to include some strengthening activities that could improve the country PFM system; other Donors only identify the reliability of the country systems to justify its use. And finally, some Donors conform themselves with an overview of the PFM system. For many of the Donors, the PEFA PFM performance assessment is the only tool used at country level.
- xi. When designing the operational elements of the programme, Donors in many cases required the establishment of special financial management arrangements as a measure for reducing the fiduciary risk or to ensure an adequate operational environment. Multilateral Donors in many cases recommend special financial management arrangement, while bilateral Donors tend to suggest this kind of arrangements only in few and specific circumstances.
- xii. **Using PFM elements.** One of the most relevant issues when using country systems is the possibility to provide the government or its designated Ministry, Department or Agency (MDA) with full control over the programme execution. Although for the majority of Donors to give such control to the Government is allowed, the practice is actually limited or restricted in some aspects.
- xiii. Treasury procedures are approached differently by the Donors' regulations. Some Donors disburse the funds according to an agreed disbursement plan, but others disburse the funds against expenditures using a revolving fund or "special account", or reimbursing the Treasury for the expenditures already paid with local funds. Additionally, multilateral Donors showed

their clear preference for providing financial aid and disbursing the funds to a programme account that could be managed under donor or country procedures. Bilateral Donors were more flexible in supporting different assistance means, i.e. without limiting the aid to financial resources.

- xiv. Using the public accounting system of the Government is in general accepted by Donor regulations, but in practice, most Donors require a prior assessment of the public accounting system to identify how the Donor and programme information requirements will be satisfied. Internal audit, similarly to the public accounting system has no specific requirements referred on the Donors' regulations, and in practice just a few Donors assess this function to validate its performance. Conversely, the external audit function is mentioned in some Donor regulations with specific considerations oriented to ensure a proper scope and coverage of the programme operations, including not only financial management aspects but also general performance and the evaluation of outcomes and goals.
- xv. Identifying a “good practice using country systems” was not an easy task for Donors, since such practice can be dependent on a combination of circumstances that facilitate the execution of the programme and satisfy the managerial and supervision needs of the donor and the government. What could be a good practice in certain circumstances could not necessarily be a good practice in other circumstances. Similarly, the definitions of “budget support” are not totally harmonized, particularly when dealing with basket funds, sector-wide approaches (SWAs) and other modalities that cannot be classified as general or project support. In despite of such difficulties, the survey compiled some good practice examples referred to: programme designs that facilitate the use of country systems or including PFM strengthening activities, FM arrangements that allow the efficient use of country systems, and longer term agreements between the Donor and the government to standardize assistance procedures.
- xvi. Through the survey, 199 good practice examples from about 46 countries were collected, including cases on general budget support (GBS), sector budget support (SBS) and project support (PS), covering different PFM elements, i.e. budget, treasury, accounting, financial reporting, internal and external audit processes.
- xvii. 55 percent of the cases reported by multilateral donors were related to PS examples, while 87 percent of the cases reported by bilateral donors were related to GBS and SBS examples. The most referred FM function was budgeting (26 percent of the cases) and the less referred function was internal audit and control with only 9 percent of the cases. 9 percent of the cases refer to fragile states, 38 percent refer to low income countries (excluding fragile states) and 54 percent refer to middle income countries (excluding fragile states).
- xviii. Relevant examples of good practice collected by the survey included:
 - Standardizing Donor reports and FM procedures, using the public sector accounting and budget records with limited additional interventions, reducing the reporting cost and generating a minimum distraction of programme and government resources. Agreements with the country's Supreme Audit Institution (SAI) on external audit terms of reference were repeatedly cited by Donors as part of the effort to use the country external audit systems on their programmes.
 - Many governments included into their integrated financial management information systems a fully integrated project management module, becoming a permanent and transparent link

between the programme accounts and the public systems. Transactions are processed in such modules following the government financial management rules.

- Many Donor efforts in countries where financial management systems were not robust were concentrated on supporting their upgrade. In a case, a project was used as pilot to test and improve the system capacity and capabilities before rolling out the initiative to other operations.
- Some examples showed that Donors are analyzing how to improve some country policies or procedures to include some PFM elements that were not used before by the Donor community. That is the case of improving the state banking procedures for channelling Donors funds through them instead of using the commercial banking system.
- Supporting fragile states is clearly a challenge for the Donor and for the partner country, due to the high fiduciary risk originated by the country instability and the weaknesses of the public sector operational environment. Lack of human, physical, operational and financial resources makes it difficult to implement assistance programmes. Still, providing general budget support assistance in such critical situations demonstrated to be a powerful tool to build the public financial management systems and ensure that the budget could be used as an effective tool for economic management. Donors have also modified their disbursement policies to facilitate the government cash management and programming.
- In some cases where strengthening the PFM system was not part of the original development objective of the programme, the Donor supported such strengthening by an operational necessity for implementing the program through country systems. This aspect was mentioned by some Donors that supported building a cadre of PFM officers in implementing MDAs.
- Also reported were special multi-Donors cooperation efforts to simplify the partner country management of basket funds, using country PFM systems as the harmonizing parameter.

Introduction

Background

1. In the 2005 Paris Declaration, partner countries committed to strengthening their national systems and donors to using them to the maximum extent possible as part of the global efforts to make aid more effective. Both partners and donors agreed to accelerate and deepen these commitments during the Third High Level Forum on Aid Effectiveness held in Accra in 2008. These international commitments resulted from strong evidence that although some progress has been achieved in strengthening country systems, less progress has been achieved on the use of country systems, with only 45% of disbursements using country systems in the countries surveyed in 2008. The survey results show a weak correlation between the quality of a country system and its use by donors. As a result, §15 of the AAA commits developing countries and donors to “strengthen and use developing country systems to the maximum extent possible”.
2. In order to facilitate the implementation of the mentioned commitments, the Working Party on Aid Effectiveness has created a Global Partnership on Strengthening and Using Country Systems. The objectives of this partnership are to: accelerate progress in donors’ use of country systems; facilitate the strengthening of country systems and effective locally-rooted capacity to reform systems where deemed necessary; and better communications of the benefits of using country systems and involvement of a greater number of stakeholders (parliaments, CSOs) in overseeing the strengthening and use of country systems.
3. Two Task Forces have been created under the Global Partnership to produce guidance and good practice notes on strengthening Public Financial Management (PFM) and Procurement systems. As part of the work program of the Task Force on PFM, the Inter-American Development Bank and the World Bank were asked to prepare this Guide on Using Country PFM Systems.

Objective

4. The objectives of this document are to: (i) propose a framework for guiding the use of country PFM systems; and (ii) report on the different ways and approaches in which Donors organizations (bilateral and multilaterals) use country PFM systems in order to strengthen a country’s sustainable development. In doing so, this report tries to identify good practices using different elements of PFM systems (budget, treasury, accounting, financial reporting, internal and external control/audit),¹ in different country environments (fragile states, low income countries, and middle income countries) and through different aid modalities [general budget support (GBS), sector budget support (SBS), and project support (PS)].

Methodology and Scope

5. A core element of the analysis was a survey distributed (see Annex 4) in May, 2010 to six multilateral organizations and to thirty-seven bilateral organizations of twenty-four countries. The survey design included two sections: Part I oriented to collect information on the donor’s

¹ Other important PFM elements such as overall strategic planning, procurement, revenues management, monitoring and evaluation, are excluded for the practical purposes of this analysis.

overall approach to using PFM systems; and Part II oriented to collect information about specific examples of good practices, classified per the areas cited above.

6. The survey Part I contained a set of forty-four questions to identify: the overall Donor policies and approach on using country systems; how compatible are the Donor regulations in reference to the use of country systems; which are the Donor preferences on the use of PFM systems in its assistance programmes; which are the tools used by the Donor to assess the country PFM system; and which PFM or institutional aspects are considered by the Donor in determining the use of the country PFM systems. Additionally, relevant supporting materials were requested.

7. The survey Part II attempted to obtain: a good representation of good practices (from the donor's perspective) from fragile States, low income countries, and middle income countries; a good representation of various donor assistance modalities (i.e., budget support, sector budget support, project support); and a good representation of the elements of the PFM systems used in such good practices (i.e., budget, treasury, accounting, financial reports, internal and external audit). For such purpose and seeking to provide a consistent framework for the survey responses, it was proposed for each FM issue a set of elements to consider to qualify a case as a good practice.

8. As of August 12th, 2010, seventeen Donor answers were received: Six donors provided answers to Part I and attached copies of their policies and guidance documents on using country systems; in addition, they provided good practice cases (Part II). Six donors provided answers to Part I and attached copies of their policies and guidance documents on using country systems. One donor provided answers to Part I and Part II. Four donors only provided answers to Part I.

9. The task team thanks the Donors and other organizations who supplied useful comments for the survey preparation and documentation, as well as the Donors who answered the survey and provided useful information about their policies, procedures and examples of good practices.

Disclaimer

10. Since this report is based primarily on the Donors' answers to the survey, the term Donors - -mentioned repeatedly in this report-- refers only to the Donors who provided answers to our survey, not to the Donor community at large.

Section I – Framework for a Practitioner’s Guide

12. Defining where, how and to what extent use the partner country PFM systems in Donor-financed programs represents an important challenge for the Donor and its dialogue with partner countries. This section proposes a high-level framework for guiding decisions on the use of country PFM systems,² organized under the following components:

III. Deciding on the use of country PFM systems

- a. Policies and procedures
- b. Analytical tools
- c. Supporting mechanisms

IV. Implementing use of country PFM systems

- a. Budgeting
- b. Treasury
- c. Accounting
- d. Financial reporting
- e. Internal audit
- f. External audit

Deciding on the use of country PFM systems

13. This sub-section argues that the decisions to use country PFM systems in Donor-funded operations should be based on clear policies and procedures applicable to different assistance modalities, analytical tools at the country and –when necessary- sector, MDA and sub-national level to influence operational design and manage PFM risks, and supporting mechanisms that go beyond strengthening and building capacity in PFM.

Policies and procedures

14. The Donors’ position and decision process on the use of country PFM systems should be clearly laid out in its formal policies and procedures. Aspects to consider are: (i) a definition of the components of PFM systems and of PFM risk; (ii) the application of the policy to different aid modalities; (iii) the application of the policy at country and operational levels; (iv) the use of analytical tools to inform decisions; (v) PFM risk management; (vi) institutional responsibilities for deciding on the use of country PFM systems.

15. Decisions of how the aid will be provided involve elements that go beyond the use of country PFM systems, but the latter is clearly impacted by the aid modality chosen. Procedures that impact the form and extent of use of country PFM systems include:

² The original terms of reference for this task foresaw the preparation of this document, followed by reference materials to complete a full Practitioner’s Guide. Once the proposed framework for the Practitioner’s Guide is discussed and endorsed by the Task Force on PFM, it is expected that it could serve as basis for the development of reference materials. The latter, in turn, would be developed if so agreed by the Task Force and if pertinent funding is secured.

- Providing goods and services directly, or through outsourced firms or NGOs, rather than transferring funds to government accounts. Even when this type of engagement seems to make little use of country PFM systems, Donors should not encourage bypassing them completely, e.g. requiring that such support is quantified and reflected in the government budgets and that the assets received by the country are recorded as such in the pertinent accounting records and registries.
- A special variation of the above procedure takes place when the Donor provides the aid in goods that the programme must sell to obtain monetary resources, in which case such proceeds could be recorded and executed using the PFM system.
- Providing funds to the government. In this case, there are several options to analyze, e.g. (i) if funds will be disbursed to a program-specific account to be managed with donor procedures, (ii) if funds will be disbursed to a program-specific account to be managed with country procedures, or (iii) if funds will be provided to the Treasury and the government has control and decision over the use of the funds. The form and extent of use of the different PFM elements will vary among the different approaches.
- Providing part of the assistance in goods and services and part in funds, applying any of the above mentioned procedures.

Analytical tools

16. Even when decisions on whether to use or not country PFM systems can be made in the context of individual operations, reference should be made to existing PFM diagnostic/analytical tools. The scope of these tools can vary, but at least the following PFM elements should be covered in the analysis:

- Budgeting system: budget classification, budget formulation, budget execution.
- Treasury operations: use of local and foreign currencies, cash programming, payments.
- Accounting and financial reporting: accounting policies and procedures, financial reports and statements.
- Internal control procedures: scope and quality of institutional internal controls, internal audit.
- External oversight: external audit scope and reports, legislative oversight.
- Financial management information systems: functionality, integration and coverage.

17. In addition to the above, when earmarked funds are provided, a clear understanding of the implementing sector, MDA, or subnational entity's capacity and performance in operationalizing the country PFM system is a key element for assessing fiduciary risk, designing program implementation, defining the appropriate risk management measures.

18. As part of risk management, additional safeguards may be designed, building upon rather than undermining current systems. As importantly, a plan to strengthen the institutional systems should be part of operational design, together with a program monitoring system to track performance and, accordingly, phase out the safeguards.

Supporting mechanisms

19. The development of credible PFM reforms and sustainable PFM capacity in partner countries involves long-term and complex efforts that are of obvious relevance to increase reliance on country PFM systems.³ However, it should be recognized that there are factors—other than the quality of PFM systems— that also constrain increased use of those systems.⁴ Measures to address these factors can include:

- *Larger focus on country-level engagement, rather than operation-level activity.* This would involve more systematic treatment of use of country PFM systems in country-level dialogue and strategies – leading to realistic country level improvement programs, supported by targeted technical assistance with donor assistance increasingly harmonized around country systems.
- *Use of communication and outreach, quantitative targets and reporting requirements to strengthen Donor incentives for joint action to deepen/accelerate the use of country PFM systems.* This would involve greater outreach to non-PFM technical specialists to relay the benefits of using country systems,⁵ enhance awareness of international commitments to increase use of country PFM systems, setting expectations and monitoring performance, and ensuring that operational discussions/ documentation transparently states rationale for not using country systems when that is the decision made.
- *Ensure adequate support.* This would involve ensuring resources to build both partner and internal Donor skills and competencies in use of country systems, training resources and manuals on using country PFM systems, increased efforts to make available and apply global good practice, and increased attention to partnerships with professional bodies relating to standards and capacity building.

Implementing use of country PFM systems

20. This sub-section is based on the principle that the use of country PFM systems, especially for earmarked funds, does not entail an “all or nothing” approach. Depending on the characteristics of the Donor-financed operation and the level of development and operation of PFM systems, the risk management strategy can call for the selective use of certain PFM elements and a gradual and sequenced process to expand to other elements. The following paragraphs intend to aggregate the main PFM elements that can be involved in channelling Donor funds.

Budget

21. Elements of the budgetary process to be considered in connection to the Program/Operation funds are:

³ This document does not deal directly with PFM reform and capacity building topics, as they are the subject of another Task Force deliverable.

⁴ See OECD-DAC Joint Venture on PFM, [Report on the Use of Country Systems in Public Financial Management](#).

⁵ Another Task Force deliverable deals specifically with communicating the benefits of using country PFM systems.

- The estimated receipts and expenditures are included in the annual budget proposal submitted for approval to the Legislature and, when applicable, in medium-term budgeting frameworks.
- The funds are executed by the country's responsible MDA using its own administrative structure and the country's government budgetary procedures.
- The budget execution is reported using the country budgetary reports.
- The government budgeting classification supports the formulation, execution and reporting processes.
- The government budgeting controls support the formulation, execution and reporting processes.

Treasury

22. Elements of the treasury system to be considered in connection to the Program/Operation funds are:

- An annual disbursement plan is agreed with the country counterparts in time to be included in the Treasury cash flow programming for the period. Alternatively, donor disbursement flows are mostly controlled by the country's actions (e.g., reimbursements are based on execution of expenditures).
- The funds are disbursed to the country according to the disbursement plan, unless the Treasury and the Donor agreed to change such plan. Alternatively, donor disbursement flows are mostly controlled by the country's actions (e.g., reimbursements are based on execution of expenditures).
- The funds (donor and counterpart) form part of the Treasury-controlled resources.
- The payments in local or foreign currency, to local or foreign providers, are managed by the Treasury using its own procedures. Alternatively, by the responsible MDA or, for a minority of payments and if previously agreed, Treasury asks the donor to pay directly to the provider.
- The government treasury and banking controls support the programming, receipt and payment processes.

Accounting

23. Elements of the accounting processes to be considered in connection to the Program/Operation are:

- The transactions are recorded and maintained in the country government's accounting system, including related subsidiary records.
- The financial statements are reported using the country government's accounting system.
- The government accounting classification and standards support the recording and financial statement presentation processes.

- The government accounting controls support the recording and financial statement presentation processes.

Financial Reporting

24. An element of the country financial reporting system to be considered in connection to the Program/Operation is:

- The content, format and periodicity of the financial reports used for Donor disbursement and financial supervision purposes are consistent with the country government's own financial reporting arrangements. Alternatively, ad-hoc reports for Donors are prepared at a periodicity and with a format that represents only a marginal transaction cost.

Financial Management Information System

25. As public sector integrated financial management information systems (IFMIS) are increasingly used in partner countries, due attention should be paid to their use in Donor-financed operations. By definition, IFMISs cut across the elements cited earlier. That said, an angle to be considered in connection to the Program/Operation is:

- The transactions are subject to the IFMIS functional modules, processes, information flows, records management and security components. Alternatively, ad-hoc IFMIS modules designed for Donor funds represent only a marginal transaction cost.

Internal Audit

26. Elements of the country internal audit system to be considered in connection to the Program/Operation are:

- The internal audit function for the program, including assurance on the operation of its internal controls, is executed by the Internal Audit unit of the country's responsible MDA.
- The internal audit arrangements are based on the risk-based work program prepared by the Internal Audit unit of the country's responsible MDA.
- The government internal audit standards and modalities support the internal audit processes.

External Audit

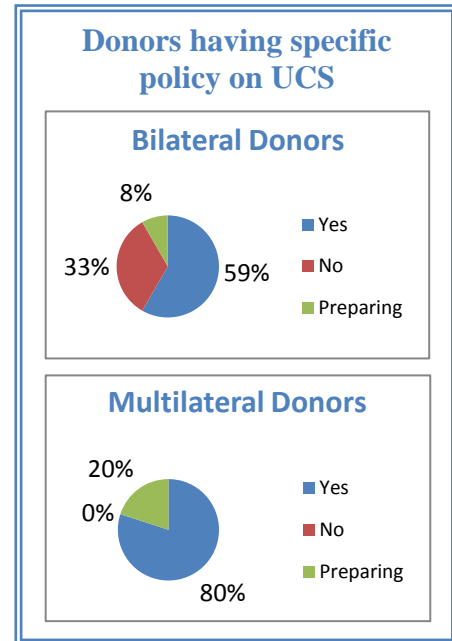
27. Elements of the public sector external audit system to be considered in connection to the Program/Operation are:

- The external audit function for the Program/Operation, including opinion on its financial statements, compliance with the donor agreement, assurance on the operation of its internal controls, and other work as applicable (performance, recurrent) is executed by the country's Supreme Audit Institution (SAI). Alternatively, it is executed by a firm under commission and terms agreed by the SAI.

- The external audit arrangements for the Program/Operation are based on the risk-based work program prepared by the SAI.
- The government external audit standards and modalities support the external audit processes.

Section II – Deciding on the Use of Country Systems: Current Approaches

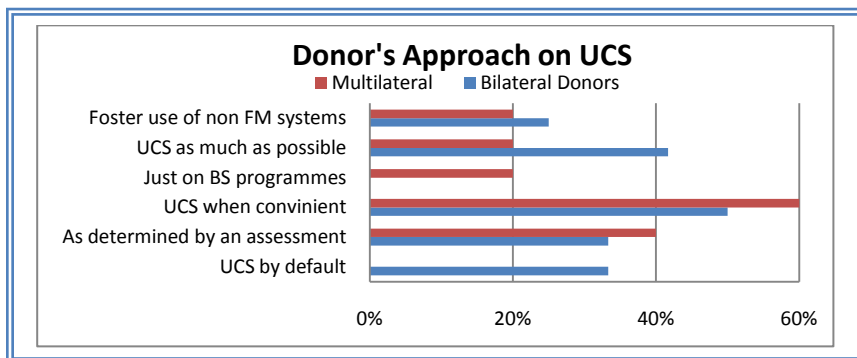
28. Survey answers confirm the clear intention of participant Donors on supporting the use of country systems in his programmes. Although the extents of such use at present is diverse, including few or all the financial management functions, almost all the participant Donors declared their intention to increase this kind of support, having many of them already approved midterm action plans that shows goals with increased support to aid modalities that use the country systems. On the Donors’ side the institutional preparedness effort for assuming this new operational challenge is also clear, which is evident in the many Donors’ actions in updating their assistance policies, improving their operational procedures and manuals, and providing training to his staff at the central and field level.



Policies and procedures

Donor policy and approach

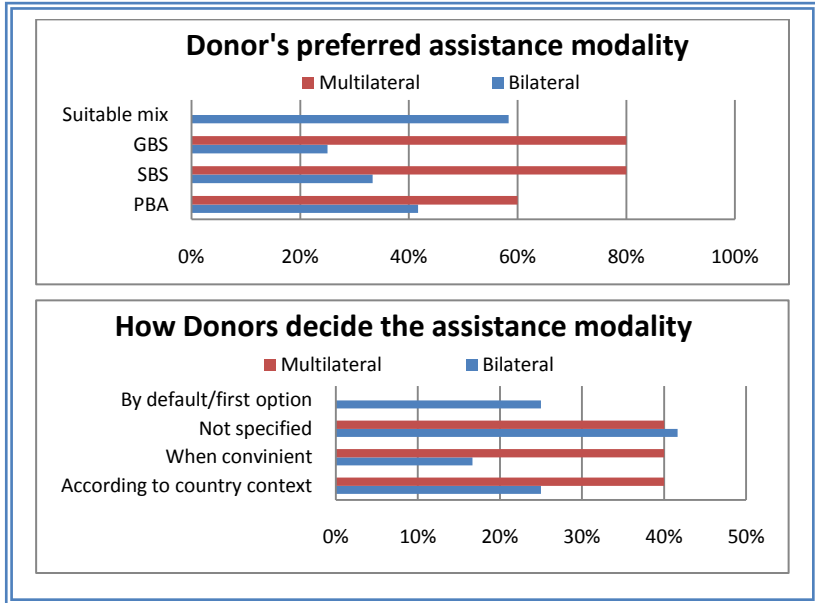
29. Although almost all the Donors’ policies foster the use of country systems, and for a relevant group of Donors their policies seem to suggest a “maximum use of country systems”, the extents on which such policies support these systems are diverse, but without showing at present a majority preference or a generalized tendency. The majority of the reviewed policies suggest that understanding and harmonizing Donors and



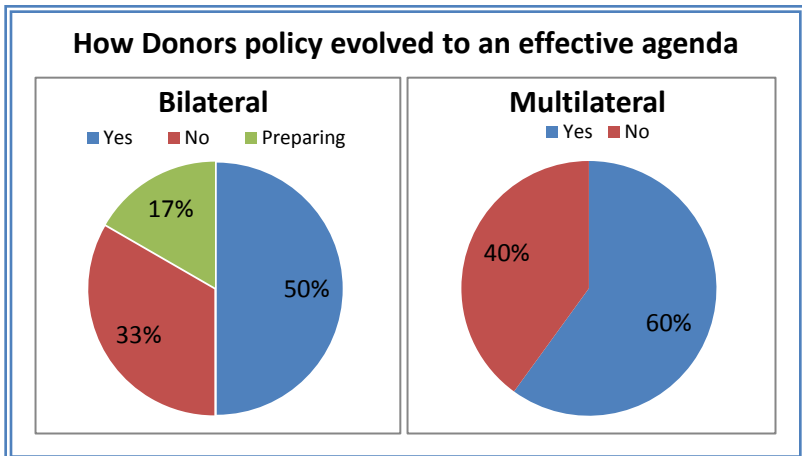
Governments procedures and requirements in these initial years is a big challenge for both parties and requires a transition process to find a proper level of harmonization. Survey showed that a first group of bilateral Donors have policies that defined the full use of CS as the

default procedure, being necessary to justify when some CS were avoided to use. A second group of Donors’ policies fostered the maximum use of country systems, but conditioned its extents to the results of a fiduciary risk analysis having developed for such purpose specific assessment methodologies and procedures. A third group of Donors have less specific policies that suggest the use of CS “when possible” or “when convenient”, leaving the decision of using CS to the criteria of the team preparing the assistance programme. A fourth group of Donors’ policies only recommended the use of CS on budget support processes. Finally, policies of some multilateral agencies specify that the use of CS must be a consequence of an official request from the government for using such systems in the programme, being not a Donor initiative.

30. The identified constrains for increasing the UCS were mainly focused in two general concepts; the lack of preparedness of the Donor systems for this new challenge and the fiduciary risk produced by the partner country operational and fiscal environments (see page 40 of this report). Many Donors reviewed their assistance policies and procedures identifying the elements that were not compatible with this new assistance modality, as well as its operational procedures identifying the required institutional strengthening to work properly in this new operational environment. At present, many Donors already have or are currently preparing the amendments of their policies and procedures. Donors are implementing a diverse range of training courses that can go from just an awareness regarding the new assistance policies to training in PFM procedures and concepts; to include training in PFM and institutional capacity assessment in the use of country systems, in implementing the Accra and Paris Declaration and in fiduciary risk evaluations. In addition, handbooks and guidance documents related to implementing programs using CS, or providing guidance and methodology for assessing the PFM and fiduciary risk are being developed and published by several Donors.

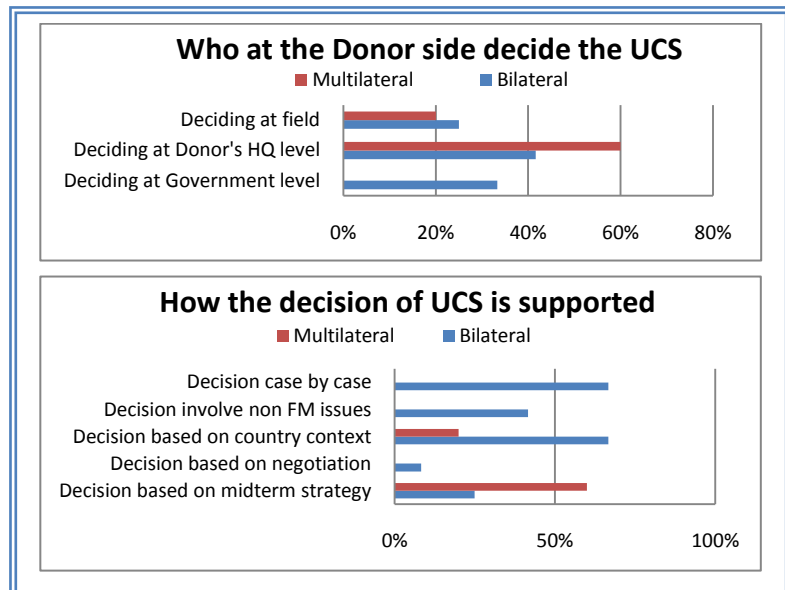


31. Additional difficulties are affecting GBS and SBS processes when implemented by multi-donor programmes, since it is required to also harmonize concepts and procedures between Donors. For these cases, each Donor decides the use of CS based on a risk analysis that determines how robust the country PFM system is, but the level required for using country systems is not standard for all Donors, resulting in what may be satisfactory for some Donors may be not satisfactory for others. Each Donor has its own criteria for defining the use of CS, being possible to identify three main types of criteria: a) based on a mid-term assistance strategy that defines among other aspects the terms, objectives and preferred modalities for providing the aid in a three to five years period, b) based on a case by case analysis, that defines the assistance modality and the terms for using CS for each programme, and c) based on Donors predefined policies that recommend the use of country systems by



default. Then, defining the use of country systems on multi-donor programmes require harmonizing all these criteria to produce a common procedure for the programme, but not all the Donors can negotiate the definition since it is made by superior authorities or by his regulatory framework.

32. Some Donors mentioned that difficulties for increasing the budget support aid are not only originated on institutional and fiduciary aspects, but in political and extra institutional aspects. The “critical view of parliament” and the “reluctance because of persisting political, reputational and fiduciary risks in many partner countries” were mentioned directly or indirectly by several Donors. However, Donors suggest that it is



possible to reduce the effect of these perceptions by strengthening the PFM system of partner countries by the use of country systems, which will facilitate: implementing national policies and

Survey answers - Difficulties for increasing Budget Support aid

- insufficient human resources and know how, as well as lack of tools and manuals for intervention planning;
- administrative/organizational obstacles in his own agency or in the partner country;
- low quality of the PFM systems, lack of capacity and accountability framework not sufficiently robust in partner countries leading to high fiduciary risk;
- the use of country systems is perceived to slow down the flow of funds, either because the treasury system itself is slow, or the budgeting and control framework imposes limits on swift expenditure implementation;
- the SAI doesn't have enough capacity or independence to conduct acceptable audits of the projects;
- sector/line ministries promote parallel systems to ensure themselves of prompt and full funding, or to reduce the control burden over execution of funds, rather than using the country systems;
- the need to report specifically on Donor-financed expenditures;
- efficient and effective and achieve sustainable development results;
- due diligence checks and the time it can take to reach agreement on using partners' systems can sometimes act as a disincentive;
- own political environment, including critical view of parliament, and reluctance because of persisting political, reputational and fiduciary risks in many partner countries. Public perceptions of high levels of fiduciary risks, including risks posed by corruption;
- political willingness of governments to engage in important changes (e.g. introducing accrual accounting in IFMS systems, or increase flexibility in budgetary charts of accounts) that are triggered by an explicit request from the government;
- programme approach and Donor regulations, which sometimes makes it difficult to use PFM of partners;
- lack of clarity and coherence in Donors' policies around what are the minimum standards required defining “sufficiently robust” systems on multi-donor programmes;
- finding effective ways of managing the short-term fiduciary risks to make it possible to support and permit more long-term development effects;
- macroeconomic instability in partner countries.
- Perception of corruption in the public sector may discourage decision makers from using it;
- Some partner countries that do not always want all donors to use their country PFM systems for the provision of aid;
- The ambitiousness and lack of credibility of some country's PFM reform program.

improve governance, implementing anticorruption measurements, improving opportunities for effective development.

33. Although the Donors attitude regarding the use of CS is very positive, at present the amount of aid provided using GBS and SBS is just a minor proportion of the total aid provided. The Project/Programme Support (PS) is the largest methodology applied by Donors. Curiously, most Donor policies foster the use of CS only for GBS or SBS assistance, but have no specific and explicit recommendations for PS, as shown in the 2010 research made about 26 Donors by the Finnish Ministry of Foreign Affairs in the “Appendix 1” of its “Guidelines on General Budget Support and Sector Budget Support in Finland’s Programme-based Development Cooperation: almost all the referred Donors accepting the use of GBS and SBS modalities use such modalities in a very low proportion of the total aid provided, only two bilateral Donors apply budget support procedures in about 25% of the total amount of his aid programmes and the other bilateral Donors use budget support procedures in 10% or less of the amount of the aid.

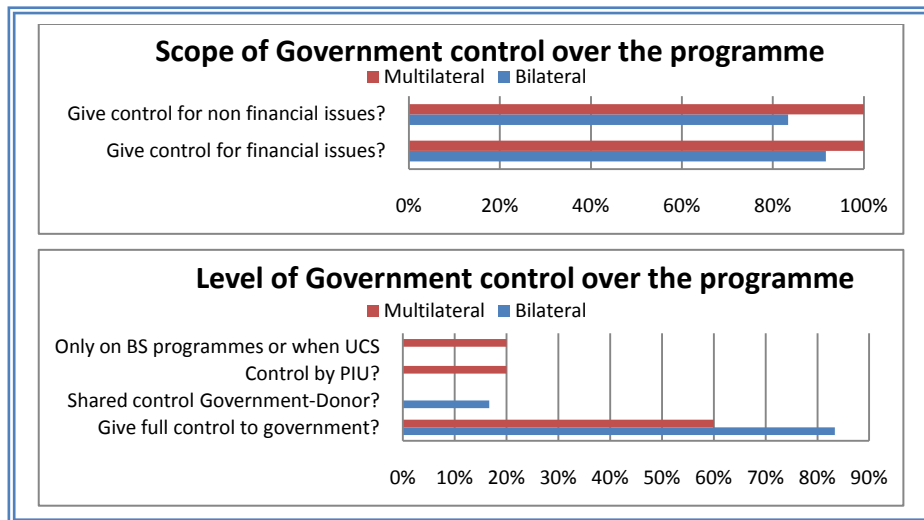
34. Just few Donors declared that they are assessing risks and benefits of using country systems when such decision is made, and not all of them declared that they are monitoring if such benefits are being produced. This could be reflecting the fact that assistance is now mainly provided using GBS and SBS modalities, where a direct monitoring is not always possible.

Donor regulations

35. One of the most relevant issues when using country systems is the possibility to provide the government or his MDA with the control over the programme execution. Although the majority of Donors declared in the survey that providing such control to the Government is allowed, in some cases such control is limited just to financial aspects, or to budget support. In other cases, the control is restricted in some aspects to the Programme Board or to some Steering Committee, and a few multilateral Donors prefer to give the programme control to a Programme Implementing Unit.

36. In general the survey shows that on budgeting, financial reports and internal audit, there are no restrictions or conditions for using country systems on Donors’ regulations.

All the other financial management aspects are conditioned for some Donors to satisfy some specific requirements. There are also Donors that having his aid programmes executed through multi-donor processes, are not reporting specific considerations on his regulations and in the practice are just accommodating their requirements to follow the agreed common procedures of the participant Donors.



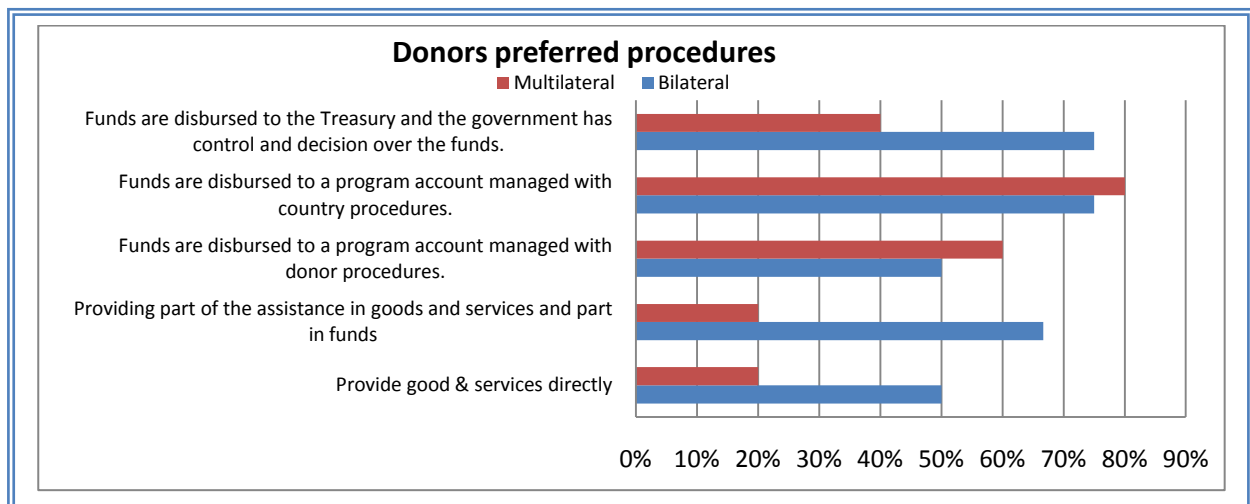
37. Treasury procedures could have some specific differences according to the Donors’ regulations. Some Donors disburse the funds according to an agreed disbursement plan, making their availability for the Treasury predictable and giving to this entity full control over the funds, but other Donors’ disburse the funds based on the real expending, giving just a partial control of the funds to the Treasury and reducing its predictability. On this last procedure, Donors could use a revolving fund or a “special account” with replenishments requested by the treasury, or could reimburse the treasury for the expenditures already paid with local funds, but in both cases expenses must be properly justified and submitted for the Donor approval prior to any disbursement.

38. Using the public accounting system of the Government is in general accepted by Donors’ regulations, as referred in the answers to the survey. But in the practice, having in consideration that public accounting is in many countries a known weak financial management aspect and non-existent in some countries, most Donors require a prior assessment of the public accounting system to identify how the Donor and programme information requirements will be satisfied.

39. Internal audit, similarly to the public accounting system has no specific requirements referred on the Donors’ regulations, and in the practice just a few Donors assess this function using existing general assessment reports as PEFA to validate the performance of this function. The external audit function on the contrary, is mentioned in some Donor’s regulations with specific considerations oriented to ensure a proper scope and coverage of the programme operations, including not only financial management aspects but also general performance and the evaluation of outcomes and goals.

Donor preferred procedures

40. Assistance can be provided with financial and non-financial resources. Donors could directly provide the funds to the treasury or to some special account, or could provide the funds to a third party to implement the programme for the government, being the latter an indirect modality of assistance. The aid could be provided also through a single Donor programme or through a multi-donor programme, and finally, in some cases, through a combination of any two or more modalities. Many Donors are allowed to use all these options in their programmes, some Donors can use specific preferred modalities and others are banned from using certain modalities.



41. The decision of which modality to use is normally suggested by the Donor policies and adjusted according to the country context and by the adequacy or convenience of each modality. Some Donor regulations predefine some modalities, like budget support as “default” or as “first option” and any non-financial modalities are banned. Other Donor’s regulations, instead of specify some preferred procedure, are just banning some procedures, mainly those referred to non-financial resources. Finally, for other Donors, most of them bilateral, their regulations give the option to find the most suitable or convenient mix of modalities on their assistance programmes, without excluding or banning any financial or non-financial option. Once a modality is decided, Donors also decide the extents on which the programme procedures will be aligned with the country procedures.

42. Non-financial aid or indirect financial aid are modalities accepted by some bilateral Donors and by only a few multilateral Donors. It is necessary to distinguish between the financial aid provided through third parties: the funds transferred directly from the Donors to a third party are considered indirect financial aid and the funds transferred directly from the Donors to the government, regardless of whether the government hires the managerial services of a third party to facilitate the implementation of the programme, are considered direct financial aid.

43. When Donors provide the funds to the government, the use of country systems could be also diverse, depending on the control that the treasury can have over the funds and depending on how the funds will be managed. Funds can be disbursed into a programme special account operated under Donor or country procedures, or can be disbursed to the treasury giving full control over the funds. According to the survey answers, all bilateral Donors prefer to disburse the funds directly to the treasury, or to a programme special account managed under country rules, but some of them are not discarding the option of having the funds under Donor control. Multilateral Donors showed a clear preference for using special accounts managed by their own procedures, but not excluding other options. Providing assistance combining financial and non-financial resources in the same assistance programme were not the most preferred procedure by the Donors but at the same time were not excluded.

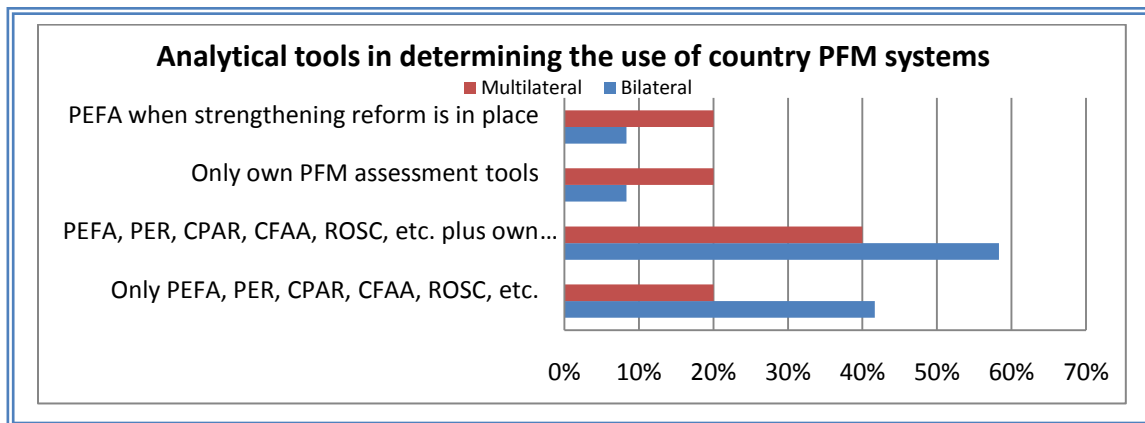
Use of analytical tools for informing the use of country systems

Country PFM diagnostic tools

44. Assessing the financial management functions of the partner country is for all the Donors a prioritized activity when deciding the use of country systems. Since each Donor has its own assessment requirement and objectives; the deepness, scope, objective and methodology of the assessment could be diverse. Some Donors when assessing the partner country financial management system are trying to identify the fiduciary risks involved in the operation to define the programme procedures, but other Donors are just assessing specific operational aspect to decide the extent in which these aspects could support the programme. Some Donors assess the monitoring capacity of the country systems in reference to the execution, results and benefits of the programme, other Donors are just concerned on the operational procedures during the programme execution. A group of Donors prefer to have a comprehensive diagnosis of the country systems to include some strengthening activities that could improve the country PFM system; other Donors are just trying to identify certain level of reliability of the country systems to justify the use of country systems. Some Donors are assessing the PFM system just for budget support programmes, and other ones when funds will be provided to some specific entity, not to

the treasury. Some Donors are assessing not only the PFM system, but also other not operational aspects as governance, democracy, economic and financial stability, fiscal framework, etc. And finally, some Donors that participate just in multi-donors programmes are only trying to have an overview of the PFM system, since it will accommodate their requirements to the common procedures defined by the other Donors.

45. Based on their own objectives Donors apply their own assessment methodologies and procedures, are using existing common assessment tools as PEFA, PER, CFAA, ROSC (Fiscal Transparency), CPAR, OECD-DAC among others; coordinating new ones or using a combination of both, own and common assessments, being the latter one the preferred option for the majority of bi- and multi-lateral Donors.



46. Common assessments demonstrated to be very useful tools for Donors, being for many of them the only tool used for assessing countries PFM, although sometimes the Donors expectations regarding the information this tool can provide exceed the designed objective, scope and contents of the assessment. This aspect becomes evident when the Donors don't have their own developed assessment tool and require having a deeper analysis of some PFM aspect. The survey, in trying to identify the Donors' necessities and how the common assessment tools satisfy them, collected in this regard two types of commentaries. One related to improvements that could be made to the existing tools and another one related to provisions of information not possible to add to current tools and would require some specific development.

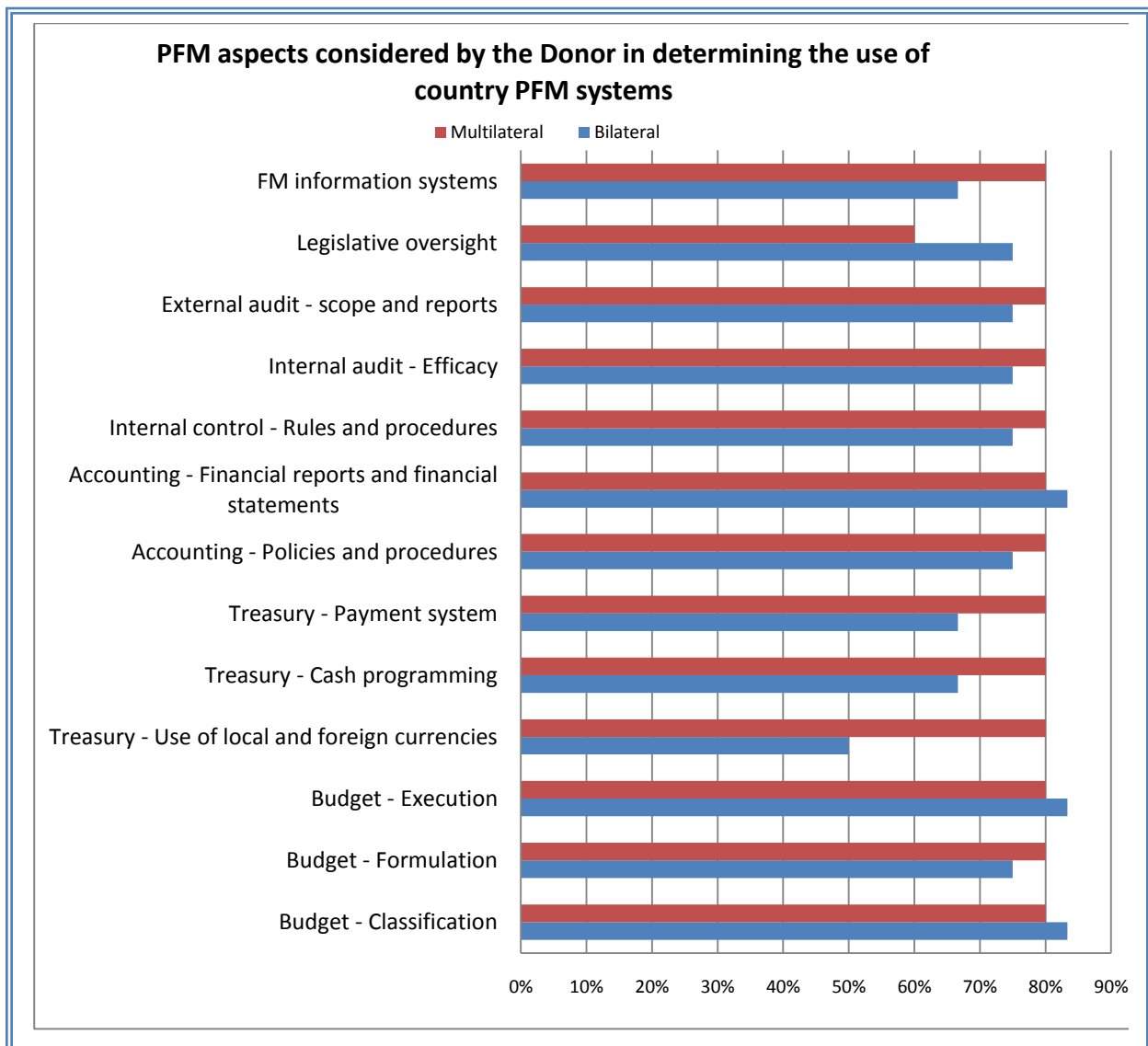
47. The list of common assessment tools, although extensive, it is not necessarily updated. Many of these reports are discontinued or are not recurrent now, being the PEFA assessment the only one that is having an increased diffusion, use and recurrence. The PEFA report is direct, easy to understand, cover all the most relevant aspects of the PFM systems and provide a good understanding of the country's budgetary performance. PEFA is not a diagnosis tool but a measurement of relevant performance indicators describing specific PFM elements. PEFA provides an image of the current status of the PFM system, identifying some of its strengths and weaknesses, but does not make a diagnosis of such status neither provides recommendations or action plans to strengthen the identified weaknesses. Such diagnosis should be a separate analysis made according specific objectives and coverage that are not related to the PEFA assessment. Such diagnosis is made by specific request as a separate work and is avoided most of the times. However, this improvement was suggested by several Donors, showing a necessity that it is not satisfied at present, especially for the Donors that don't have their own developed

assessment tools. Other PEFA improvements were suggested by Donors in several aspects, reflecting their own necessities, such as expanding the coverage of the analysis to sector and institutional aspects and fine-tuning some clarifying indicators or adding some dimension to the existing indicators.

Specific PFM aspects analyzed for informing the use of country systems

Legal and regulatory framework, and operational practices

48. Understanding the legal and regulatory framework of the partner country, as well as its operational practices when using the country PFM systems are crucial elements for deciding the extents in which such country systems will be used by the programme. In such respect, the survey collected information on each of the FM relevant issues, obtaining clear tendencies of the Donors attitude regarding these issues.



49. In reference to budget, treasury, accounting, financial reporting, internal control and internal audit, all the answers from multilateral Donors confirmed that they always assess such aspects when using country systems. On the contrary, bi-lateral Donors' answers showed that all of them are always doing the assessment on the budgetary aspect. With regards to the other referred FM aspects, some Donors declared that they do such assessments for budget support programmes or for basket funds only.

50. In reference to external audit and the legislative oversight, the received answers showed that all Donors are assessing the external audit function and almost all of them assess the legislative oversight process, but some of them do such assessments when using country systems and others just on budget support programmes or basket funds. Few Donors request to review the terms of reference for auditing the programme. Many bilateral Donors declared that their requirement for assessing the external audit system and legislative oversight is fulfilled by performing a PEFA assessment.

51. Similarly, and when applicable, the financial management information system of the country is assessed by the majority of the Donors when using country systems, and just few of them declared that they do such assessment only on budget support programmes and basket funds, or using PEFA as the assessment tool.

Other considerations

52. When designing the operational elements of the programme, Donors in many cases required the establishment of special financial management arrangements as a measurement for reducing the fiduciary risk or to ensure an adequate operational environment. In such respect, the survey collected information regarding the three most distinctive operational environments for the programmes-- sector, sub-national and institutional; obtaining clear tendencies of the Donors attitudes' towards these issues.

53. All the answers from multilateral Donors were affirmative, recommending special financial management arrangement on the three operational environments mentioned. On the contrary, answers from bilateral Donors, were not always affirmative, proposing specific financial management arrangements; and when affirmative, were selective to specific circumstances or criteria and based on a case by case analysis.

Section III – Implementing Use of Country PFM Systems: The PFM elements

Good Practice

54. We are using as a permanent reference on this document the following definition of Good Practice provided by OECD in the book: *“DAC Guidelines and Reference Series - Harmonising Donor Practices for Effective Aid Delivery, Vol.2: Budget Support, Sector Wide Approaches and Capacity Development in PFM”*:

“Good practices are a point of reference rather than a matter of prescription for all development agencies, in all countries, at all times. They should be applied with flexibility and take into account partner country circumstances and donors’ institutional mandates.” (OECD/DAC Guidelines and Reference Series, p. vol II 18)

55. In other words, a “good practice” using country systems is produced by the harmonization of certain combination of circumstances, that facilitates the execution of the assistance programme and satisfy the managerial and supervision needs of the donor and the government. What could be a good practice in certain circumstances could not necessarily be a good practice in other circumstances.

56. This document attempts to show a few procedures that lead to a better harmonization between donor and government procedures, but donors should analyze on a case by case basis how replicable they could be for its specific programmes.

Budget Support

57. Donor’s aid modalities are classified considering three basic aid modalities. General Budget Support (GBS), Sector Budget Support (SBS) and Programme/Project Support (PS) also identified as Programme Based Approach (PBA). The following definition of GBS and SBS is provided by OECD in the book: *“DAC Guidelines and Reference Series - Harmonising Donor Practices for Effective Aid Delivery, Vol.2: Budget Support, Sector Wide Approaches and Capacity Development in PFM”*:

“...budget support is defined as a method of financing a partner country’s budget through a transfer of resources from an external financing agency to the partner government’s national treasury. The funds thus transferred are managed in accordance with the recipient’s budgetary procedures. Funds transferred to the national treasury for financing programmes or projects managed according to different budgetary procedures from those of the partner country, with the intention of earmarking the resources for specific uses, are therefore excluded from this definition of budget support.

An additional distinction might be made between general budget support and sector budget support. In the case of general budget support, the dialogue between donors and partner governments focuses on overall policy and budget priorities, whereas for sector budget support the focus is on sector-specific concerns.” (OECD/DAC Guidelines and Reference Series, p. vol II 26)

58. These definitions although accurate in defining GBS and SBS, exclude some aid modalities that in the case of budget support do not fit properly with such GBS or SBS definitions. Donors also provide budget support aid in the form of basket funds, SWApS and other modalities that are not open or general as GBS, and do not focus on sector-specific concerns. Since Donors' answers to the survey considered also such modalities, we are including such modalities under SBS, understanding that SBS does not only focus in sector issues but also includes other aid modalities different of GBS and PS.

Using the Country Public Financial Management System

59. As agreed in the Accra Declaration, Donors are fostering the use of PFM country systems in their assistance programmes. Such practice requires harmonizing, to the extent possible, the donor's procedures with country procedures to ensure that the donor, the MDA and the government will execute, record, control and report properly on assistance programme operations. The level of harmonization and the extents on which the country systems are used could vary in each case, depending among other aspects, such as the donor and government policies, the way in which the donor provides the program resources, the operational capacity of the MDA, the level of integration of the MDA with the governmental PFM systems, the operational capacity of the government PFM systems and its information systems, the government cash management and banking procedures, and the information and managerial necessities of each party.

60. To define the adequate level of harmonization, it is necessary to understand some of the basic operational principles applicable to any PFM system. Although some donors have published technical documents describing the PFM basic functions and how donors' programmes interact with these functions, it becomes necessary in this document to review some PFM concepts for a better understanding of donors' current practices.

61. Depending on what, where, how and when the donor resources will use the PFM country systems, it determines the system capacity to manage and report the donor's resources; and the investment programmes; it will also be a factor to ensure that the investments are properly registered as public assets, fostering the government commitment for supporting its future operation, maintenance and preservation.

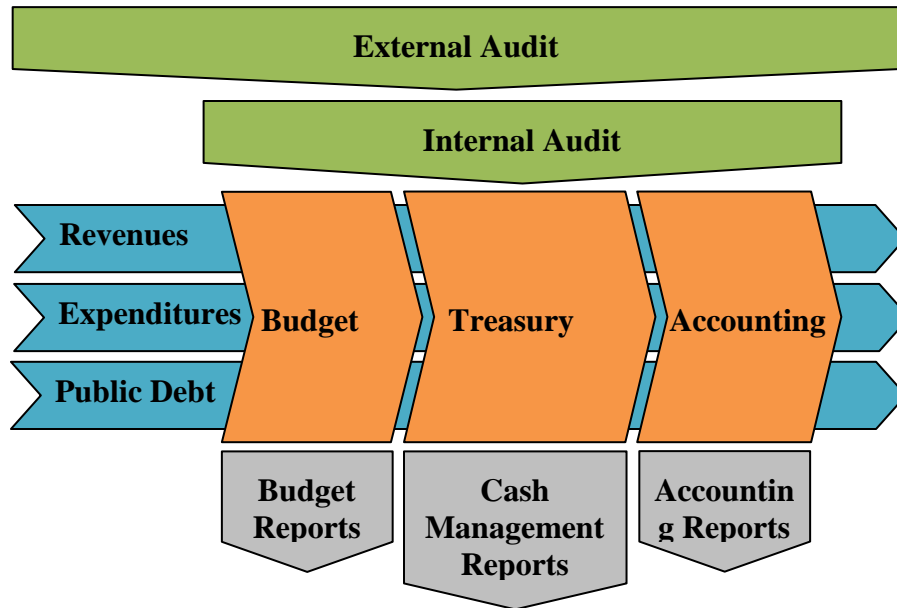
62. When monitoring of budget support programmes is based primarily on indicators, outcomes, results and goals, the use of country systems still has to be carefully analyzed to ensure that such systems are able to manage and report properly on the programme funds.

63. This Section will briefly show the main aspects to have in consideration when deciding the extents on which the PFM could be used on a Programme. Graph I.1 shows the most relevant PFM functions that are involved with donor operations, as well as how these elements interact in the system. Each one of these functions gives useful information for managing, reporting and supervising the execution of the assistance program.

Budget

64. **Budget formulation** is a key activity when using country systems. Inadequate or exclusion of the assistance programme in the budget is a common source of programme delays. When the assistance programme is not coordinated on time with the government, the budgetary space for the programme could not have priority receiving any or very limited space. This limits or not allows its execution using budgetary procedures.

Graph I.1 – Public Financial Management Functional Elements



65. Each country has its own inter-institutional procedures for coordinating and approving assistance programmes. Such procedures could involve one or several public institutions that directly or indirectly approve some aspects of the programme implementation or the cooperation agreement. To facilitate and avoid delays in the programme implementation process, it is convenient to ensure a proper coordination of the programme with all the public agencies involved, in addition to the effort made from the MDA. The public agencies that are commonly involved in these procedures are: the Ministry of Finance on financial and budgetary aspects, the Ministry of Foreign Affairs coordinating the cooperation agreement terms, the central planning office --when development or investment priorities are controlled centrally or monitored, and the Central Bank or the National Treasury if it is a decentralized or autonomous agency -- when specific monetary or banking issues are involved. Additionally, it is necessary to verify if other specific arrangements are in place, as those reported by some Donors in our survey, mentioning that in a country the budget preparation is coordinated in the government by a Budget Committee⁶ which also coordinates quarterly reviews to ensure adequate budgetary discipline and control. In another country a Donor reported the existence of a Budget Support Harmonization Group⁷ organized by the Donors with participation of the Ministry of Finance.

66. Since the MDA will provide local resources (counterpart resources) for the programme, the proper inclusion/coordination of the programme activities with the institutional action plan is crucial, being necessary for such purpose to provide the MDA with the programme plans and requirements (action plan, procurement plan, disbursements plan, detailed budget estimates and partial and yearly goals, outcomes and indicators). As reported by some Donors in our survey, in a few countries there are also specific arrangements, for example, the consideration of the Country Development Fund⁸ at the time of budget preparation, since they are the determining

⁶ Afghanistan, The World Bank

⁷ Rwanda, KfW-Germany

⁸ Rwanda, KfW-Germany and Netherlands' Cooperation. PS programme.

body on the distribution of funds at the provincial level, the sharing of sector costs between the Central Government and the State Government⁹--being necessary to coordinate both budgetary levels. Another interesting example refers to aspect reported by Donors in our survey was referred to the budget preparation timing, showing public entities starting its annual budget as early as January¹⁰.

67. **The budget classification** (budget chart) defines how the programme is registered in the budget system, and depending on how such classification follows the international standards, it will be the capacity for tracking the spending by administrative units, or by its economic, functional, sub-functional and programmatic aspects. Since budgetary systems differs from country to country, it is necessary to understand how the system manages and reports the programme information to determine if such information satisfies the programme management and the donor and country needs, or if it will be required to organize an additional managerial effort. As reported by some Donors in our survey, in many countries the budget chart provides a unique code for each financial source and for each project,¹¹ making it possible to track the programme expenditures and monitor programme execution.

68. **Budget execution** is the core financial management activity for implementing assistance programmes using country systems. On GBS and SBS programmes the government will execute the funds as its own funds. On PS the Donor could decide the level in which the budgetary procedures are applied, since it is not always possible to harmonize the PFM procedures with the Donor and programme requirements.

69. The level in which the programme will be included in the budgetary system could vary from just register the funds in the budget estimates to execute the entire fund using the budgetary procedures as the local funds. Donor should decide the appropriate executing options depending on many operational or regulatory aspects, but in any case should take in consideration that the quality of the programme reports issued by the public system, will depend on how the programme was registered in the budget. As reported by some Donors in our survey, several countries implemented an integrated financial management system which include a project module UEPEX¹², able to manage and report the programme budget as required by the Donor. In other countries was reported that the donor programme is registered in the budget as a single line¹³, or that the integrated financial management system cannot record properly all the programme transactions¹⁴, being necessary for the programme in the latter two cases to have a parallel system for properly recording its budgetary transactions.

70. The budget amount approved by the Parliament represents the maximum amount authorized to spend by the government and its agencies in the fiscal year. Then, independently of the availability of donor funds --that could be higher--, under budgetary procedures the programme will execute just the amount approved in the budget. In some countries, budget modifications can be made easily, but in other countries modifying the budget requires a new Parliament approval that might take extra processing time. It is necessary to have in

⁹ India, The World Bank

¹⁰ Tunisia, The World Bank

¹¹ Ecuador, Uruguay and other Latin-American countries, The Inter-American Development Bank. Sierra Leone, DFID-United Kingdom

¹² Dominican Republic, The World Bank

¹³ Sri Lank, The World Bank

¹⁴ Uruguay, Costa Rica, The Inter-American Development Bank.

consideration that budget spending limits are based on government priorities and on fiscal and macro economical parameters such as the Mid Term Expenditure Framework (MTEF) and the Mid Term Fiscal Framework (MTFF)--projection that could limit or deny any budgetary modification. As reported by some Donors in our survey, in several countries there is a clear link among the budget and the MTF¹⁵, or the MTEF¹⁶, or the poverty reduction strategies¹⁷, or a multiyear country development plan¹⁸. To avoid reviewing and adjusting the programme action plan due to the assignment of low budgetary limits, the recommendation is to coordinate the programme needs at the earliest stages of the budget preparation process.

71. When deciding the extents of use of budgetary country systems it is recommendable to have in consideration that the following operational aspects need to be fulfilled:

- The Programme estimated receipts and expenditures are included in the annual budget proposal submitted for approval to the Legislature and, when applicable, in medium-term budgeting framework.
- The Programme is executed by the country's responsible institutional agency using its own administrative resources and the country's government budgetary procedures.
- The Programme's budget execution is reported using the country budgetary reports.
- The government budget classification supports the formulation, execution and reporting processes.
- The government budget controls support the formulation, execution and reporting processes.

72. Although the following three issues are not necessarily considered financial management issues, they are closely related and are important for GBS and SBS programmes. It is convenient to review them in the earliest stages of the coordination process for the assistance programme.

73. **Macro fiscal policies, strategies and mid-term planning**, provides information about the programme sustainability. A programme that is not part of the mid-term government or sector development strategies and planning may have a low or null priority when assigning budgetary resources for its implementation or for its operation. Analyzing mid-term fiscal policies shows the government capacity for assigning resources to required activities, during or after the process of implementation. Information produced or managed by this function refers to mid-term fiscal framework; mid-term strategic planning; mid-term sector planning; multiyear budgeting; and, the assignment of institutional budget ceilings for the year. As reported by some Donors in our survey, in several countries the link between the government mid-term planning policies and the budget is currently strong¹⁹ and in other countries this link is being strengthened²⁰.

74. **Operational planning**. The Annual Operational Plan (AOP) describes the activities to be performed by the institution during the year, and in many cases AOP is the base for assigning budgetary and institutional resources to all the recurrent or investment activities. Public systems normally have monitoring instruments to follow up the AOP progress as well as how the institutional goals are attained. Being the project activities included in the AOP will foster a better appropriation of the programme by the institution. In many countries the planning

¹⁵ Afghanistan and others, The World Bank

¹⁶ Georgia and others, The World Bank

¹⁷ Burkina Faso and others, The World Bank

¹⁸ Bangladesh and others, The World Bank

¹⁹ Bangladesh, The World Bank. Brazil and Ecuador, The World Bank and The Inter-American Development Bank

²⁰ Ghana, The World Bank

activities are also monitored by other public institutions as the Supreme Audit Institution (SAI), the Ministry of Finance (MoF) and/or some central planning office.

75. **Public debt.** When the assistance program is based on loans or credits, the earliest coordination with the Public Debt country authorities/managers becomes necessary to ensure the proper approval and registry of the funds, and to make certain that funds are properly and timely allocated in the available “fiscal space” to become usable for budgetary purposes. Late approval or lack of availability of the programme funds for budgetary processes is a common source of delay of programme implementation. Additionally, in many countries the Public Debt Department monitors the use of public debt funds, providing an additional control over the proper and efficient use of the funds, as well as becoming an important source for reporting the status of loan/credit and available funds. Ensuring the Public Dept Department participation earlier in the negotiation of the programme and making sure that is timely informed about funds disbursements, charges, repayments and/or Special Account replenishments improves the control and facilitates the supervision of the use of the funds. Negotiating the program only with the MDA does not ensure that the Public Debt Department will be appropriately informed about the program and could lead to delays or non accurate reporting.

Treasury

76. Treasury operations are directly related to the programme banking, cash management and payments. Many countries have implemented “treasury single account” system, meaning that Treasury, with some minor exceptions, controls and supervises all the funds and bank accounts of the central government entities, and in some cases of decentralized entities and public enterprises. “Single account” procedures improve the management, control, reporting and accountability of the funds by the Treasury. A careful compatibility assessment of the “single account” system with Donor regulations is recommended for properly harmonizing them and for defining disbursement and banking procedures for the programme. As reported by some Donors in our survey many countries implemented a treasury single account system; while in some countries such system only covers central government institutions²¹ in other countries covers all public institutions at provincial or state levels and at central or federal levels²², yet in others the provinces and states have its single account system independent of the central system²³.

77. Resources provided by Donors are considered as government revenues where the predictability of the funds becomes a crucial factor. Fostering revenues predictability will impact positively the government cash management and budgeting programming. Donor funds become predictable when a yearly or multiyear disbursement plan is agreed in a timely manner to allow its inclusion in the institutional plan and budget of the MDA, being the funds available in a predefined and agreed location with clear and accepted withdrawal and accountability procedures. This will ensure an adequate cash flow for the assistance programme and will facilitate the government and the MDA the provision of the required local resources for the assistance programme. As reported by some Donors in our survey the way in which each Donor approaches this aspect is diverse. Some Donors adjusted its disbursement plan to disburse earlier in the year to facilitate the government cash management²⁴, other Donors disburse all the

²¹ Georgia, The World Bank. Ecuador, México, Nicaragua, Guatemala and others, The World Bank and The Inter-American Development Bank

²² Brazil, The World Bank and The Inter-American Development Bank. Indonesia, The World Bank

²³ Pakistan, The World Bank

²⁴ Sierra Leone, DFID-United Kingdom

programme funds in the first quarter of the year²⁵ in SBS programmes or disburse the funds through a revolving account that is replenished according to the real programme expenditures²⁶ in PS programmes, yet other Donors disburse the funds according to the approved disbursement plan²⁷.

78. Preparing a disbursement plan will require to determine how much of the programme resources will be managed by the country system and how much will be managed by the donor or under the donor control and rules, which normally is determined by the operational capacity of the MDA and by the complexity of the country procurement legal framework, as will be discussed on the next paragraphs. A good understanding of the country budget, banking, cash management and financial reporting procedures and capacity is necessary to properly define the terms in which the assistance programme resources will be provided, managed and registered in the PFM system.

79. Expenditures of the assistance programme can be managed totally or partially using country systems. Country expenditures are made using budgetary procedures and applying local procurement rules, but assistance programmes, when convenient and previously agreed, does not necessarily use all of such procedures and regulations. Determining the level of use of country systems for the programme expenditures is one of the most critical aspects for the programme implementation.

80. There are four key elements that should be considered when defining the level of use of country systems: a) the operational capacity of the MDA, that will determine the level of additional managerial support required to implement the programme by the agency, which varies, from implementing a full Project Implementation Unit (PIU) with programme resources to none or to just support a few functional or operational elements of the MDA for managing the programme; b) the adequacy of the budgetary and procurement regulations for managing the programme expenses in a timely manner, that may have a wide variety of complexities affecting the programme executing efficiency and its timeframe; c) the quality and procedures of the public payment system, which is a crucial element for the relationship with the programme suppliers, that could have a negative impact on programme procurement prices and conditions; and, d) the level of control that the donor likes to have over his funds or over the programme expenses. Since not all countries and all institutions have adequate and efficient PFM systems, it is recommendable to assess them, as earliest as possible, to decide the adequate level of use of PFM country systems on programme expenditures.

81. When deciding the extents of use of treasury systems it is recommendable to have in consideration that the following operational aspects need to be fulfilled:

- An annual Donor Disbursement Plan for the Program/Operation -- agreed with the country's Treasury on time to be included in the Treasury cash flow programming for such period; or a donor disbursement flows -- mostly controlled by the country's actions (e.g., through execution of expenditures).
- The Programme funds are disbursed to the country according to the disbursement plan, unless the Treasury and the Donor agreed to change such plan; or donor disbursement flows are mostly controlled by the country's actions (e.g., through execution of expenditures).

²⁵ Rwanda, KfW-Germany, SBS

²⁶ Rwanda, KfW-Germany, PS

²⁷ Rwanda, KfW-Germany, GBS

- The Programme funds (donor and counterpart) are part of the Treasury-controlled resources.
- The Programme payments in local or foreign currency, to local or foreign providers, are managed by the Treasury using its own procedures; or by the responsible sector institutional agency; or for a minority of payments and if previously agreed, Treasury asks the donor to pay directly to the provider.
- The government treasury and banking controls support the programming, receipt and payment processes.

Accounting

82. **Accounting** is the core element of the FM system if methodologies, standards and practices are properly implemented and permanently and timely applied. There is a wide range of accounting options applied by public systems that could include several methodologies, standards and practices, existing also some countries where a public accounting system is not implemented. Methodologies and standards are wide and complete but in the practice some of these rules could be not properly applied or not applied at all, reducing the quality of the accounting data and its reports. As reported by some Donors in our survey while some countries have a governmental accounting system in place: a) a few countries do not have a standard accounting for all public institutions²⁸, b) a few countries do not have an established public accounting norm²⁹ and c) other countries don't have an accounting system at all.

83. Accounting procedures are a very critical aspect to have in consideration when assessing accounting systems. Procedures that are mostly defined by each country on its public accounting policies may define how, when and where the transaction will be registered and reported. As reported by a Donor in our survey, in countries where there is no uniform accounting procedures implemented in the public system, it is always possible to agree with the government in a specific treatment for the Donor programmes³⁰. The provided example refers to an agreement in the standardized accounting procedures and reports for all of the Donor's projects, to include in-depth instructions and rules for the chart of accounts; detailed accounting instructions for each project account; a standard set of project financial statements; and instructions on the preparation of project financial statements.

84. Comparing budget values with accounting values could be also difficult since transactions, that could be registered simultaneously in the budget and accounting systems, are expressing events taking place at different times. Budget could show when the payment order or cheque was issued, or just when the amount was charged to the budgetary allowance, or when the expense was committed. Accounting could show when the payment was effective (cash accounting) or when the payment became a true obligation of payment (accrual accounting). Additionally, not all budgetary transactions are always registered in the accounting and accounting could also include not budgetary transactions. As reported by some Donors in our survey, in some countries³¹ the accounting is not necessarily fully integrated with the budgetary system or the integrated financial management system is not fully implemented in all public institutions.

85. The Chart of Accounts could be standard for the whole public sector or not, being sometimes difficult to understand the meaning of government consolidated values or to find

²⁸ Sri Lanka, The World Bank

²⁹ Guatemala

³⁰ China, The World Bank

³¹ Costa Rica, The Inter-American Development Bank.

some specific values that are included in global or aggregate values. Understanding the Chart of Accounts will provide a clear image of what and how could be reported, since all transactions will be registered aggregating values to those accounts.

86. Using the public accounting system as a source for financial management information for the programme, requires to understand how the system is working, what is the meaning of the reported values, and how accurate are them. Then, when deciding the extents of use of the country's accounting systems it is recommendable to have in consideration that the following operational aspects need to be fulfilled:

- The Programme transactions are being recorded and maintained in the government's accounting system, including related subsidiary records.
- The Programme financial statements are reported using the government's accounting system.
- The government accounting classification and standards support the recording and financial statement presentation processes.
- The government's accounting controls support the recording and financial statement presentation processes.

Financial Reports

87. Reporting is always a critical programme's issue, and sometimes is not possible to harmonize properly the public system's reporting capacity and standards, and the programme management and supervising requirements with the Donors requirements.

88. The first aspect that is necessary to have in consideration is that government's reports are thematic (budget, accounting, bank statements, cash programming, etc.) and normally are not integrated, except when is prepared in the Public Accounts Report which normally has a yearly recurrence. Programme reports are usually integrated and its recurrence could be shorter (monthly in many cases). The difference between these two types of reports is that integrating reports need to compare and consolidate all the thematic information using a different base of comparison. Many Donors prefer to use on his reports "cash values" to easily compare the accounts with the bank statements. Thus, it will be necessary to explain the differences produced by unpaid accrued amounts, unpaid committed amounts, cheques delivered but not cashed, etc.

89. Another aspect that should be considered is how detailed the public reports are in reference to the programme's expenditures and budget. As previously explained, the budgetary and the accounting charts of accounts will define what is possible to report. Although detailed information of all expenditures could be found in "auxiliary accounting books", it will be necessary to confirm if such "books" exist, what and when the information is recorded and if such book could be reported according to the programme needs. As reported by a Donor in our survey, in countries where the financial reporting system do not satisfy the Donor requirements, it is always possible to agree with the government in a specific treatment for the Donor programmes³². The provided example refers to an agreement to standardize all financial reports for the Donor's projects, to include, in-depth instructions and rules for the chart of accounts; detailed accounting instructions for each project account; a standard set of project financial statements; and instructions on the preparation of project financial statements. In other cases, Donors were able to produce ad-hoc reports³³ using the government information.

³² Bangladesh and China, The World Bank

³³ Ethiopia, DFID-United Kingdom

90. Finally, a very important issue to have in consideration is in reference to the currency in which public records and reports are produced. Donors in many cases disburse the programme funds in his currency and public records normally manage only local currency, then a currency conversion process will be necessary to be able to compare disbursements with expenditures.

91. There are many elements that can affect the financial reporting processes, some of them mentioned above, but it is necessary to understand that each country could have its own specific standards that could add more elements to be considered. Then, when deciding the extents of use of financial report systems it is recommendable to have in consideration at least the following operational aspects fulfilled:

- The Programme financial reports used for Donor disbursement and financial supervision purposes are prepared directly from the country government's information system; or ad-hoc reports for Donors are prepared with marginal transaction cost.
- The content, format and periodicity of Programme financial reports used for Donor disbursement and financial supervision purposes are consistent with the country government's own financial reporting arrangements; or ad-hoc reports for Donors are prepared with marginal transaction cost.

Internal Audit

92. As mentioned in the PEFA measurement framework in reference to the internal audit function:

“The function should be focused on reporting on significant systemic issues in relation to: reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts.” (PEFA Secretariat, June 2005, p. 41)

93. This financial management function has an important role reporting to the institutional management on how the organization is performing its compliance in terms of its objectives and regulations. In many countries the internal audit system implemented in the public sector has a well defined regulatory framework, which is normally complete and based on the best and most updated international standards, but at the same time it is poorly implemented with minimal and/or inadequate resources, and in some cases in the practice, with non clear institutional mandate, resulting in a very limited operational capacity and reduced efficiency and efficacy, or involved on internal control aspects pre-auditing transactions. In the practice, this financial management function is commonly one of the weakest functional aspects in public management.

94. A very important role of the internal audit is to provide feedback to the management about the performance of the institutional internal control system. The quality and efficacy of the internal control system is a key element that impacts directly the programme implementation. Weak internal control procedures could be a source of managerial inefficiencies, programme delays and misuse of funds, could foster the deviation of objectives and could delay attaining goals and producing outcomes. As PEFA methodology states:

“An effective internal control system is one that (a) is relevant (i.e. based on an assessment of risks and the controls required to manage the risks), (b) incorporates a comprehensive and cost effective set of controls (which address compliance with rules in procurement and other expenditure processes, prevention and detection of mistakes and fraud, safeguard of information and

assets, and quality and timeliness of accounting and reporting), (c) is widely understood and complied with, and (d) is circumvented only for genuine emergency reasons.” (PEFA Secretariat, June 2005, p. 40)

95. When deciding the extents of use of internal audit systems it is recommendable to have in consideration that the following operational aspects are fulfilled:

- The Internal Audit function for the Programme, including assurance on the operation of its internal controls, is executed by the Internal Audit unit of the country’s responsible institution.
- The Internal Audit arrangements for the Programme are based on the risk-based work program prepared by the Internal Audit unit of the country’s responsible institution.
- The government Internal Audit standards and modalities support the internal audit processes.

External Audit

96. External audit is a Donor requirement for all kind of programmes, and defining who, when and in what extent (coverage) the external audit will be performed, is always advisable to do it at the earliest stages of the negotiation. External audits in some countries are performed by the SAI but in other countries the SAI could use the service of independent audit firms as a way to improve its audit capacity. Some Donors accept the external audit performed directly by the SAI, or indirectly using independent firms contracted by the SAI, and other Donors require always using independent audit processes. In any case, the key elements when defining the external audit process are the definition of the terms of reference in which the audit will be performed, and to ensure that the auditor will be able to properly perform the activity. This second aspect is necessary to be verified since the mandates of the SAI could have some limitations or exclusions to its audit coverage.

97. When deciding the extents of use of external systems it is recommendable to have in consideration that the following operational aspects need to be fulfilled:

- The External Audit function for the Programme, including opinions on its financial statements, compliance with the donor agreement, assurance on the operation of its internal controls, and other work as applicable (performance, recurrent) is executed by the country’s Supreme Audit Institution (SAI); or is executed by a firm under commission and terms agreed by the SAI.
- The External Audit arrangements for the Programme are based on the risk-based work program prepared by the SAI.
- The government External Audit standards and modalities support the external audit processes.

Section IV – Implementing Use of Country PFM Systems: Country Examples

98. As stated in previous pages of this report, Good Practices are product of a process of harmonization between the Donor procedures and requirements with the partner country’s regulations, procedures and operational capacity of the executing agencies, which makes the good practice somehow unique and not necessarily replicable as an entire process. However, there are many specific aspects of a good practice that could be replicated or that being part of a creative solution may inspire to find new ways for appropriately usage of the country systems. This Section summarizes and extracts the cases identified by the Donors as a good practice. Some of them are very explicit describing a good practice, but the majority of them only describe how the programme works or how it was aligned with the country systems, in which case, although a good practice example could be not explicit or evident, the provided description shed some light about the way a number of Donors are working with the financial management systems of that country.

99. For the purpose of the survey, the good practice examples were classified at a first level based countries’ income, considering for such purpose three types of countries: Fragile States, Low Income States (excluding Fragile States) and Middle Income States (excluding Fragile States). Then in a second level, the good practices were classified according to six financial management issues: budget, treasury, accounting, financial reporting, internal audit and external oversight. Finally, and using a third level of classification, the assistance modality in which good practices were effective was taken into account, adding for such purpose three more types to contemplate: general Budget Support, Sector Budget Support and Project Support or programme Based Approach.

		Cases reported by Donors							
		# of cases				% of cases			
		Fragile States	Low Income States	Middle Income States	Total	Fragile States	Low Income States	Middle Income States	Total
Multilateral Donors	GBS	6	16	7	29	4%	12%	5%	21%
	SBS	4	7	29	40	3%	5%	21%	29%
	PS	0	4	66	70	0%	3%	47%	50%
Bilateral Donors	GBS	6	16	2	24	10%	27%	3%	40%
	SBS	0	26	1	27	0%	43%	2%	45%
	PS	1	6	2	9	2%	10%	3%	15%
All Donors	GBS	12	32	9	53	6%	16%	5%	27%
	SBS	4	33	30	67	2%	17%	15%	34%
	PS	1	10	68	79	1%	5%	34%	40%

100. Donors were able to send us 199 cases, involving 46 countries from almost all the world regions. Annex 3 (page 51 of this report) contains a statistical summary of the received cases, and Annex 5 (page 75 of this report) contains the list of Programmes in which good practices were identified by the Donors. Table 1 shows the distribution of reported cases according to the type of country, the assistance modality and the type of Donor.

101. In some cases the Donor identifies a programme that he considers a good practice, but the information provided with the case did not describe neither the case nor the good practice properly. In such cases, there is only a brief mention of the referred programme in this report.

102. For the purpose of this report, and having in consideration that the legal and regulatory framework ruling the financial management operations in the country becomes a constant for all programmes, assistance modalities and financial management aspects; the analysis and presentation of the good practice examples were organized by countries. This facilitates the understanding of the country procedures and how such procedures interact with the Donor programmes.

Some good practices including special actions that foster the use of country systems

103. All the selected and submitted cases by Donors are considered good practices on the use of country systems, since they are harmonizing Donor and Country procedures and generating a balanced operational environment. There are a number of examples which included some special actions or circumstances that foster or facilitate the use of country systems or that simplify some financial management procedures when using the country systems by the Donors. This section compiles some of these examples which could be replicated in many countries. Remarkable elements that were present in almost all the submitted examples were the common development objective and the Donors positive attitude in regards to strengthening the partner country's PFM system. Within these elements, some donors: sometimes performed specific strengthening actions for the SAI, sometimes addressed specific operational aspects as the strengthening of the public information systems, sometimes addressed regulatory aspects as many programs that improved the PFM legal, regulatory or operational framework, sometimes addressed the lack of human resources with the implementation of many training processes and assisting the entities hiring qualified personnel mostly in accounting and audit areas, sometimes fostered the standardization of procedures on a long term base in order to facilitate the country processing of the Donor requirements, and sometimes produced or supported regional efforts for improving PFM on the base of common tools and procedures facilitating the regional cooperation and the design of ad-hoc regional assistance programmes. The use of country system by Donors demonstrated to be a powerful tool which fosters the improvement of the PFM system. Some donors apply such procedures despite the high fiduciary risk involved, resulting on increased effectiveness of the assistance programme not only in developing the PFM and many other operational aspects, but also in improving governance and fostering the best use of country resources of the partner country.

104. A quick review of the received good practice examples allows to identify a different attitude between the bilateral and multilateral Donors in reference to the use of country systems. Bilateral Donors normally accept and use the country systems as they are, and multilateral Donors in most of the cases negotiate or suggest modifications or alternative procedures to be agreed with the government on a mid- or long-term base.

105. Some Donors that have specific requirements for reporting their programmes, facilitate the financial reporting processes to the partner country by standardizing all the reporting forms and procedures for a long time³⁴, giving the partner country the chance to prepare its financial management system for producing such reports automatically and using the public accounting

³⁴ The World Bank in Colombia, Bangladesh and China

and budget records with very little human interventions. This practice reduces the production cost of the reports and generates a minimum distraction of programme and government resources, without modifying the quality and contents of the Donor's reports. This is a Donor good practice with a partial use of country systems since reporting procedures do not follow the country procedures. A similar case occurs in some countries with the accounting procedures and other financial management aspects³⁵. Agreements standardizing procedures always support the better use of country systems and foster the efficiency and the reduction of operational costs of Governments and Donors.

106. Some countries, having an integrated financial management information system, developed also a project management module fully integrated into the financial management system which became a permanent and transparent link with the public systems. In many cases this module could be just for reporting to the Donors as described above, but in many countries³⁶ this module is the managerial system for the programme where all transactions are being processed but registered automatically in the government system using the budgetary and accounting charts. Payments could be ordered from such module to the treasury using the same procedures as the normal government expenses. Then, the programme has an adequate processing and reporting tool, but all the programme data is stored in the government system. The Donor can easily introduce all of its reporting and processing requirements in the module without producing negative impacts in the government system and without the need for resources from the government during programme execution. The programme processes all the transactions in such module following all the government financial management rules. This is a Government good practice that allow the programme to easily use the country systems.

107. A Donor³⁷, in a country where the financial management system was not robust, in an attempt for implementing their policies of using country systems,, supported upgrading the government integrated financial management information system; but additionally, as a measure for assisting the government to fine-tune such system, used his project as a pilot programme to test and improve the system capacity and capabilities. This is a Donor good practice supporting the use of country systems on his programmes and also fostering the use of country systems for other Donors. Many Donors are supporting programmes for improving the integrated financial management information system on his partner countries.

108. A Donor³⁸ supporting a country where its State banking system was not used by the Donor community prepared a diagnosis study of the benefits and requirements for channelling Donor funds through the Central Bank instead of using the commercial banking system. The study recommended the necessity for the implementation of some on line facilities allowing Donors to request banking transactions over their programme funds using this procedure. The study conclusions were accepted by the Government and became an agreement with the Donor for implementing the recommendations and start using the Central Bank as preferred bank for the Donor funds. This would mark a significant milestone for the country, representing a whole-sale approach to scaling-up the use of country systems agenda, and became a Donor good practice since encouraged the Government to expand the Donors use of country systems.

³⁵ The World Bank in Pakistan or Poland

³⁶ Dominican Republic or Perú

³⁷ The Inter-American Development Bank in Guyana

³⁸ The World Bank in Serbia

109. Supporting Fragile States is always a challenge for the Donor³⁹ and for the partner country, due to the high fiduciary risk originated by the country instability and the weaknesses of the public sector operational environment. Lack of human, physical, operational and financial resources makes it difficult to implement assistance programmes. Providing general budget support assistance in such critical situations helped to rebuild the public financial management systems and ensured that the budget could be used as an effective tool for economic management. In this case, Donors were also required to change their disbursement policies to facilitate the government cash management and programming.

110. Improving PFM systems were in many cases the objective of the programme, most of the time strengthening or implementing an integrated financial management information system, but in other cases this strengthening was not part of the original development objective of the programme, but an operational necessity for implementing the program using country systems. This aspect was mentioned by some Donors⁴⁰ that supported the hiring of a few hundreds of accountants for the government in order to strengthen accounting or auditing capabilities.

111. Special multi-Donors cooperation efforts to simplify the partner country management of basket funds was also reported, being this a major step on using country systems and a Donors harmonized approach to the use of country systems. In this specific case⁴¹, programmes executed by each Donor were integrated on the PFM aspects in the PFM Reform Basket Fund, which is managed by the Ministry of Finance and that applies common procedures for the Donors.

112. Agreements with the country's SAI for reviewing external audit ToR were repeatedly mentioned by Donors in an effort to use the country external audit system on their programmes. Sometimes the agreements could be specific for each programme or for covering all the Donors programmes in the country. A special case is the one of the two major Donors⁴² of a country whom agreed with the SAI to use a common ToR when auditing and supervising all their programmes.

113. The following table summarizes the list of good examples presented by the Donors when answering our survey Part 2.

³⁹ United kingdom DFID in Sierra Leone

⁴⁰ United Kingdom DFID in Ethiopia or The World Bank in Rwanda

⁴¹ Germany KfW in Rwanda

⁴² The World Bank and The Inter-American Development Bank in México

Summary of Good Examples submitted by Donors

		The Inter-American Development Bank			The World Bank			Denmark DANIDA			Germany KfW			Greece DFA			Ireland DFA			United Kingdom DFID			Page
		GBS	SBS	PS	GBS	SBS	PS	GBS	SBS	PS	GBS	SBS	PS	GBS	SBS	PS	GBS	SBS	PS	GBS	SBS	PS	
Fragile States	Afghanistan				X	X																52	
	Georgia				X																		53
	Liberia														X								53
	Palestine Area(*)															X							
	Sierra Leone																		X				53
Low Income States	Bangladesh					X																54	
	Burkina Faso				X			X															55
	Ethiopia																			X			55
	Ghana					X	X																56
	Lao PDR				X																		56
	Madagascar				X																		57
	Mozambique					X	X						X	X									57
	Rwanda				X						X	X	X							X	X		58
	Tanzania													X									59
	Uganda													X									60
	Vietnam				X		X																60
	Zambia													X									61
Middle Income States	Argentina						X															62	
	Albania(*)																X						
	Brazil					X																	62
	Chile(*)																	X					
	China						X																63
	Colombia						X																63
	Costa Rica(**)		X	X																			
	Dominican Republic						X																64
	Ecuador					X																	64
	El Salvador					X																	65
	Guatemala					X																	65
	Guyana					X																	65
	India						X																65
	Indonesia					X																	66
	Iraq(*)																		X				
	Jordan							X															66
	Macedonia							X															67
	Mexico							X															67
	Moldova							X															67
	Morocco							X															68
	Nicaragua					X																	68
	Pakistan						X	X															69
	Pakistan Punjab						X																69
	Peru					X																	69
	Philippines							X															70
	Poland							X															71
Serbia							X															71	
South Africa													X									72	
Sri Lanka							X															72	
Tunisia							X															73	
Turkey							X															73	
Uruguay							X															73	

(*) The programmes were mentioned but not described by the Donor

(**) The Donor described some country procedures without mentioning specific programmes.

Section V - Annexes

Annex 1 – Statistic Summary of Donors’ Answers – Survey Part 1

		YES	NO	N/A	OTHER	YES	NO	N/A	OTHER
		Bilateral				Multilateral			
Policies and Procedures									
1) Overall donor policy and approach									
a) What is your policy with regard to the use of country PFM systems? (please attach any relevant document)	Answer?	11	1	0	0	5	0	0	0
	Have a specific policy on UCS?	7	1	3	1	4	0	0	1
	UCS by default	4	0	0	0	0	0	0	0
	As determined by an assessment	4	0	0	0	2	0	0	0
	UCS when convenient	6	0	0	0	3	0	0	0
	Just on BS programmes	0	0	0	0	1	0	0	0
	UCS as much as possible	5	0	0	0	1	0	0	0
	Foster use of non FM systems	3	0	0	0	1	0	0	0
b) What do you see as the main constraints to an increased use of partner country PFM systems in your institution?	Answer?	12	0	0	0	4	1	0	0
	Provide valid input?	12	0	0	0	4	0	0	0
c) What do you see as the main opportunities for progress?	Answer?	12	0	0	0	4	1	0	0
	strengthen its own weaknesses	4	0	0	0	0	0	0	0
	improve the Donors coordination	4	0	0	0	2	0	0	0
	Foster political commitment Paris & AAA	1	0	0	0	0	0	0	0
	Aid effectiveness agenda, incentives & benefits UCS	3	0	0	0	0	0	0	0
	Increasing partners ownership	2	0	0	0	0	0	0	0
	Increasing partners PFM capacity	3	0	0	0	4	0	0	0
	Extended approach on aid modalities	2	0	0	0	1	0	0	0
d) Which measures have you taken to increase use of country PFM systems? i) Staff training	Answer?	12	0	0	0	4	1	0	0
	Issue not applicable	0	0	1	0	0	0	0	0
	Training for HQ staff	7	0	0	0	4	0	0	0
	Training for field staff	7	0	0	0	4	0	0	0
	Training for Gov. officers	1	0	0	0	4	0	0	0
	Training on UCS	3	0	0	0	3	0	0	0
	Training on PFM	7	0	0	0	4	0	0	0
	Training in PBA &/or SBS &/or GBS	4	0	0	0	3	0	0	0
	Training on aid effectiveness agenda	8	0	0	0	3	0	0	0
	There is a permanent PFM unit in HQ	2	0	0	0	3	0	0	0
	Permanent training system	2	0	0	0	3	0	0	0
ii) Developing guidance or manuals	Answer?	12	0	0	0	4	1	0	0
	Own guide o manual on UCS exist?	7	1	0	4	3	1	0	0
	Docs in UCS?	6	0	0	0	2	0	0	0
	Docs in BS?	5	0	0	0	3	0	0	0
	Docs in PFM?	5	0	0	0	3	0	0	0
	Docs Paris & AAA declarations?	1	0	0	0	2	0	0	0

		YES	NO	N/A	OTHER	YES	NO	N/A	OTHER
		Bilateral				Multilateral			
iii) Specifying a preferred aid modality (If yes which modality, how is this policy applied in practice, is there a requirement for justification to be provided if this modality is not used)	Answer?	11	1	0	0	4	1	0	0
	There is preference?	8	3	0	0	1	3	0	0
	PBA	5	0	0	0	3	0	0	0
	SBS	4	0	0	1	4	0	0	0
	GBS	3	0	0	0	4	0	0	0
	Suitable mix	7	0	0	0	0	0	0	0
	According to country context	3	0	0	0	2	0	0	0
	When convenient	2	0	0	0	2	0	0	0
	Not specified	5	0	0	0	2	0	0	0
	By default/first option	3	0	0	0	0	0	0	0
iv) Efforts to overcome legal constraints (please specify which ones and how)	Answer?	9	3	0	0	4	1	0	0
	Any effort made?	1	8	0	0	0	0	0	0
	Have special study about the issue?	1	0	0	0	2	0	0	0
	Are some constrains?	0	8	0	0	0	0	0	0
	Any action was necessary?	1	0	0	0	2	1	0	0
	Problem is solved now?	1	0	0	0	2	0	0	0
v) Policy change (please specify)	Answer?	10	1	1	0	3	2	0	0
	Policy change was necessary recently?	5	5	0	0	2	1	0	0
	Policy evolved to effectivity agenda?	6	0	0	2	3	0	0	0
vi) Staff incentives (please specify)	Answer?	10	1	1	0	4	1	0	0
	Monetary?	0	7	0	0	1	3	0	0
	Non monetary awards?	0	7	0	0	1	3	0	0
	Training?	1	6	0	0	2	1	0	0
	Operational?	2	6	0	0	1	2	0	0
e) When is the decision taken to use partner country PFM systems in your programming cycle, what factors is this decision based on, and who has responsibility for this decision (HQ, field, joint, partner government, etc)? i) Country Programming stage	Answer?	11	1	0	0	3	2	0	0
	Deciding at Government level	4	0	0	0	0	0	0	0
	Deciding at Donor's HQ level	5	0	0	0	3	0	0	0
	Deciding at field	3	0	0	0	1	0	0	0
	Decision based on midterm strategy	3	0	0	0	3	0	0	0
	Decision based on negotiation	1	0	0	0	0	0	0	0
	Decision based on country context	8	0	0	0	1	0	0	0
	Decision involve non FM issues	5	0	0	0	0	0	0	0
	Decision case by case	8	0	0	0	0	0	0	0
ii) Project/program development	Answer?	12	0	0	0	2	3	0	0
	Deciding at Government?	2	0	0	0	0	0	0	0
	Deciding at institution (HQ)?	4	0	0	0	1	0	0	0
	Deciding at field?	3	0	0	0	0	0	0	0
	Decision based on midterm strategy?	4	0	0	0	1	0	0	0
	Decision based on negotiation?	3	0	0	0	0	0	0	0
	Decision based on country context?	4	0	0	0	0	0	0	0
	Decision involves non FM issues?	2	0	0	0	0	0	0	0
	Decision case by case at preparation?	7	0	0	0	1	0	0	0
f) When making the choice to use partner country PFM systems (or any of their components), do you balance risks and benefits? How do you assess potential benefits? How do you monitor them?	Answer?	10	1	1	0	3	2	0	0
	Do you assess potential benefits?	6	1	0	0	2	1	0	0
	Do you assess risks?	6	0	0	0	1	0	0	0
	Do you balance risk and benefits?	1	2	0	0	0	0	0	0
	Do you monitor programme benefits?	7	1	0	0	2	0	0	0

		YES	NO	N/A	OTHER	YES	NO	N/A	OTHER
		Bilateral				Multilateral			
g) What key messages would be useful to convey to key stakeholders in your organization (SAI, Parliament/Board, Civil society) to facilitate the use of partner country PFM systems in your institution?	Answer?	11	1	0	0	3	1	1	0
	Provide valid input?	11	0	0	0	3	0	0	0
2) Donor regulations allow:									
a) To give the control of the program execution to the responsible Government entity.	Answer?	12	0	0	0	5	0	0	0
	Give control for financial issues?	11	0	0	0	5	0	0	0
	Give control for non financial issues?	10	1	0	0	5	0	0	0
	Give full control to government?	10	1	0	0	3	0	0	0
	Shared control Government-Donor?	2	0	0	0	0	0	0	0
	Control by PIU?	0	0	0	0	1	0	0	0
	Only on BS programmes or when UCS	0	0	0	0	1	0	0	0
b) To use the country systems/procedures for: i) Budgeting	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	0	0	0	0	0	0	0	0
ii) Treasury & banking	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	1	0	0	0	0	0	0	0
iii) Accounting	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	1	0	0	0	0	0	0	0
iv) Financial reporting	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	0	0	0	0	0	0	0	0
v) Internal auditing	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	1	0	0	0	0	0	0	0
vi) External auditing	Answer?	11	1	0	0	5	0	0	0
	Allowed?	11	0	0	0	5	0	0	0
	Restrictions or conditions?	1	0	0	0	1	0	0	0
3) Donor preferred procedures are:									
a) Providing goods and services directly, or through outsourced firms or NGOs, rather than transferring funds to government accounts.	Answer?	11	1	0	0	3	2	0	0
	Provide good & services directly?	6	5	0	0	1	2	0	0
	Is this the only preferred procedure	0	6	0	0	0	1	0	0
b) Providing all the funds to the government: i) Funds are disbursed to a program-specific account to be managed with donor procedures.	Answer?	11	1	0	0	4	1	0	0
	Provide funds as stated are acceptable?	6	5	0	0	3	1	0	0
	Is this the only preferred procedure	0	5	0	0	0	3	0	0
ii) Funds are disbursed to a program-specific account to be managed with country procedures.	Answer?	11	1	0	0	4	1	0	0
	Provide funds as stated are acceptable?	9	2	0	0	4	0	0	0
	Is this the only preferred procedure	1	7	0	0	0	3	0	0
iii) Funds are provided to the Treasury and the government has control and decision over the use of the funds.	Answer?	11	1	0	0	4	1	0	0
	Give full control over the funds to the Treasury?	9	2	0	0	2	2	0	0
	Is this the only preferred procedure	1	8	0	0	0	2	0	0
c) Providing part of the assistance in goods and services and part in funds, applying any of the above mentioned methods.	Answer?	11	1	0	0	3	2	0	0
	Provide funds & goods as stated are acceptable?	8	3	0	0	1	2	0	0
	Is this the only preferred procedure	0	6	0	0	0	1	0	0
Use of analytical tools in determining the use of country PFM systems									

		YES	NO	N/A	OTHER	YES	NO	N/A	OTHER
		Bilateral				Multilateral			
4) Country PFM diagnostic tools									
a) What PFM Diagnostics or other analytical tools do you use to make decisions on whether to use country systems (or not)? (Please specify or attach if it is an instrument prepared specifically for your organization).	Answer?	11	1	0	0	5	0	0	0
	PEFA, CPAR, CFAA, CFA, etc.	5	0	0	0	1	0	0	0
	PEFA, CPAR, CFAA, etc. plus own tools	7	0	0	0	2	0	0	0
	Just own PFM assessment tools	1	0	0	0	1	0	0	0
	PEFA when strengthening reform is in place	1	0	0	0	1	0	0	0
b) What other support tools, internal guidance or manuals have you developed? (please specify, and attach)	Answer?	9	3	0	0	4	1	0	0
	Have other own developed tools and manuals?	3	1	0	0	4	0	0	0
	Tools & Manuals are being developed/updated?	5	0	0	0	0	0	0	0
c) Are there any gaps or deficiencies in existing PFM Diagnostics which need to be addressed in order to improve decisions regarding the use of country systems?	Answer?	10	2	0	0	5	0	0	0
	Not to be aware	3	0	0	0	1	0	0	0
	Extend PEFA use to sub-national and sectors	2	0	0	0	2	0	0	0
	Improve PEFA showing why deficiencies exist, recommendations and action plans	3	0	0	0	0	0	0	0
	Fine tuning PEFA	0	0	0	0	1	0	0	0
	Assess the country capacity to produce sufficient revenues to sustain its growing	1	0	0	0	0	0	0	0
	Gaps and/or deficiencies makes necessary to use own tools	3	0	0	0	3	0	0	0
PFM aspects considered by the Donor in determining the use of country PFM systems									
5) Legal and regulatory framework, and operational practices for:									
a) Budgeting i) Budget classification	Answer?	10	2	0	0	4	1	0	0
	Do you asses this issue when UCS?	10	0	0	0	4	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
ii) Budget formulation	Answer?	9	3	0	0	4	1	0	0
	Do you asses this issue when UCS?	9	0	0	0	4	0	0	0
	Use PEFA as assessment?	3	0	0	0	0	0	0	0
iii) Budget execution	Answer?	10	2	0	0	4	1	0	0
	Do you asses this issue when UCS?	10	0	0	0	4	0	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
a) Treasury operations i) Use of local and foreign currencies	Answer?	9	3	0	0	5	0	0	0
	Do you asses this issue when UCS?	6	3	0	0	4	1	0	0
	Use PEFA as assessment?	3	0	0	0	0	0	0	0
ii) Cash programming	Answer?	9	3	0	0	4	1	0	0
	Do you asses this issue when UCS?	8	1	0	0	4	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
iii) Payments	Answer?	9	3	0	0	4	1	0	0
	Do you asses this issue when UCS?	8	1	0	0	4	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
a) Accounting and financial reporting i) Recording policies and procedures	Answer?	10	2	0	0	4	1	0	0
	Do you asses this issue when UCS?	9	1	0	0	4	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
ii) Financial reports and statements	Answer?	11	1	0	0	4	1	0	0
	Do you asses this issue when UCS?	10	0	0	0	4	0	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0

		YES	NO	N/A	OTHER	YES	NO	N/A	OTHER
		Bilateral				Multilateral			
a) Internal control procedures i) Scope and quality of institutional internal controls	Answer?	10	2	0	0	4	1	0	0
	Do you assess this issue when UCS?	9	0	0	0	4	0	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
ii) Internal audit	Answer?	10	2	0	0	4	1	0	0
	Do you assess this issue when UCS?	9	0	0	0	4	0	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
a) External oversight i) Audit scope and reports	Answer?	10	2	0	0	4	1	0	0
	Do you assess this issue when UCS?	9	0	0	0	4	0	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	TOR must be approved by Donor Use PEFA as assessment?	0	0	0	0	1	0	0	0
ii) Legislative oversight	Answer?	10	2	0	0	4	1	0	0
	Do you assess this issue when UCS?	9	0	0	0	3	0	0	0
	For BS and baskets only	1	0	0	0	1	0	0	0
	Use PEFA as assessment?	4	0	0	0	0	0	0	0
a) Financial management information systems i) Functionality, integration and coverage of the system	Answer?	10	2	0	0	5	0	0	0
	Do you assess this issue when UCS?	8	1	0	0	4	1	0	0
	For BS and baskets only	1	0	0	0	0	0	0	0
	Use PEFA as assessment?	3	0	0	0	0	0	0	0
6) Other considerations									
a) Sector-specific FM arrangements	Answer?	8	3	1	0	4	1	0	0
	Always	1	0	0	0	4	0	0	0
	When appropriate	2	0	0	0	0	0	0	0
	When deciding UCS in BS	3	0	0	0	0	0	0	0
	Case by case	2	0	0	0	0	0	0	0
	Depending the scope of the programme	1	0	0	0	0	0	0	0
b) Entity-specific FM arrangements	Answer?	7	4	1	0	4	1	0	0
	Always	2	0	0	0	4	0	0	0
	When appropriate	2	0	0	0	0	0	0	0
	For funding the entity	1	0	0	0	0	0	0	0
	When deciding UCS in BS	1	0	0	0	0	0	0	0
	Depending the scope of the programme	1	0	0	0	0	0	0	0
c) Sub national-specific FM arrangements	Answer?	9	2	1	0	4	1	0	0
	Always	2	0	0	0	4	0	0	0
	When appropriate	2	0	0	0	0	0	0	0
	For funding the entity	2	0	0	0	0	0	0	0
	When deciding UCS in BS	1	0	0	0	0	0	0	0
	Depending the scope of the programme	2	0	0	0	0	0	0	0

Annex 2 –Summary of Donors’ Answers – Survey Part 1

Policies and Procedures

Overall donor policy and approach (*10 bilateral and 5 multilateral Donors responded this survey section, 7 bilateral and 3 multilateral Donor’s policies were reviewed*)

a) What is your policy with regard to the use of country PFM systems? (10 bilateral and 5 multilateral responses)

1 bilateral Donor didn’t provide answer. Almost all Donors already have or are preparing an operational policy that foster the use of country system on its assistance programmes.

Donors’ policies are not limiting the use of country systems to specific conditions, fostering full alignment with country systems on GBS and SBS modalities, but recommending to assess the PFM system to determine the level of alignment in PBA programmes. Such assessment could be made using own or common methodology and identify the fiduciary risk as a base for determining the level of use of country systems, ensuring the adherence to international standards and best practices.

Policies are in some cases explicit on the necessity to understand the country systems to promote its strengthening as a direct or indirect objective of the assistance, allowing to a gradual approach enabling systems usage also in cases of weaker partner systems, and fostering also the use of non FM country systems as procurement and other mentioned in the Paris Declaration.

Finally, some Donors’ policies are also fostering, in an explicit manner, to strength non FM aspects, as transparency, governance, participation and accountability.

b) What do you see as the main constraints to an increased use of partner country PFM systems in your institution? (11 bilateral and 4 multilateral responses)

1 multilateral Donor didn’t provide answer. Donors mentioned the following general issues:

- insufficient human resources and know how, as well as lack of tools and manuals for intervention planning;
- administrative/organizational obstacles in his own agency or in the partner country;
- low quality of the PFM systems, lack of capacity and accountability framework not sufficiently robust in partner countries leading to high fiduciary risk;
- the use of country systems is perceived to slow down the flow of funds, either because the treasury system itself is slow, or the budgeting and control framework imposes limits on swift expenditure implementation;
- the SAI doesn’t have enough capacity or independence to conduct acceptable audits of the projects;
- sector/line ministries promote parallel systems to ensure themselves of prompt and full funding, or to reduce the control burden over execution of funds, rather than using the country systems;
- the need to report specifically on Donor-financed expenditures;
- efficient and effective and achieve sustainable development results;
- due diligence checks and the time it can take to reach agreement on using partners’ systems can sometimes act as a disincentive;

- own political environment, including a critical view of parliament, and reluctance because of persisting political, reputational and fiduciary risks in many partner countries. Public perceptions of high levels of fiduciary risks, including risks posed by corruption;
- political willingness of governments to engage in important changes (e.g. introducing accrual accounting in IFMS systems, or increase flexibility in budgetary charts of accounts) that are triggered by an explicit request from the government;
- programme approach and Donor regulations, which sometimes makes it difficult to use PFM of partners;
- lack of clarity and coherence in Donors' policies around what are the minimum standards required defining "sufficiently robust" systems on multi-donor programmes;
- finding effective ways of managing the short-term fiduciary risks to make it possible to support and permit more long-term development effects;
- macroeconomic instability in partner countries.
- Perception of corruption in the public sector may discourage decision makers from using it;
- Some partner countries that do not always want all donors to use their country PFM systems for the provision of aid;
- The ambitiousness and lack of credibility of some country's PFM reform program..

c) What do you see as the main opportunities for progress? (11 bilateral and 4 multilateral responses)

1 multilateral Donor didn't provide answer, 3 bilateral Donors found that there are progress opportunities on strengthen its own weaknesses: training his staff in PFM issues, in preparation of budget support programmes, and in risk assessment; awareness-raising fostering the use of country systems; developing own tools for better prepare and manage budget support programmes. 5 bilateral and 1 multilateral Donors suggest also to improve the Donors coordination and sharing of best practices using PFM systems; and to foster the common political commitment enshrined in the Paris Declaration and AAA and Aid Effectiveness Agenda. Two bilateral and one multilateral Donor also found some progress opportunities increasing partner ownership and improving the dialogue with the governments. Three multilateral and three bilateral Donors identified the necessity in increasing the partners' PFM capacity to reduce the country and fiduciary risks. One multilateral and one bilateral Donor suggested adopting a gradual approach to UCS; enhancing UCS in project-type interventions; not only focusing on budget support; extending funding to baskets; and examining the possibility of partial use of country systems while strengthening. Finally, one bilateral Donor suggested that the development of a Roadmap for Strengthening PFM should further stimulate this.

d) Which measures have you taken to increase use of country PFM systems?

i) Staff training (11 bilateral and 4 multilateral responses)

1 multilateral Donor didn't provide answer, all other Donors reported to have implemented general and specific training processes for his staff at headquarter and field offices levels. Most training courses to its aid effectiveness agenda including PFM systems (at introductory and advanced levels), and to PBA, SBS and GBS approaches using country systems. 3 bilateral and 3 multilateral Donors implemented his training courses in a regular base offered several times a year. 2 bilateral Donors also report to

have training courses about Paris and Accra declarations. 1 multilateral Donor report to have a PFM training course for government staff.

ii) Developing guidance or manuals (*11 bilateral and 4 multilateral responses*)

1 multilateral Donor didn't provide answer. 7 bilateral Donors report to have a set of manual and guides for his staff on UCS and budget support programmes, and the other 4 bilateral Donors declared that his manual or guideline is being developer. 4 multilateral Donors declared that already have a set of manuals and guidelines updated with the Paris and Accra declaration issues.

iii) Specifying a preferred aid modality (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donors didn't provide answer. 5 bilateral and 2 multilateral Donor declare that they don't have a preferred assistance modality. 2 bilateral donors declared that PBA is his preferred modality, another declared that SBS is his modality by default, other 2 bilateral Donors declared that his preferred modality is a suitable mix that could provide the best results for his programme, and 1 bilateral Donor declared that apply a set of "High Order" modalities. 1 multilateral Donor prefers budget support when the country qualify for that. 1 bilateral Donor declared that is planning to change his aid modality to budget support programmes

iv) Efforts to overcome legal constraints (*8 bilateral and 4 multilateral responses*)

3 bilateral and 1 multilateral Donors didn't provide answer. 4 bilateral Donor declared that they don't need to make any effort to overcome legal constrains to increase the UCS. 2 bilateral and 1 multilateral Donor declared that such question is not applicable for them. 1 bilateral Donor declared that has made a specific study about such issue and as result of that designed a new set of programme documents and contract templates. 2 multilateral Donor declared that his programme documents and policies are already updated.

v) Policy change (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donors didn't provide answer. 6 bilateral Donor declared that they already updated or are updating his policies for increasing the use of country systems. 1 bilateral and 1 multilateral Donor declared that such question is not applicable for them. 1 bilateral Donor declared that has made a specific study about such issue and as result of that designed a new set of programme documents and contract templates. 2 multilateral and 1 bilateral Donor declared that his programme documents and policies are already updated.

vi) Staff incentives (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donors didn't provide answer. 5 bilateral and 1 multilateral Donor declared that they don't give any incentive to his staff for increase the use of country systems. 1 bilateral and 1 multilateral Donor declared that they provide training as an incentive for increasing the UCS. such question is not applicable for them. 2 bilateral Donor declared that the incentive is provided by setting objectives and reports on Aid Effectiveness. 1 multilateral Donor declared that they give monetary and non monetary incentives to staff.

e) When is the decision taken to use partner country PFM systems in your programming cycle, what factors is this decision based on, and who has responsibility for this decision?

i) Country Programming stage (*10 bilateral and 3 multilateral responses*)

One bilateral and two multilateral Donors did not provide an answer. Seven bilateral Donors declared that the decision is made by headquarters or high-level authorities, and the other two stated that the decision is made by the field office or Embassy. 3 multilateral Donor declare that decision is made at his headquarter. 3 bilateral Donor and 3 multilateral Donors declared that the decision is based on recommendations of his mid-term assistance strategies, 2 bilateral Donor based his decisions on “partner country specific circumstances, specifically the adherence to the so called underlying principles (human rights, good governance, democratic principles) as well as absorptive capacities of partner country systems and institutions”. Finally, 1 bilateral Donor stated that decision is based on a comprehensive analysis of the country including in some cases certain preconditions (medium governance level and positive development trend among other aspects); and 1 made case by case analysis when preparing the programme.

ii) Project/program development (*11 bilateral and 2 multilateral responses*)

3 multilateral Donor didn't provide answer. 7 bilateral Donors declared that the decision is made by headquarters or by the Country Director, and 1 declared that decision is made by the field office or Embassy. 2 bilateral and 1 multilateral Donors declared that the decision is based on recommendations of his mid-term assistance strategies. 1 bilateral Donor declares that the UCS is always the first option, other 3 bilateral Donors declared that the factor that decide the use of country systems is how to better support the programme.

f) When making the choice to use partner country PFM systems, do you balance risks and benefits? How do you assess potential benefits? How do you monitor them? (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donor didn't provide answer. 3 bilateral and 1 multilateral Donor declared that they assess the potential benefits. 5 bilateral Donor declare that they assess the risk and benefits, and other 2 bilateral Donors declared that they don't assess the risk and benefits. 7 bilateral Donors and 2 multilateral Donors declared that they monitor the programme benefits using indicators.

g) What key messages would be useful to convey to key stakeholders in your organization (SAI, Parliament/Board, Civil society) to facilitate the use of partner country PFM systems in your institution? (*10 bilateral and 3 multilateral responses*)

1 multilateral Donor didn't provide answer. Donors suggest following messages:

- Messages on the linkages between use of country systems and development results
- Messages on the importance of risk analysis as well as the careful balancing between risks and benefits
- The benefits of using partner country PFM systems
- The way that risks can be and are managed.
- Benefits of UCS
- The risks of not using UCS
- Opportunities to strengthen domestic stakeholders in partner countries (accountability) through UCS
- Good governance in partner countries, anticorruption and transparency measures, etc.

- Fundamentals of new aid modalities and the Paris Declaration
- A political willingness and acceptance of a larger risk (in terms of corruption, tardiness in programme execution etc.) is crucial
- Efficient, transparent, accountable and predictable PFM is a necessary prerequisite for long term and sustainable reduction of poverty and effective use of scarce financial resources.
- It is through the PFM systems that national policies are transformed into practice.
- PFM is directly linked to opportunities for democratic governance, possibilities to fight corruption and provides the opportunity for effective development cooperation.
- Partner countries will be able to manage their finances effectively and efficiently only if all resources financing public activities are, as a minimum, known to the government and aligned to the budget cycle.
- An understanding of the concept of fungibility;
- A better appreciation that development assistance is intended to help develop local capacity, rather than simply to provide services
- A greater appreciation of the fact that funding constitutes only a small part of developing country expenditure.
- That using country systems is a more effective and efficient use of taxpayers' money in the fight to alleviate poverty
- That an action plan is in place to address weaknesses and mitigate against any associated fiduciary risks.
- Reduction of transactions costs.
- Simplification of procedures and increased ownership by not using PIUs, but the government/ministries staff.
- That progress towards programme objectives (results) is being achieved.
- SAIs capacity reinforcement and independence.
- Effective involvement of civil society
- Using partners' own PFM systems and budget processes provides their governments with increased Parliamentary oversight of the use of donor funds.
- Strengthening partners' PFM systems helps improve the effectiveness of the combined funding effort and can therefore improve overall development effectiveness.
- That successful development depends in large part on the efficiency, integrity, and effectiveness with which the country raises, manages, and expends public resources;
- That strong PFM systems are essential to improved service delivery, poverty and corruption reduction and to achievement of the MDGs
- That Donors have a rigorous, consistent and systematic fiduciary risk approach to monitor and to respond diligently to challenges as they occur.

Donor regulations allow

a) To give the control of the program execution to the responsible Government entity. (11 bilateral and 5 multilateral responses)

9 bilateral and 3 multilateral Donor declared that his policies allow to give the control of the program execution to the MDA. 1 bilateral Donor declared that this is allowed only for the financial part of the Donor contribution and after a special approval. 1 bilateral Donor declared that higher-level decisions on its programmes are made by a steering committee in which the government participates. 1 multilateral Donor declared that this is allowed just in

budget support programmes or for projects using country systems. 1 multilateral Donor stated that such control could be only allowed to a PIU if convenient.

b) To use the country systems/procedures for:

i) Budgeting (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 5 multilateral Donor declared that his policies allow the use of the government budget system. 1 bilateral Donor declared that this is allowed for financial and technical cooperation processes.

ii) Treasury & banking (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 5 multilateral Donor declared that his policies allow the use of the government treasury and banking systems. 1 bilateral Donor declared that this is allowed only for financial cooperation processes.

iii) Accounting (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 5 multilateral Donor declared that his policies allow the use of the government internal audit system. 1 bilateral Donor declared that this is allowed only for financial cooperation processes.

iv) Financial reporting (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 5 multilateral Donor declared that his policies allow the use of the government financial report system. 1 bilateral Donor declared that this is allowed for financial and technical cooperation processes.

v) Internal auditing (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 5 multilateral Donor declared that his policies allow the use of the government internal audit system. 1 bilateral Donor declared that this is allowed only for financial cooperation processes.

vi) External auditing (*10 bilateral and 5 multilateral responses*)

1 bilateral Donor doesn't provide answer. 9 bilateral and 4 multilateral Donor declared that his policies allow the use of the government external audit system. 1 bilateral Donor declared that this is allowed only for financial cooperation processes and 1 multilateral Donor declares that is allowed but Donor must approve the ToR.

Donor preferred procedures are:

a) Providing goods and services directly, or through outsourced firms or NGOs, rather than transferring funds to government accounts. (*10 bilateral and 3 multilateral responses*)

1 bilateral and 2 multilateral Donor doesn't provide answer. 2 bilateral and 1 multilateral Donor declared that funds could be provided as stated, but this decision depends on the country context. 2 bilateral Donor could use this procedure as needed. 4 bilateral and 2 multilateral Donors declared that doesn't use this procedure. 1 bilateral Donor declared that could use this procedure but need to be properly justify.

b) Providing all the funds to the government:

i) Funds are disbursed to a program-specific account to be managed with donor procedures. *(10 bilateral and 4 multilateral responses)*

1 bilateral and 1 multilateral Donor doesn't provide answer. 3 bilateral and 2 multilateral Donor declared that funds could be provided as stated, but this decision depends on the country context. 2 bilateral and 1 multilateral Donor use this procedure by default. 4 bilateral and 1 multilateral Donor declared that doesn't use this procedure. 1 bilateral Donor declared that could use this procedure but need to be properly justify.

ii) Funds are disbursed to a program-specific account to be managed with country procedures. *(10 bilateral and 4 multilateral responses)*

1 bilateral and 1 multilateral Donor doesn't provide answer. 4 bilateral and 2 multilateral Donor declared that funds could be provided as stated, but this decision depends on the country context. 2 bilateral and 2 multilateral Donor use this procedure by default. 4 bilateral Donors declared that doesn't use this procedure.

iii) Funds are provided to the Treasury and the government has control and decision over the use of the funds. *(10 bilateral and 4 multilateral responses)*

1 bilateral and 1 multilateral Donor doesn't provide answer. 4 bilateral and 1 multilateral Donor declared that funds could be provided to the Treasury as stated, but this decision depends on the country context. 3 bilateral Donor use this procedure by default. 2 bilateral and 2 multilateral Donor declared that doesn't use this procedure. 1 bilateral Donor declared that use this procedure by default and must justify when is not used. 1 multilateral Donor declared that normally use this procedure on development lending programmes but normally not in investing lending programs.

c) Providing part of the assistance in goods and services and part in funds, applying any of the above mentioned methods. *(11 bilateral and 3 multilateral responses)*

1 bilateral and 2 multilateral Donor doesn't provide answer. 5 bilateral and 1 multilateral Donor declared that could provide assistance in goods and services as necessary and/or depending the country context. 4 bilateral and 2 multilateral Donor don't use this procedure. 1 bilateral Donor declared that could use this procedure if required but must justify its use.

Use of analytical tools for informing the use of country systems

Country PFM diagnostic tools

a) What PFM Diagnostics or other analytical tools do you use to make decisions on whether to use country systems? *(10 bilateral and 5 multilateral responses)*

5 bilateral and 1 multilateral Donor declared that use existing joint PFM assessment tools as PEFA, CFAA, CFA, PER, CPAR in combination with its own tools when necessary. 5 bilateral and 2 multilateral Donor declared that only use existing joint PFM assessment tools as PEFA, CFAA, CFA, PER, CPAR, and other existing assessments. 1 bilateral and 1 multilateral donor use just their own assessment tools. 1 multilateral Donor declared that only uses PEFA assessment but verifying that a FM reform to strengthening the identified weaknesses is or was in place.

b) What other support tools, internal guidance or manuals have you developed? *(9 bilateral and 4 multilateral responses)*

2 bilateral and 1 multilateral Donor doesn't provide answer and 1 bilateral donor reported not developed other support tools or manuals. 5 bilateral donors declared being developing its own guidance or support tools for UCS. 3 bilateral and 4 multilateral donors declared having their own tools and documents.

c) Are there any gaps or deficiencies in existing PFM Diagnostics which need to be addressed in order to improve decisions regarding the use of country systems? (10 bilateral and 5 multilateral responses)

1 bilateral Donor doesn't provide answer and 3 bilateral and 1 multilateral Donor reported not be aware off. 3 bilateral and 1 multilateral donors showed the necessity to improve the PEFA assessment, to include: province, district or sector analysis; improving the report including an analysis of why the weaknesses are produced as well as the action plan to address the identified weaknesses; and fine-tuning some indicators. 1 bilateral Donor suggest analyzing the country revenues as a factor of sustainability of the aid. The other 3 bilateral and 3 multilateral donors have its own assessment tools or are preparing one.

PFM aspects considered by the Donor in determining the use of country systems

Legal and regulatory framework and operational practices

a) Budgeting

i) Budget classification (10 bilateral and 4 multilateral responses)

1 bilateral and 1 multilateral Donor doesn't provide answer. 6 bilateral and 4 multilateral donors declared that they assess the budget classification when deciding the UCS in budget support programmes, 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

ii) Budget formulation (9 bilateral and 4 multilateral responses)

2 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 4 multilateral donors declared that they assess the procedures and regulations of budgetary formulation when deciding the UCS in budget support programmes, 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

iii) Budget execution (10 bilateral and 4 multilateral responses)

1 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 4 multilateral donors declared that they assess the procedures and regulations of budget execution when deciding the UCS in budget support programmes, 1 bilateral donor do this just for budget support programmes, 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

b) Treasury operations

i) Use of local and foreign currencies (8 bilateral and 5 multilateral responses)

3 bilateral Donor doesn't provide answer. 2 bilateral and 4 multilateral donors declared that they assess if the treasury system manage local and foreign currencies when deciding the UCS in budget support programmes, 1 bilateral donor declare that has no guidelines in such respect, 2 bilateral and 1 multilateral donor declared that doesn't assess such

aspect of the treasury system, and other 3 bilateral donors declared that use the PEFA assessment in regard of this issue.

ii) Cash programming (*9 bilateral and 4 multilateral responses*)

declared that they assess the country cash programming system when deciding the UCS in budget support programmes, 1 bilateral donor declared that doesn't assess the cash programming system, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

iii) Payments (*9 bilateral and 4 multilateral responses*)

2 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 3 multilateral donors declared that they assess the country payments system when deciding the UCS in budget support programmes, 1 bilateral donor declared that has no specific guidelines for such task, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

c) Accounting and financial reporting

i) Recording policies and procedures (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 4 multilateral donors declared that they assess the country's recording policies and procedures of the financial system (accounting and budget) when deciding the UCS in budget support programmes, 1 bilateral donor declared that has no specific guidelines for such task, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue..

ii) Financial reports and statements (*9 bilateral and 3 multilateral responses*)

1 bilateral and 1 multilateral Donor doesn't provide answer. 6 bilateral and 4 multilateral donors declared that they assess the financial report system and financial statements of the country partner when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 3 bilateral donors declared that use the PEFA assessment in regard of this issue.

d) Internal control procedures

i) Scope and quality of institutional internal controls (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 4 multilateral donors declared that they assess the internal control system when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

ii) Internal audit (*10 bilateral and 4 multilateral responses*)

1 bilateral and 1 multilateral Donor doesn't provide answer. 5 bilateral and 4 multilateral donors declared that they assess the internal audit system when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue.

e) External oversight

i) **Audit scope and reports** (10 bilateral and 4 multilateral responses)

1 bilateral and 1 multilateral Donor doesn't provide answer. 6 bilateral and 3 multilateral donors declared that they assess the external audit reports and the scope of audit activities when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 4 bilateral donors declared that use the PEFA assessment in regard of this issue. 1 multilateral Donor declare that just when they approve the audit ToR.

ii) **Legislative oversight** (10 bilateral and 4 multilateral responses)

1 bilateral Donor doesn't provide answer. 5 bilateral donors declared that they assess the legislative oversight procedures when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 4 bilateral donors declared that use the PEFA assessment in regard this issue. 1 multilateral Donor mentioned that such assessment is considered on development programmes, but not in investment programmes, and, 3 multilateral donors declared that they always considered such issue when determining the UCS.

f) Financial management information systems

i) **Functionality, integration and coverage of the system** (10 bilateral and 5 multilateral responses)

1 bilateral Donor doesn't provide answer. 6 bilateral donors declared that the country FMIS is always assessed when deciding the UCS in budget support programmes, 1 bilateral donor declared just for budget support programmes, and other 3 bilateral donors declared that use the PEFA assessment in regard this issue. 1 bilateral Donor mentioned that such issue is not included in his operational guidelines, and, 4 multilateral donors declared that they always considered such issue when determining the UCS.

Other considerations

a) **Sector-specific FM arrangements** (8 bilateral and 4 multilateral responses)

3 bilateral and 1 multilateral Donor doesn't provide answer. 3 bilateral donors declared that such FM arrangements are considered when deciding the UCS in SBS programmes. 1 bilateral Donor mentioned that such consideration is having in account depending on the scope of the programme, and, 4 multilateral donors and 2 bilateral donors declared that they always considered in its analysis to determine the UCS, the possibility to make specific sector FM arrangements. 2 bilateral Donor declared that make such analysis when appropriate.

b) **Entity-specific FM arrangements** (7 bilateral and 4 multilateral responses)

4 bilateral and 1 multilateral Donors doesn't provide answer. 1 bilateral donor declared that such institutional FM arrangements are considered when deciding the UCS in budget support programmes. 1 bilateral Donor mentioned that such consideration is having in account depending on the scope of the programme, and, 4 multilateral donors and 2 bilateral donors declared that they always considered in its analysis to determine the UCS, the possibility to make specific institutional FM arrangements. . 2 bilateral Donor declared that make such analysis when appropriate.

c) Sub national-specific FM arrangements (*9 bilateral and 4 multilateral responses*)

2 bilateral and 1 multilateral Donors doesn't provide answer. 1 bilateral donor declared that such FM arrangements are considered when deciding the UCS in budget support sub-national programmes. 2 bilateral Donor mentioned that such consideration is having in account depending on the scope of the programme, and, 4 multilateral donors and 4 bilateral donors declared that they always considered in its analysis to determine the UCS, the possibility to make specific sub-national or decentralized FM arrangements.

Annex 3 – Statistics of Good Practice Examples Referred by Donors – Survey Part 2

		Number of comments about each FM issue/Assistance modality									
		Budget	Treasury	Accounting	Fin. Reports	Internal Audit	External Audit	All Issues All Modalities	GBS	SBS	PBA
Fragile States	Afghanistan	2	1	1	0	0	2	6	2	4	0
	Georgia	1	1	0	1	0	1	4	4	0	0
	Liberia	1	0	0	0	0	0	1	0	0	1
	Palestine Area	1	0	0	0	0	0	1	1	0	0
	Sierra Leone	1	1	1	1	0	1	5	5	0	0
Low Income States	Bangladesh	1	1	1	1	0	1	5	0	5	0
	Burkina Faso	2	1	1	1	1	2	8	2	6	0
	Ethiopia	1	0	1	1	1	1	5	0	5	0
	Ghana	2	0	0	0	0	0	2	0	1	1
	Lao PDR	1	1	1	1	0	1	5	5	0	0
	Madagascar	1	0	0	1	0	0	2	2	0	0
	Mozambique	2	1	0	1	1	0	5	2	2	1
	Rwanda	6	6	6	5	5	6	34	16	12	6
	Tanzania	0	0	1	0	0	1	2	2	0	0
	Uganda	0	1	0	0	0	0	1	0	1	0
	Vietnam	2	1	0	1	0	1	5	3	0	2
	Zambia	1	0	0	0	0	0	1	0	1	0
Middle Income States	Argentina	1	0	1	1	0	0	3	0	0	3
	Albania	0	0	0	1	0	0	1	1	0	0
	Brazil	1	1	1	1	0	1	5	0	5	0
	Chile	0	0	0	0	0	1	1	0	0	1
	China	0	0	1	1	0	1	3	0	0	3
	Colombia	1	0	1	1	1	1	5	0	0	5
	Costa Rica	2	2	2	2	2	2	12	0	6	6
	Dominican Republic	0	0	1	0	0	0	1	0	0	1
	Ecuador	1	1	1	0	0	0	3	0	0	3
	El Salvador	1	1	1	1	1	1	6	0	0	6
	Guatemala	1	0	1	0	0	0	2	2	0	0
	Guyana	0	0	1	0	0	0	1	0	0	1
	India	1	1	1	1	0	1	5	0	5	0
	Indonesia	1	1	0	1	0	0	3	3	0	0
	Iraq	0	0	0	0	1	0	1	0	0	1
	Jordan	1	0	0	0	0	0	1	0	0	1
	Macedonia	0	1	0	0	0	0	1	0	0	1
	Mexico	1	1	1	0	1	1	5	0	0	5
	Moldova	1	0	0	0	0	0	1	0	0	1
	Morocco	1	1	1	0	1	0	4	0	4	0
	Nicaragua	1	1	0	0	0	0	2	2	0	0
	Pakistan	2	2	2	2	0	0	8	0	4	4
	Pakistan Punjab	1	1	1	1	0	1	5	0	5	0
	Peru	1	1	1	1	1	1	6	0	0	6
	Philippines	1	0	0	0	0	1	2	0	0	2
	Poland	1	1	0	0	0	1	3	0	0	3
	Serbia	0	1	0	0	0	0	1	0	0	1
South Africa	1	0	0	0	0	0	1	0	1	0	
Sri Lanka	1	1	1	0	1	1	5	0	0	5	
Tunisia	1	0	0	0	0	0	1	0	0	1	
Turkey	1	1	0	0	0	0	2	0	0	2	
Uruguay	1	1	1	1	1	1	6	0	0	6	

Annex 4 – Summary of Donors’ Answers – Survey Part 2

Good examples in Fragile States

1. Fragile States is a qualification assigned to a group of countries that are affected by a temporary political, social and/or economical instability which critically impacts its operational and managerial capacity. Some Donors and international organizations, based on its own criteria have prepared a list of Fragile Countries, but since used criterion is not necessarily the same for all of them, the qualification is not the same in all cases. For the purpose of this report, the “Harmonized List of Fragile Situations” issued by The World Bank for the fiscal year 2010 is used.

Afghanistan – GBS, SBS

2. Two cases were reported by the same Donor. The first, on general budget support modality in regards to budgeting and external audit processes. The second, on sector budget support modality in regards to budgeting, treasury, accounting and financial reports processes. The Donor mentioned that the use of country system encouraged the improvement of budgetary, accounting and treasury procedures as well as fostered the institutionalization of the mid-year review as a mechanism to transparently adjust allocations based on performance. The government financial management information system (AFMIS) allows executing the budget support funds satisfying international standards.

3. The General budget support programme was identified but not described, however the Donor mentioned the support of the preparation and implementation of the public expenditures financial management law which establishes: a sound budget preparation frame work with comprehensive and transparent documentation; requirements for accounting and regular reporting in line with International standards; and, the independent review of the annual financial statements to the National Assembly. Additionally, budget preparation improved and became timelier, a mid-year review was implemented as a mechanism to transparently adjust allocations based on performance, and a midterm fiscal framework was implemented, to include 4-year projections of revenues, expenditures, fiscal deficit and sources of financing, and a description of the policy actions which sustain the projections. Finally, government’s accounts were audited by the Controller and Audit Office, and for the first time, the budget was audited and reported to Parliament in a timely manner. The Donor disbursed the funds into an account that forms part of the country’s official foreign exchange reserves and, an amount equivalent to the proceeds is credited to a government account to finance budgeted expenditures using country PFM systems.

4. The sector budget support programme was identified but briefly described, however the Donor mentioned that financial management arrangements for the programme rely on country FM institutional arrangements with some additional safeguards customized to the governance environment created by the fragile situation, being all the functional issues consistent with a sector-wide approach to the use of country FM systems. A budget committee coordinates the preparation of annual work plan and the derivation of annual budget as well as the quarterly budget reviews to ensure adequate budget discipline and control. The committee is responsible for ensuring that all project expenditures for each fiscal year are captured in the Governmental Development budget. The funds are disbursed into a Designated Account managed and controlled by the Special Disbursement Unit in the Treasury Department of MoF. Requests for payments are made to the treasury, which maintains a proper accounting system of all

expenditures incurred along with supporting documents. The project accounts are audited by the Auditor General and advised by an Audit Advisor according to the terms of reference agreed with the Donor.

Georgia - GBS

5. The only case received for this country was referred to budgeting, treasury, financial reports and external audit processes using the general budget support assistance modality. The case was identified but not completely described, however the Donor mentioned that the Government's financial management resources included: a budgetary classification based on GFS2001 standards and a Treasury Single Account able to manage local and foreign currencies and fully operational across the central government.

6. The Donor disbursed the funds into an account that forms part of the country's official foreign exchange reserves and, an amount equivalent to the proceeds is credited to a government account to finance budgeted expenditures using country PFM systems.

Liberia - PS

7. The only case received for this country was referred to budget processes using the project support assistance modality. The case was identified but not described, however the Donor suggested that the programme fulfilled the following conditions: the estimated receipts and expenditures were included in the annual budget proposal submitted to the Legislature for approval; it is executed by the government MDA using its own administrative resources and the country's government budgetary procedures; its budget execution is reported using the country budgetary reports; and in addition, the government budget classification supports the formulation, execution and reporting processes; and the government budget controls support the formulation, execution and reporting processes.

Sierra Leone - GBS

8. The only case received for this country referred to budgeting, treasury, accounting and financial reports processes using the general budget support assistance modality.

9. After the end of the civil war, the government's PFM systems were very weak, and albeit the high degree of fiduciary risk, budget support helped to rebuild the financial management system and ensured that the budget could be used as an effective tool for economic management.

10. The programme's budget is an integral part of the budget and of the midterm expenditure framework, and provides approximately a fifth of the 2009 budget.. Programme funds are disbursed directly into the government consolidated revenue fund via the Bank of Sierra Leone external account. The funds are included in the budget as a separate line item but are treated as finance above the line together with domestic revenue. The programme monitoring relies on the government budgetary reporting, but it supplements it with independent analysis and IMF analysis.

11. Donor disbursements have previously been less predictable because of the country context, making it difficult programming and forecasting the GoSL cash flow. Donors are actually disbursing earlier in the year to facilitate the in-year cash management. After a set of significant improvements, the public accounting system is producing timely reports. Programme transactions are now registered explicitly in the annual accounts, enabling them to be audited. Financial reports are produced by the GoSL and do not impose any further transaction costs. Ad-

hoc requests are made by donors but the information is readily available and quickly provided by the Budget Bureau and Economics Unit of the Ministry of Finance.

Good examples in Low Income Countries (excluding Fragile States)

12. According to the survey answers, the low income states group was the one in which the impact of using country systems was higher, producing the most relevant improvements in financial management issues. Using country system on budget support programs encouraged the development of several budgetary aspects at the institutional level, and strengthened the link between the budget and the mid-term expenditures and fiscal frameworks. Treasury procedures, financial reporting and external audit were also strengthened, reflecting the Donors' operational necessities and their requirements for improved transparency and financial oversight and reduction of fiduciary risk.

13. Budget support modalities were the Donors' preferred aid modality reported in the survey. Budgetary, treasury, accounting, financial reporting practices and external audit improvements were often mentioned. The lack of comments about internal audit practices suggested a generalized functional weakness of this financial management aspect on this group of countries.

Bangladesh - SBS

14. The only case received for this country was referred to budgeting, treasury, accounting, financial reporting and external audit processes using the sector budget support assistance modality. The case was identified but briefly described, however the Donor mentioned that financial management arrangements for the programme rely on country FM institutional arrangements with some additional safeguards customized to the governance environment, being on these three functional issues consistent with a sector-wide approach to the use of country FM systems. The Donor mentioned that a computerized management accounting system (MACS) is in place and has been used with further modifications and connected with all cost centres. The Accounts Code, the Treasury Rules and General Financial Rules of the Government form the basis for accounting, which is adequate for preparing sector accounts.

15. Recently, there have been considerable improvements in the planning and budgeting system of the sector MDA, which is now capable to formulate its detailed three years multi annual budget estimates for both, the revenue and development budgets --reflecting the government's three year rolling plan. Strategic priorities and its linkages to a midterm expenditure framework was also prepared.

16. The Health Nutrition and Population Sector Program (HNPS) have been designed to use Bangladesh's country financial management systems to channel donor funds following treasury rules and to use GOB's internal controls. The progress achieved includes:

- Development of procedures for operation of the Forex Account to reimburse the Government its pre-financed expenditure in the health sector. This first attempt by pool financiers have been critical in facilitating the streamlining of funding through GOB systems in the health sector.
- The Financial management Unit within the MDA has been carrying out all financial management activities. There is no temporary unit, neither position nor staff to deal with financial matters.

- Donor funds are disbursed based on health sector Financial Management Reports, prepared by the Ministry after data validation and reconciliation with the Controller General of Accounts. Uses GOB's chart of accounts and classification.
- Use of approved guidelines for Government Expenditure Management in respect of letter of credit (LC), NGO payment and treatment of advances.

17. The government and the Donor agreed to the use of a single set of financial monitoring reports based on the financial statements prepared by the MDA, to include additional reports on funds sources and sector expenditures. The government and the Donor agreed to a single audit arrangement for the sector. The ToR for the annual audit are agreed by the Comptroller, the Auditor General and the donors. An Audit Committee was recently reconstituted with more authority and power.

Burkina Faso – GBS, SBS

18. A Donor reported a case on general budget support in regards to budgeting and external audit processes, another Donor reported a case on sector budget support modality in reference to budgeting, treasury, financial reports, internal and external audit processes.

19. The General budget support programme was identified but not described, however the Donor mentioned that the programme supported the adoption of a midterm expenditure framework and a poverty reduction support programme in the annual budget, including the preparation of the budget execution reports in a timely manner. The external audit function was created through establishment of the Supreme Audit Court. The Donor disburses the programme funds into an account that forms part of the country's official foreign exchange reserves; and, an equivalent amount is credited to a government account to finance budgeted expenditures, thus executed using country PFM systems.

20. The sector budget support programme was identified but briefly described, however the Donor mentioned that the budget support modality impacted positively three key aspects: the decrease in transaction costs related to the identification and implementation of government priorities; the government ownership in implementing and reporting the activities and the timely availability of funds, hence the timely implementation of the activities planned. The Donor makes annual reviews of the programme which are the basis for preparing the disbursement plan for the next two years and makes possible the inclusion of the programme budget on the government budget as well as in the midterm expenditure framework. The programme uses the government's budgetary and accounting charts of accounts. The funds are channelled through the national Treasury according to the annual disbursement plan. The Program financial reports are prepared directly from the country government's information system, being its content, format and periodicity consistent with the government's financial reporting arrangements. Internal audit is performed by the institutional internal audit unit according to a risk analysis. The External Audit function for the Program including opinion on its financial statements, compliance with the donor agreement, and assurance on the operation of its internal controls is executed by the country's Supreme Audit Institution (SAI) called Court des Comptes.

Ethiopia - SBS

21. The only case received for this country was a sub-national assistance programme using the sector budget support assistance modality. The programme was identified but not described, however the Donor provided some operational information of the country FM system,

mentioning that there is in place an intergovernmental fiscal transfer system used to deliver treasury funds to the local government, as well as a decentralized accounting system supporting more than 710 districts in the integrated budgeting and expenditure financial management information system.

22. Although FM functions are executed appropriately most of the time, financial management reports are not necessarily produced by the government system, being required some additional and ad-hoc reports which are not issued directly by the FM system. The programme uses Ethiopia's external audit systems complemented by a continuous/interim quarterly audit conducted by the Federal Auditor and an annual programme audit conducted by independent auditors on behalf of the Federal Auditor.

Ghana – SBS, PS

23. This is a special action from a Donor (The World Bank) which is carrying out a structured dialogue in various countries to advance the use of country financial management systems in Bank-financed projects, with the aim of scaling-up the use of these systems in Bank-financed investment operations. This structured approach enables the Bank assess the associated risk as well as the determination of appropriate mitigating measures; identify those elements of the systems that are adequate and can be used; agree with countries on how the Bank could assist in strengthening the aspects of the system which need improvement; and discuss relevant implementation issues with the Government and other development partners. The work is done in collaboration with the government, the support of senior officials and the involvement of all the relevant departments. The Bank is also collaborating closely with other development partners.

24. Although no specific case was identified, the Donor mentioned that financial management arrangements for all the Donor programmes using the sector budget support and project support modalities of assistance rely totally in the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems. It was agreed to implement the following key issues on Donor programmes:

- To align the Project Development Objectives with the Growth and Poverty Reduction Strategy (GPRS II) objectives;
- To incorporate the project work plans within the government budget;
- To set up designated Bank accounts as sub-bank accounts in the government information system (BPEMS) using the Treasury Single Account (TSA);
- To release funds directly to the Project Implementing Unit;
- To harmonize the budget and the accounting classification system;
- To design interim financial reports as customized reports in BPEMS;
- To carry out external audit by private audit firm in conjunction with the Ghana Audit Service staff;
- To include the audit of funds provided by development partners on the annual audit report submitted to Parliament.

Lao PDR - GBS

25. The only case received for this country was referred to budgeting, treasury, accounting, financial reports and external audit processes using the general budget support assistance modality. The case was identified but not completely described, however the Donor mentioned

that the programme supported the creation of a centralized treasury and revenue functions, as well as the implementation of the Government Financial Information System across all ministries and provinces. Both measures were substantive improvements that impacted positively several financial management functions and facilitated the fiscal and macroeconomic management, developing a midterm fiscal framework. Budgetary, treasury and accounting aspects were improved allowing, among other aspects, the reduction of salary and expenditure arrears and the improvement of the revenues forecast. The autonomy of the State Audit Organization has also improved.

26. Funds are disbursed into an account that forms part of the country's official foreign exchange reserves and an amount equivalent to the loan proceeds is credited to a government account in order to finance budgeted expenditures, which are therefore executed using country PFM systems.

Madagascar - GBS

27. The only case received for this country was referred to budgeting and financial reports processes using the general budget support assistance modality. The case was identified but not completely described, however the Donor mentioned that the programme supported the improvement of budgetary and financial report aspects. Revenue forecasting was improved and expenditure management procedures were streamlined. Cash flow management and commitments control were strengthened. A substantial part of the large backlog of annual accounts/ settlement bills were cleared and audited.

28. Funds are disbursed into an account that forms part of the country's official foreign exchange reserves and an amount equivalent to the loan proceeds is credited to a government in order to finance budgeted expenditures, which are therefore executed using country PFM systems.

Mozambique – GBS, SBS, PS

29. Two Donors submitted examples of good practice for this country, both cases relate to sector budget support and project support.

30. The first case refers to a special action from The World Bank which is currently carrying out a structured dialogue in various countries to advance the use of country financial management systems in Bank-financed projects, with the aim of scaling-up the use of these systems in Bank-financed investment operations. This structured approach enables the Bank assess the associated risk as well as the determination of appropriate mitigating measures; identify those elements of the systems that are adequate and can be used; agree with countries on how the Bank could assist the strengthening of the system aspects which need improvement; and discuss relevant implementation issues with the Government and other development partners. The work is done in collaboration with the government, the support of senior officials and the involvement of all the relevant departments. The Bank is also closely collaborating with other development partners.

31. In order to scale-up the use of recipient's country FM system while ensuring adequate fiduciary assurance, the Africa region developed a methodology to systematically assess the fiduciary risks of using country systems, identifying areas where the country systems could be used as well as measures to be implemented in capacity building and performance improvement in areas where the country systems could not immediately be used. This approach was pioneered

in Mozambique, through an assessment performed in July 2008. The conclusion was that the Bank, provided the authorities implementation of some cross-cutting measures, and would not increase its fiduciary risk by using the country's FM system for investment projects. These measures included issues such as the roll-over of unused project funds at year-end, the timeliness in the issuance of audited project financial statements and satisfactory modalities of collaboration between private sector auditors and the Supreme Audit Institution.

32. In addition, the authorities in collaboration with the Bank have identified solutions for these cross-cutting issues. Since the assessment was concluded, bank projects approved in Mozambique are using the country FM system along with interim supplemental measures in specific areas where weaknesses exist. Five projects in sectors as diverse as private sector development, health, telecommunication, decentralized finance and rural development have adopted this approach. The Bank is actively supporting the development of public financial management capacity, particularly in the area of internal and external oversight, in order to facilitate the full transition to the use of country systems. The Government has warmly welcomed the initiative. It perceives clear benefits in terms of increased cash flow (Bank funds flow into the Treasury instead of commercial banks), comprehensiveness and timeliness of budget execution data and reduction of transaction costs. This initiative has attracted extensive interest from bilateral and multilateral partners.

33. The second case received mentioned some specific operational aspects in regards to treasury, financial reports and internal audit processes using the general budget support assistance modality. The case was identified but not described, however within the Donor's relevant aspects for his programme were the use of all government controls for the funds, to include the use of treasury to channel the funds and the full use of country systems on financial reporting along with good quality dialogue with partners to achieve progress in poverty reduction action plans.

Rwanda – GBS, SBS, PS

34. Three Donors reported six different cases. The cases related to general budget support , sector budget support and project support. The issues acknowledged budgetary, treasury, accounting, financial reporting and internal and external audit financial management issues.

35. Budgetary aspects reported by three Donors coincide in the alignment of the programme budget with the midterm expenditure framework (at present only on education, health, and, water and energy sectors), as well as with the Government plans on poverty reduction. In all cases, the budget and funds of the six referred assistance programmes were totally executed within the budgetary procedures of the country. It was also acknowledged, that at sector level, a PFM Reform Basket Fund was recently established and considered as a major step forward in terms of the use of country systems as well as the harmonization of donor approaches in the area of PFM reform. These actions were also aligned to the Government of Rwanda's national PFM Reform Strategy (2008-2012) and managed by the Ministry of Finance and Economic Planning. The funds are used 100% using country systems. It is envisioned that the PFM Reform Basket will bring together the different programs and approaches by the donors contributing to PFM reform in Rwanda. The reported assistance using project support modality, while having a sub-national and district coverage is also fully executed using country systems and had in place a plan for harmonizing funding from all programmes' Donors in the area.

36. Treasury aspects were similar for all Donors, but there was a distinction between budget support and project support. Although all modalities use the treasury single account procedures, in the case of budget support Donors' contributions are disbursed according to the agreed schedule with the Government of Rwanda in the framework of the Budget Support Harmonization Group which envisions: i) several months of front-loading disbursements prior to the drafting of the budget and the beginning of the new fiscal year; and ii) indicative commitments for the medium-term expenditure framework. All Donors' funds are controlled by the Treasury. On project support, the Donor disbursements are mostly controlled by the country's actions, depending on the MDA capability to carry out expenditures. The financial contribution is made to a special account in the National Bank of Rwanda -- a revolving disposition fund that functions through an initial provision of funds and subsequent replenishments of the fund against proof of receipts and as requested on a rolling basis, with disbursement flows limited primarily by the MDA's capacity to identify and execute suitable infrastructure projects.

37. Accounting is processed through the government computerized system (SMARTGOV), a system based on accounting codes that manages the basket funds and the costs of activities and programmes. Even though the General Accountant position was created on 2004, presently is able to produce timely financial reports as well as a consolidated public accounting.

38. Two Donors declared using the Government financial reports and internal audit systems in all their programmes, in both cases the Donor's requirements are satisfied. On annual basis, multi-donor programmes publish a financial report for all contributing donors together. The report includes chapters specified for each donor with detailed information on its projects and used in parallel for internal reporting purposes resulting in little extra transaction costs. The reports are prepared on the basis of the government's information systems. Although relatively new, the SAI is auditing the government funds in a satisfactory manner, being their reports accepted by the Donor community for GBS and SBS programmes. For PBA funds, Donors reported their preference for using private external audit firms approved by the SAI and hired under ToR.

39. All the reported programmes were directly (due to their main objective) or indirectly (because of a few harmonizing actions performed on multi-Donor programmes) involved in PFM strengthening process at central, sector or district levels, being the most relevant aspects the ones referred to the strengthening of the accounting and auditing capacity of the public system.

Tanzania - GBS

40. The only case received for this country was referred to accounting and external audit processes using the general budget support assistance modality. The case was identified but not described, however the Donor suggested that the Government took full ownership of the programme, there was a good and open dialogue in place and the programme was aligned with the Poverty Reduction Plan. Additionally, the programme fulfilled the following conditions:

41. Accounting:

- The Programme transactions were recorded and maintained in the country's government accounting system, including related subsidiary records.
- The Programme's financial statements were reported using the country's government accounting system.

- The government accounting classification and standards supported the recording and financial statement presentation processes.
- The government accounting controls supported the recording and financial statement presentation processes.

42. External Audit:

- The External Audit function for the programme including opinion on its financial statements, compliance with the donor agreement, assurance on the operation of its internal controls and other work as applicable (performance, recurrent) is executed by the country system.
- The External Audit arrangements for the programme are based on the risk-based work program prepared by the SAI.
- The government External Audit standards and modalities support the external audit processes.

Uganda - SBS

43. The only case received for this country was referred to treasury processes using the sector budget support assistance modality. The case was identified but not described, however the Donor suggested that the programme funds were managed by the treasury using all government procedures and controls. Additionally, the programme fulfilled the following conditions:

- An annual Donor Disbursement Plan for the Programme is agreed with the treasury on time to be included in the cash flow programming for such period.
- The Programme funds are disbursed to the country according to the disbursement plan.
- The Programme funds (donor and counterpart) are part of the Treasury-controlled resources.
- The Programme payments in local or foreign currency, to local or foreign providers, are managed by the Treasury using its own procedures; or for a minority of payments and if previously agreed, Treasury asks the donor to pay directly to the provider.
- The treasury and banking controls support the programming, receipt and payment processes.

Vietnam – GBS, PS

44. Two cases were received for this country, making references to budget and treasury using the project support modality at provincial level, and referred to budget, financial report and external audit processes using general budget support assistance modality. The cases were identified but briefly described, however the Donor mentioned that the FM arrangements for both programmes rely on country FM institutional arrangements, with minimal or no additional safeguards in the case of project support which is also a provincial programme.

45. In reference to its general budget support programme, the Donor mentioned that the programme supported the introduction of a midterm expenditure framework in four ministries within a sustainable midterm fiscal framework; the streamline of the budget expenditure processes; and the implementation of the treasury and the budget management information system. Additionally, fundamental transparency reforms were implemented, including the first time publication of the entire State Budget Plan, audited financial statements and the budget execution report, as well as the transformation of the State Audit Office into a specialized agency reporting to the National Assembly, improving the budget oversight by the National Assembly. In this case, the Donor disburses the programme funds into an account that forms part of the country's official foreign exchange reserves and an equivalent amount is credited to a

government account in order to finance budgeted expenditures, therefore executed using country PFM systems.

46. In regards to the project support programme, the Donor mentioned that the project is a multi Donor programme, but the funds are managed by one of them--The World Bank. In this case, the budgeting follows the government policies and procedures. At the central and provincial levels of the MDA, the project's plans and budgets are integrated into the MTEF, the national and the provincial budgets. The project funding is identified in the sector budgets.

47. Donor disbursements and programme payments are made in two modalities:

- Through the joint financing-centralized payment system. A USD Special Account programme is established in a local commercial bank to receive all Donors' funds. Payments in foreign currencies are paid directly from this account and the remaining funds are transferred, on a monthly basis, to a project account in the central treasury. From this same account, all the beneficiaries at the central, provincial and district levels are paid in accordance with the instructions and payments claims received from the MDA and using government procedures.
- Through the joint financing-decentralized Payment System. The Provincial Treasury Department make payments in accordance with normal government procedures only on provinces which have FM capacity and meet the project and the fiduciary requirements.

Zambia - SBS

48. The only case received for this country referred to budget processes using the sector budget support assistance modality. The case was identified but not properly described, however the Donor conveyed that, despite two different accounting systems --one for donor funds and another one for government funds--the activities funded by the donors are incorporated into the government budget using government budget classifiers. Additionally, the programme fulfils the following conditions:

- The Program/Operation estimated receipts and expenditures are included in the annual budget proposal submitted for approval to the Legislature and, when applicable, in medium-term budgeting framework.
- The Program/Operation is executed by the country's responsible institutional agency using its own administrative resources and the country's government budgetary procedures.
- The Program/Operation's budget execution is reported using the country budgetary reports.
- The government budget classification supports the formulation, execution and reporting processes.
- The government budget controls the formulation, execution and reporting processes.

Good examples in Middle Income Countries (excluding Fragile States)

49. Donors' commentaries on this group of countries focused primarily in the Donors' effort using country systems on PBA assistance--reflecting that such modality is still the preferred one for most Donors--as well as the necessity of a better development of financial management issues and of the operational capacity on central government and sector institutions. Budget support procedures in this group of countries became usual, and the government capacity to manage this assistance modality turns naturally satisfactory, differing from PBA that involves normally lower capacity institutions, requiring in many cases the inclusion of the assistance programme in a number of institutional or inter-institutional strengthening activities, and giving

space for creative good practices from Donors to attain an adequate level of alignment with the country systems.

50. A wide range of levels of use of country systems were shown in this portion of the survey, to include national and sub-national operations it ranges from highly sophisticated computerized financial management systems to very limited systems and manual accounting procedures in both, central government institutions and local ones.

Argentina, Province of Santa Fe - PS

51. The only case received for this country referred to budget, accounting and financial report processes using the project support assistance modality. The case was identified but not described, however the Donor mentioned that financial management arrangements for the programme rely totally on the provincial FM institutional arrangements, with minimal or no additional safeguards. The programme is fully integrated in the provincial budget.

52. The Province Integrated Financial Management System (SIPAF) is used for processing and recording the project transactions. The province-wide system operates under the oversight of the Province Accountant General and the Budget Office, providing an adequate control environment for the project's operations. The sources of funding in SIPAF are classified by external and local funds, and the project expenditures classification reflects the loan disbursement categories and the project components.

53. Statements of cash receipts and payments are also used for financial reporting to the Donor, in addition to the use of a conversion matrix to report the project transactions processed in the SIPAF according to the Donor reporting requirements.

Brazil – SBS, PS

54. Six cases from two Donors were received for this country, making references to budget, treasury, accounting, financial report and external audit using both, sector and project support modalities at sub-national level. The cases were briefly identified or not described, however the Donor conveyed that for all programmes the FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards, hence consistent with a country-wide approach to the use of country FM systems.

55. Both Donors mentioned that the integrated financial management information system (IFMIS), which operates nation-wide with the same rules in all public institutions, was the core functional element of the FM system. The IFMIS functions include the monthly recording of budget and financial programming, the centralized and integrated recording of the processing of the state's budgetary, accounting and financial transactions, the controlling of the allocation and use of budgetary resources. The IFMIS supports the control and the authorization of electronic payments to suppliers and beneficiaries, administering and/or reconciling the State's single treasury account and other specific bank accounts by producing financial statements and budget/accounting reports that fulfils the Donors requirements. Budget, accounting and public function responsibility regulations are the same at the state and the federal level. Donor projects use the government's medium-term planning and annual budget. Eligible Expenditures are identified by accounting codes recorded for all the sources and the uses of funds. Audits are increasingly done by state audit organizations and state SAI is also strengthened by the programmes.

56. A Donor mentioned that disbursements in local currency, are made through the State single treasury account maintained by the Secretary of Finance. They are automatically recorded in the government's account under the budgetary code for receipt of external or foreign funding sources.

China - PS

57. Four cases on project support assistance modality were received for this country, making references to accounting, financial reports and external audit processes. The four cases have similar operational environments and performances on the mentioned financial management issues. The cases were identified but briefly described, however the Donor mentioned that financial management arrangements for the programme rely on country "customized" FM institutional arrangements on accounting and financial management issues, rely totally on country FM institutional arrangements for external audit processes with minimal or no additional safeguards, being on these three functional issues consistent with a country-wide approach to the use of country FM systems.

58. On January 2000, the Donor and the Government signed an agreement "customizing" all accounting regulations and financial management reports for all the Donor operations in the country. The agreement defined and standardized the following accounting and financial report elements: chart of account; detailed accounting instructions for each project account; standard set of project financial statements; instructions on the preparation of project financial statements; balance sheet; notes to the financial statements; statement of sources and uses of funds by project components; statement of implementation of the programme; statement of the "special account".

59. The China National Audit Office (CNAO) has been auditing foreign-funded projects for several years. The projects are audited in accordance with ISA and the Government Auditing Standards of the People's Republic of China. A Provincial China State Audit Bureau can be identified as auditor for each project. CNAO institutional capacity is well recognized in the region and supports SAI's of its neighbouring countries providing training on foreign-funds auditing, management system, audit quality assurance, and information technologies.

Colombia - PS

60. Seven cases were received for this country, making references to budgeting, accounting, financial reports, internal audit and external audit processes using the project support assistance modality. The operational environment and performance of these seven cases are similar in the aforementioned financial management issues. The cases were identified but briefly described, however the Donor mentioned that financial management arrangements for all the programmes rely totally on the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

61. The extent of use of the country's budget management system in Donor-financed investment operations is significant, as all programme expenses are integrated to the national budget and subject to the government regulations. Project's budget is fully integrated to the MDA budget cycle and is processed through the integrated FM system (SIIF).

62. The SIIF integrates budgeting, accounting and treasury operations. The system is implemented by the Central Government in all of the ministries and central agencies. Its performance is satisfactory and it has been monitored under the Colombia portfolio projects. The

accounting for the projects in each agency is defined through the “online internal designation” (cost centres) created once a loan is signed.

63. In 2006 the Donor and the Government signed an agreement in which all the financial management reports for all the Donor operations in the country were defined and standardized. Currently, the MDA prepares the Financial Reports in conformity with such agreement, the same ones generated in SIIF and which include: (a) a report of payments generated from the project accounting report of commitments, (b) the balance sheet, and (c) the cumulative investment statement (with actual and budgeted figures).

64. The projects are subject to the internal control framework and internal auditing procedures of the Internal Control Office (ICO) at each MDA. The Controller’s General Office and the Donor agreed for all of their projects standard audit TORs. The CGR is the auditor for all the Donor projects.

Dominican Republic - PS

65. The only case received for this country referred to accounting processes using the project support assistance modality. The case was identified but not completely described, however the Donor mentioned that financial management arrangements for the programme rely totally on the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems. The programme is executed using the project module (UEPEX) of the integrated country FM system (SIGEF) which includes budgeting, accounting, and treasury operations. All programme financial data is stored in SIGEF archives. UEPEX produces a set of customized FM reports according to Donors’ requirements. The projects are subject to the institutional internal control system.

Ecuador - PS

66. Three cases were received for this country, making references to budgeting, treasury and accounting processes using the project support assistance modality. The three cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but not fully described, only a general description of the country FM operational environment was conveyed.

67. Programmes are executed using the integrated country FM system (e-SIGEF) which include budgeting, accounting and basic treasury operations. Budget and accounting chart support to register projects information directly. Budget reports are issued by the e-SIGEF system, but accounting reports must be prepared manually using e-SIGEF data. The National Secretariat of Planning verifies that institutional planning and budgets support to attain the national objectives and goals as stated in the midterm National Development Plan.

68. Budget execution, including investment programmes, is assessed quarterly by the government. A Treasury single account system is in place and programmes’ Special Account of the Treasury system are not part of the single account system. Payments are made by the Treasury based on the entities’ payment orders registered in e-SIGEF. The Treasury verifies the appropriateness of the payment request and orders the Central Bank the processing of the payment via electronic bank transfers directly to the beneficiaries bank account. Payments are made from the Special Account or from the treasury common fund as per requested. The projects are subject to the institutional internal control system of the MDA.

El Salvador - PS

69. The only case received for this country makes references to budgeting, treasury and accounting processes using the project support assistance modality. The case was identified but not fully described, only a general description of the country FM operational environment was conveyed on the referred issues.

70. Programmes are executed using the integrated country FM system (SAFI) which include budgeting, accounting and basic treasury operations. Programmes are included in the national budget but only with aggregate amounts in accordance with the national budget classification, being necessary the use of manual processing for the preparation of all the programme financial reports. Donor funds are disbursed into a Special Account that is controlled by the Treasury. Payments are made by the institutions from institutional accounts authorized by the Treasury while the funds are replenished by the Treasury on a monthly basis according to documented requests issued by each institution. Projects are subject to the institutional internal control system of the MDA .

Guatemala - GBS

71. The only case received for this country was referred to budgeting and accounting processes using the general budget support assistance modality. The case was identified and briefly described in some of its relevant aspects. The operation supported the PFM achievement of closely aligning the 2007 budget to the PRSP priorities. Implementation and roll-out of the integrated financial management system (SIAF) has been ahead of schedule and is considered a good practice example in the region. It is now operational in all ministries and a number of autonomous agencies. A simplified system is in effect in most municipalities.

72. The Bank disburses the loan proceeds into an account that forms part of the country's official foreign exchange reserves, and an amount equivalent to the loan proceeds is credited to a government account in order to finance budgeted expenditures, the same ones which are therefore executed using country PFM systems.

Guyana - PS

73. The only case received for this country was referred to Accounting processes using the project support assistance modality. While the case was identified but described in a summarized manner, the Donor mentioned that this is a pilot project which utilizes the government accounting system IFMAS as the accounting and reporting system for the project.

74. IFMAS system increased the operational capacity of the MoF and allowed the Auditor General the detailed revision of every expense made online and on real time.

75. The Program/Operation transactions are recorded and maintained in the country's government accounting system including related subsidiary records. The Program/Operation financial statements are reported using the country's government accounting system. The government accounting classification and standards support the recording and financial statement presentation processes. The government accounting controls support the recording and financial statement presentation processes.

India - SBS

76. A Donor provided two sector/sub-national cases for this country, making references to budgetary, treasury, accounting and external audit processes using the sector budget support

assistance modality. The two cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor mentioned that the financial management arrangements for these programmes rely totally on the country FM institutional arrangements, with minimal or no additional safeguards, in consistence with the sector/sub-national approach usage of country FM systems.

77. The costs are shared between the Federal Government and States. A budget for the Programme should be included in the overall budget for the sector Ministry and similarly, at the state level for the sector Department.

78. The Programmes for each State are prepared in the form of an Annual Work Plan and Budget (AWP&B). Funds transfers and monitoring are based on an approved AWP&B. Donor's funds in foreign currency are disbursed into the "Special Account" maintained at the Reserve Bank of India and the rupee equivalent is transferred to the Consolidated Fund of India. The Federal Government releases the states' funds based upon the approved Annual Works Plan and Budget in two instalments-- 50% at the beginning of the year and the remaining upon documented requests at mid-year. Accounting is prepared manually at district level and consolidated at state level, using a unique chart of accounts for all the public sector. Twice a year the Federal Government consolidates the accounting information provided by the States and prepares a Donor Report that includes the programme's financial management information. Each programme is audited by each district/state at a decentralized level and consolidated in a sole report prepared by the Comptroller and Auditor General.

Indonesia - GBS

79. The only case received for this country was referred to budgeting, treasury and financial reports processes using the general budget support assistance modality. The case was identified but described in a summarized manner, however the Donor mentioned that there is a Treasury Single Account system in place, which was adopted in all 178 regional Treasury offices, in which 1000 Treasury accounts are consolidated into one TSA. Since 2004 the Aggregate Public Account Report is issued in a timely manner. International budget classification has been implemented and comprehensive fiscal information is now included in the budget documentation. The 2008 budget incorporated a medium term budget framework for the first time.

80. The Bank disburses the loan proceeds into an account that forms part of the country's official foreign exchange reserves, and an amount equivalent to the loan proceeds is credited to a government account in order to finance budgeted expenditures, which are therefore executed using country PFM systems.

Jordan - PS

81. Four cases were received for this country, making references to budgeting processes using the project support assistance modality. The four cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but not described, however the Donor conveyed that the Projects FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards. The externally funded activities are now integrated within the government budget and subject to the country's own processes and systems.

Macedonia - PS

82. Four cases were received for this country, making references to treasury processes using the project support assistance modality. The four cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but not described, however the Donor conveyed that the Projects FM arrangements rely partly on country FM institutional arrangements, thus having a consistent country-wide approach to the use of country FM systems.

83. Projects' funds flow to a Designated Account opened in the Central Bank as a part of the Single Treasury Account. The Designated Account (in local and foreign currencies) is managed and operated by each MDA.

México - PS

84. A Donor provided four cases for this country, making references to budgetary, treasury, accounting, internal and external audit processes using the project support assistance modality. The four cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor conveyed that the financial management arrangements for these programmes rely totally on the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

85. Operations included in the Federal Budget are subject to the provisions of the annual PEF Law, of the Federal Budget and Fiscal Responsibility Law, of the Government Accounting Law, of the Manual of Budget Procedures, and others. This set of legal and regulatory arrangements, together with their implementation systems, provide for a sound budget formulation, execution and safe control arrangements.

86. Funds for the Program are allocated into the Federal Expenditure Budget. In accordance with regular practice in Mexico, the government pre-finances the Programme and the Donor subsequently reimburses eligible expenditures recorded under the government budgetary lines earmarked for the Project. Payments are made by the Federal Treasury which manages the government's treasury single account. Donor disbursements are subject to requests prepared by the MDA which identifies eligible payments, and aggregate and summarized data in a Statement of Expenditures (SOE), which is submitted to a financial agent designated by the MoF (financial agents are national development banks that manage funds on behalf of the MoF). Financial reports for the programme are prepared manually by the MDA based on its accounting records.

87. In addition to the mentioned budget regulations and procedures, the MDA is subject to their own Operational Rules and to the Federal Public Administration Internal Control Standards issued by the Ministry of Public Administration (SFP), which as a whole provides for sound internal control arrangements for the programme. External audit is also provided by SFP but using independent audit firms.

Moldova - PS

88. The only case received for this country was referred to budget processes using the project support assistance modality. The case was identified but described in a summarized manner; however the Donor mentioned that all the Project FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards.

89. The MDA team prepares annual budgets for the components of the Project. The budgets are prepared in accordance with the MOF reporting formats (categories, components and activities, financiers, account codes, and broken down monthly and quarterly. Budgets are initially approved by the MDAs before being submitted to the Ministry of Finance and the Treasury. The approved annual budgets are then entered into the accounting systems of the MDA and used for continuous monitoring and periodic comparison with actual results as part of the interim reporting.

Morocco - SBS

90. Two cases were received for this country, making references to budgeting, treasury, accounting and internal audit processes using the sector based support assistance modality. The two cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but not described, however the Donor conveyed that all the projects FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards.

91. In the interest of simplification and reduced transaction costs, the SWAp approach emphasizes the use of national procedures instead of the parallel systems traditionally set up for financed projects. This approach involves in particular: (i) the pooling of funds mobilized from donors and local authorities, without distinguishing specific activities by their funding source; and (ii) a disbursement mechanism based on the release of donor funds in tranches, as a function of an overall execution of the program, rather than on the basis of individual operations.

92. The Donor operations are fully integrated in the Government budget except for the reporting. The MDA and their decentralized offices execute the projects using budgetary credits allocated in accordance with traditional public expenditure execution circuits.

93. The accounting system is based on public accounting rules applicable to all the Government's financial and accounting operations.

94. The system of internal controls over public expenditures ensures a separation of functions by means of several layers of control. A first level of ex ante control involves three independent actors; the officer who requests/processes the expenditure, the controller of expenditure commitments and the public accountant. A second level of ex post control occurs through the internal audit unit and/or through the General Finance Inspectorate.

Nicaragua - GBS

95. The only case received for this country referred to budgeting and treasury processes using the general budget support assistance modality. The case was identified but just briefly described on a few of its relevant aspects. The operation supported the following PFM achievement: 2006 budget incorporates a midterm fiscal framework for the first time and poverty reducing expenditure increased from 10% of GDP in 2002 to 13.4% by 2006. Budget execution norms were introduced. All Donor programmes funds are channelled through the Treasury Single Account.

96. The Bank disburses the loan proceeds into an account that forms part of the country's official foreign exchange reserves, and an amount equivalent to the loan proceeds is credited to an account of the government to finance budgeted expenditures, which are therefore executed using country PFM systems.

Pakistan – SBS, PS

97. No specific cases were provided but the Donor rendered a useful description of a good experience in designing SBS and PS programmes aligned with the operational capacity of the FM country system. The proposed methodology is based in the full understanding of the budget and accounting charts, and the use of the integrated financial management system as the main tool for processing, recording and reporting the transactions. Funds are managed by the Treasury Single account. Since computerized financial management information systems are installed in all public institutions, internal control procedures rely primarily in such systems.

Pakistan, Punjab - SBS

98. Two cases were received mentioning sub-national programmes, making references to budget, treasury, accounting, financial reports and external audit processes using the sector budget support assistance modality. The two cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor mentioned that the financial management arrangements for these programmes rely totally on the sub-national FM institutional arrangements, with minimal or no additional safeguards.

99. The projects are implemented using the province's public financial management systems (IFMIS) as the basis for budgeting, accounting, internal control, financial reporting and auditing. Disbursements are made in US\$ to the Provincial Government Consolidated Fund, after the conversion to Pak Rupees by the State Bank of Pakistan. Disbursements are made on a report-based method, being those reports prepared directly from the IFMIS, cleared by the Chief Program Manager, validated by the Accountant General and approved by the Department of Finance. Transactions are recorded and reported in local currency. The programme's budget is part of the government budget, being some additional codes added to the public budget and accounting charts, to include programmes eligible expenditures. This facilitates the budget execution and reporting process and thus improves the overall budget management of the government. The expenditure elements of the projects were designed consistent with the government's chart of accounts, being the accounting records maintained on the government-wide integrated financial management information system. The system also produces the quarterly and yearly financial management reports for the programme.

100. The annual financial statements of the program are audited by the Auditor-General of Pakistan, as independent auditor for all the activities undertaken by provincial and district governments within the government. The normal government procedures for resolution and settlement of audit observations are equally applicable to the programme.

Perú - PS

101. The two cases received for this country makes references to budgeting, treasury, accounting and financial report processes using the project support assistance modality. The two cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor mentioned that there is in place an integrated financial management information system (SIAF) where all financial management transactions are processed and recorded in both aspects -- budgetary and accounting-- producing all the required financial reports. The SIAF system has a project module which includes budgeting, accounting, and

treasury operations. All programme financial data is stored in the SIAF central archives. The project module produces a set of customized FM reports according to Donors' requirements.

102. The budget of both programmes is fully integrated to the government budgetary cycle satisfying the following aspects:

- The Program/Operation estimated receipts and expenditures are included in the annual budget proposal submitted for approval to the Legislature and, when applicable, in medium-term budgeting frameworks.
- The Program/Operation is executed by the country's responsible institutional agency using its own administrative resources and the country's government budgetary procedures.
- The Program/Operation's budget execution is reported using the country budgetary reports.
- The government budget classification supports the formulation, execution and reporting processes.
- The government budget controls support the formulation, execution and reporting processes.

103. The Treasury have full control of the funds of both programmes, being the following procedures in use:

- An annual Donor Disbursement Plan for the Programme is agreed on time to be included in the Treasury cash flow programming for such period, and disbursements are made according to this plan.
- The Programme funds (donor and counterpart) are part of the Treasury-controlled resources.
- Most of the Programme payments in local or foreign currency, to local or foreign providers, are managed by the Treasury using its own procedures; and, for a few previously agreed payments, the Treasury asks the donor to pay directly to the provider.
- The treasury and banking controls support the programming, receipt and payment processes.

104. The accounting system is based on the government accounting principles that follows international accounting standards and best practices. Accounting is fully processed by the SIAF, having the following procedures in use:

- The Programme transactions are recorded and maintained in the SIAF system, including related subsidiary records.
- The Programme's financial statements are reported using the country's government accounting system.
- The government accounting classification and standards support the recording and financial statement presentation processes.
- The government accounting controls support the recording and financial statement presentation processes.

105. Financial reports are produced automatically by the SIAF using the budgetary and accounting information used by the government without changes or additions.

Philippines - PS

106. One Donor submitted three cases for this country, making references to budgeting and external audit processes using the project support assistance modality. The three cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor mentioned that the financial management arrangements for the programme rely totally

on the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

107. Budgeting and budget allocation for the programme are totally aligned with the government budgeting cycle. Government agency heads are required to submit accountability and financial reports to the Department of Budget and Management, the Commission on Audit, and the Congress in accordance with existing rules and regulations. These reports are designed to monitor the efficiency and effectiveness in the utilization of budgeted government funds by each agency, and in general, to verify the attainment of goals established in the budget process and in the national development plan.

108. All projects implemented through Government Departments are audited applying international audit standards by the Commission On Audit (the SAI), which is an independent office that receives its mandate from the Philippine Constitution to audit all accounts pertaining to all government revenues and expenditures and uses of government resources. The projects' review cover financial aspects, project performance, outcomes and results, and compliance with the regulatory framework.

Poland - PS

109. A Donor provided two cases for this country, making references to budgetary, treasury and external audit processes using the project support assistance modality. The two cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but just briefly described in their operational aspects, however the Donor mentioned that financial management arrangements for the programme rely totally on the country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

110. The project's budget considering the Donor and counterpart funds is totally included in the state budget approved by the Parliament. Donor's funds flow to a Special Account in the National Bank of Poland managed by the MoF and are transferred to the DMA through normal budgetary procedures.

111. The Polish SAI performs an annual audit of the overall state budget including project funds, but since not all projects would be audited on annual basis, it is possible to request to the SAI the inclusion of some specific projects in its annual audit plans, giving preference to large projects in advanced stage of implementation. At this stage, the Donor has an agreement with SAI to perform financial audits and procurement post reviews on annual basis, according to ToR prepared by the Donor but including also performance audit to fulfil the SAI methodology. As a result, the Donor receives clear and concise audit reports focusing on key financial aspects and overall results and findings.

Serbia - PS

112. The only reference received for this country was in regards to treasury processes using the project support assistance modality. There was not a specific case identified but the country standards were described in a summarized manner; however the Donor conveyed that the Project FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

113. A diagnosis of the treasury and the financial management systems made by the Donor, recommended that for using country systems, programmes must have an electronic access to the

treasury system, which will increase the flow of donor's funds through the National Bank of Serbia rather than through commercial banks. The recommendation was accepted by the Government and a framework agreement will be signed by the parties. Once the agreement is finalized, all loan proceeds of existing and new projects in Serbia will flow through the National Bank of Serbia rather than commercial banks. This would mark a significant milestone for Serbia, representing a whole-sale approach to scaling-up the use of country systems agenda.

South Africa - SBS

114. The only case received for this country referred to budgeting processes using the sector budget support assistance modality. The case was identified but not described, however the Donor suggested that the Government takes full ownership of the programme. Additionally, the programme fulfils the following conditions:

- The Programme estimated receipts and expenditures are included in the annual budget proposal submitted for approval to the Legislature.
- The Programme is executed by the country's responsible institutional agency using its own administrative resources and the country's government budgetary procedures.
- The Programme's budget execution is reported using the country budgetary reports.
- The government budget classification supports the formulation, execution and reporting processes.
- The government budget controls support the formulation, execution and reporting processes.

Sri Lanka - PS

115. Ten cases were received for this country, making references to budgeting, treasury, accounting and internal and external audit processes using the project support assistance modality. The ten cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but briefly described; however the Donor mentioned that all the Projects FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

116. The Secretary is the Chief Accounting officer of the relevant Ministry, and project FM responsibilities are aligned with this practice. The overall accountability for project funds rest with the Secretary to the relevant Ministry that the project is assigned to. The Secretary with a written delegation of authority delegates responsibility to the Project Director and Project Accountant.

117. All projects have a separate line in the Government budget. Projects adhere to the Governments budget time table and to the budget formats when formulating the annual project budgets. The project budgets undergo the same levels of scrutiny as the rest of the Government budget and follow the same approval processes.

118. All projects have a designated US dollar account under the name of the Treasury to deposit the programme funds, and a programme account controlled by the MDA is opened in the State Banks to carry out day to day banking transactions. The Treasury releases funds to the programme accounts as per Government procedures. A computerized accounting system commonly referred to as 'CIGAS' is implemented at all levels of Government, but it does not manage all the information required for financial reporting, being the programmes forced to have

a parallel accounting system for reporting purposes. All projects are audited by the Auditor General's Department or a private audit firm nominated by the Auditor General's Department.

Tunisia - PS

119. Eight cases were received for this country, making references to budgeting processes using the project support assistance modality. The eight cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but described in a summarized manner; however the Donor mentioned that all the Project FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards.

120. The budgeting process is done annually in January of the preceding year, and covers budgets for the Bank-financed projects. The budget is approved before December 31 of each year. All expenditures during the year are committed and paid for only in the case of their prior inclusion in the approved budget. Strict budgetary control is in place through the computerized public sector budgetary system (ADEB).

Turkey - PS

121. Twelve cases were received for this country, making references to budgeting and treasury processes using the project support assistance modality. The twelve cases have similar operational environment and performance on the mentioned financial management issues. The cases were identified but not described; however the Donor mentioned that all the Projects FM arrangements rely on country FM institutional arrangements, with minimal or no additional safeguards, being consistent with a country-wide approach to the use of country FM systems.

122. The project budgets are integrated into the investment budgets of the MDA. They are fully aligned with the Government's budget process and calendar, but since current budget classification does not support program budgeting, project budgets are included as aggregated amounts. Project funds flow to a Designated Account opened in the Central Bank as a part of the Treasury system.

Uruguay - PS

123. The only case received for this country makes references to the use of country systems on budget and some treasury processes using the project support assistance modality. Other procedures, not necessarily related to the use of country systems, were also described. The case was identified but just briefly described in some of its operational aspects, however the Donor mentioned that there is in place an integrated financial management information system (SIIF) in which all financial management transactions are processed and recorded in both aspects -- budgetary and accounting-- for the public system but not necessarily for the programmes which normally require the use of parallel accounting system.

124. All Donor programmes require to be registered in the national budget for its execution. On a yearly basis the MDA must prepare the annual cash program and every month must confirm its cash necessities. The programme reports are based in the parallel accounting system. Each MDA pays the programme expenses issuing cheques from its programme bank account which is replenished by the treasury every month according to the programme requests and after clearing the already made expenditures. The Court of Accounts is the SAI, which heads the internal and external audit functions, but with limited capacity.

Annex 5 - Programmes referred by Donors as Good Examples – Survey Part 2

	Country	General Budget Support (GBS)	Sector Budget Support (SBS)	Programme Based Approach (PBA)
Fragile States	Afghanistan	WB - <u>PSIB</u> ;	WB - Reconstruction Trust Fund (ARTF)	
	Georgia	WB - <u>PRSO</u>		
	Liberia	Irish DFA - Health Pooled Fund		
	Palestine Area	Greece - Greek contribution to PAA'S Rule of Law and Security		
	Sierra Leone	DFID – Poverty Reduction budget support		
Low Income States	Bangladesh		WB - Health Nutrition & Population Sector Programme	
	Burkina Faso	WB - <u>PRSC</u> DANIDA - PFM		
	Ethiopia		DFID – Protection of Basic Services	
	Ghana		WB – Scaling up UCS	WB – Scaling up UCS
	Lao PDR	WB - <u>PRSO</u>		
	Madagascar	WB - <u>PRSC</u>		
	Mozambique	Irish DFA - budget support	Irish DFA – Health Programme WB – Scaling up UCS	WB – Scaling up UCS
	Rwanda	WB – PRSG KfW – Macroeconomic Progr. Supp. DFID - GBS	KfW – Accompanying Macroeconomic Programme Support DFID - SBS (Education and & Health)	KfW - Common Development Fund
	Tanzania	Irish DFA – budget support		
	Uganda		Irish DFA – Education programme	
	Vietnam	WB - <u>PRSC</u>		WB - Rural Transport 3 project
Zambia		Irish DFA – budget support		

	Country	General Budget Support (GBS)	Sector Budget Support (SBS)	Programme Based Approach (PBA)
Middle Income States	Albania	Greece - Empowering the local communities of Foiniki and Messopotamos through agricultural extension		
	Argentina			WB - Santa Fe Road Infrastructure Project
	Brazil		IDB – ProFisco WB - Improving Quality & Efficiency of public Mgmt & Education Basic Services, Pernambuco SWAp WB - Ceará SWAP 2 WB - Minas Gerais Partnership for Develop II WB - Road Transport Project (SWAP)	
	Chile			Greek contribution to the government of Chile: Relief from the humanitarian crisis caused by the massive earthquake in Central Chile
	China			WB - Hubei Shiman Expressway Construction project WB - Guangxi Integrated Forestry Development & Conservation proj WB - Liuzhou Environment Management project WB - Technical Vocational Education project
	Colombia			WB - Consolidation of National Public Management Informat. Sys. WB - Support for the 2nd Phase of the Expansion of the Program of Conditional Transfers-Familias en Accion Project WB - Justice Services Strengthening WB - CO Sustainable Development Inv Project WB - Strengthening Public Information, Monitoring, Evaluation for Results Management WB - Agricultural Transition WB - Rural Education Project (APL Phase II)
	Dominican Republic			WB - DO Social Sectors Investment Program

Country	General Budget Support (GBS)	Sector Budget Support (SBS)	Programme Based Approach (PBA)
Ecuador			IDB - Coastal Resource Management Project – Stage II IDB - Early Warning and Natural Risk Management IDB - First Road Infrastructure and Maintenance Program
El Salvador			IDB - Housing Program
Guatemala	WB - DPL		
Guyana			IDB - Second Low Income Settlement Program
India		WB - Elementary Education (SSA II) WB - Reproductive & Child Health Phase 2	
Indonesia	WB - DPL		
Iraq			Greece - Grant to the Iraqi Ministry of Planning and Development Cooperation for the financing of five laboratories of the Central Standardisation Organisation
Jordan			WB - Regional and Local Development WB - Amman Development Corridor WB - Social Protection Enhancement WB - Educat Reform for Knowledge Economy II
Macedonia			WB - Regional & local roads program support WB - Agriculture strengthening and accession WB - Second trade and transport facilitation WB - Railways reform
Mexico			WB - Information Technology Industry Development (PROSOFT) WB - Environmental Services Project WB - MX Tertiary Education Student Assistance WB - Support to Oportunidades Project
Moldova			WB - Health Services & Social Assistance Project
Morocco		WB - Rural Roads WB - Rural Roads II	

Country	General Budget Support (GBS)	Sector Budget Support (SBS)	Programme Based Approach (PBA)
Nicaragua	WB - PRSC		
Pakistan Punjab		WB - Punjab Education Sector Project WB - Sindh education sector project	
Peru			IDB - Decentralized Rural Transport & Departmental Road Program
Philippines	Greece - Greek contribution to the government of Philippines: Relief from the humanitarian crisis by the typhoon "Ketsana"		WB - Kalahi-CIDS WB - Social Welfare and Development Reform WB - ARMM Social Funds
Poland			WB - Odra river basin flood protection WB - Post-accession rural support project
South Africa		Irish DFA – Limpopo Education	
Sri Lanka			WB - Provincial roads WB - Emergency northern recovery project WB - 2nd community develop. & livelihood improvement WB - Dam safety and water resources planning WB - Road sector assistance project WB - Education sector development project WB - North east housing reconstruction program WB - Community livelihoods in conflict affected areas WB - Health sector development WB - Renewable energy for rural economic development

Country	General Budget Support (GBS)	Sector Budget Support (SBS)	Programme Based Approach (PBA)
Tunisia			WB - ICT Sector Development WB - Education PAQSET 2 WB - Urban Water Supply WB - Tunis West Sewerage WB - Water Sector Investment II; WB - Energy Efficiency and Renewable Investment WB - Export Development II WB - NW mountainous and Forest Areas Development
Turkey			WB - Health transformation and social security reform WB - Private sector renewable energy and energy efficiency WB - Fourth export finance intermediation loan WB - Turkey land registration and cadastre modernization WB - Electricity distribution rehabilitation project WB - Access to finance for SMES WB - Avian influenza & human pandemic preparedness & response WB - Energy community of south east Europe WB - Municipal services project WB - Seismic risk mitigation project WB - Energy community of south east Europe WB - Anatolia watershed rehabilitation project
Uruguay			IDB - Apoyo a la Productividad de Nuevos Productos Ganaderos

Annex 6 – Donor's Policies Attached to their Survey's Answers

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