



DESK REVIEW

OF

DIRECT BUDGET SUPPORT

IN

UNDP BURKINA FASO

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Report on the Desk Review of UNDP Burkina Faso
Direct Budget Support
Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 13 January to 14 March 2014 conducted a desk review of the Direct Budget Support funding mechanism managed by UNDP Burkina Faso (the Office).

During the 2013 Annual Session of the Executive Board, the following decisions were taken with regard to audit and evaluation of the Direct Budget Support Funding modality (DP/2013/10):

“The Executive Board:

- Requests that appropriate evaluations and audits of the activities during the pilot periods 2008 to 2012 and 2013 to 2014 be undertaken in order to provide information about the impact of these activities, particularly on the UNDP contribution to national capacity and policy development, and to learn from the experience gained; and further requests that the findings and recommendations be shared within UNDP and with the members of the United Nations Development Group;
- Requests UNDP to submit the evaluations and audits, as well as any refinement of the rules and regulations, for the consideration of the Executive Board at its first regular session 2015, in order for the Board to adopt a decision on continued UNDP engagement in direct budget support and pooled funding.”

OAI conducted the desk review at the request of the Executive Board. The current desk review report will provide input for UNDP’s submission to the Executive Board’s first regular session of 2015, which will take place in January 2015.

The purpose of this review is to provide feedback to the Executive Board regarding the pilot phase (2008-2012, extended to 2014) of Direct Budget Support as a UNDP funding mechanism. OAI’s feedback will be used in conjunction with feedback from other sources, as required by the Executive Board.

During the review period, the Office audited was the only UNDP Country Office that had implemented Direct Budget Support as a funding modality.

The review was limited to the procedural aspects of Direct Budget Support. In this regard, OAI reviewed processes and compliance with the ‘UNDP Programme and Operations Policies and Procedures’ and the ‘UNDP engagement in sector budget support and pooled funding’ guidelines and procedures for Country Offices and headquarter units, released by the Operations Support Group in March 2009.

Financial accountability of the projects was ensured through the external (national implementation modality) audits of the projects, which were performed by external audit firms, in accordance with UNDP guidelines.

OAI conducted the desk review remotely from New York, and through contacts with the Office via conference calls and e-mail.

The review covered policy, procedural compliance, and efficiency of the Direct Budget Support engagement life cycle, including:

- Planning
- Approval
- Implementation
- Monitoring and evaluation
- Reporting

The desk review covered the Office's Direct Budget Support activities from 1 January 2009 to 31 December 2013. During the review period, the Office recorded Direct Budget Support expenditures totalling \$564,000. This was OAI's first review of Direct Budget Support in Burkina Faso (the Country).

Overall review rating

OAI assessed the Direct Budget Support by the Office as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

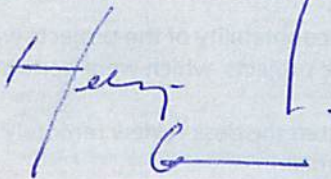
Key recommendations: Total = 1, high priority = 0

The desk review did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." The recommendation includes actions to address the lengthy approval process for Direct Budget Support basket fund engagement.

Management comments and action plan

The Bureau for Development Policy accepted the recommendation in the area of Direct Budget Support project approval, and its implementation will be assigned to the new Bureau for Policy and Programme Support upon its formation. Comments and additional information provided have been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Direct Budget Support in Burkina Faso

The UNDP Executive Board defines the Direct Budget Support funding modality as “allocating a financial contribution to a sector budget support fund or to a pooled fund managed by a government entity, or to a pooled fund in its mandated areas managed by a United Nations fund, programme or specialized agency.”

Until 2013, this funding modality was only implemented by UNDP Burkina Faso (the Office), which had been engaged in Direct Budget Support since 2009. The total contribution from the Office’s Targeted Resource Allocation from Core for Direct Budget Support was through three basket funds, as follows:

Table 1 - Contributions to Direct Budget Support

Basket fund topic	Basket fund name	Project ID	Year contributed	Total amount (\$)*
HIV/AIDS**	Appui Institutionnel Programme National de Lutte contre Sida	11565	2009-2011	210,000
HIV/AIDS	Appui au Conseil National de Lutte contre le SIDA	79872	2011- onwards	154,000
Human Rights	Appui à la promotion et protection des DH au Burkina Faso	72011	2009-2010	100,000
Access to Energy/ Multifunctional Platforms	Programme National Plateformes Multifonctionnelles	59244	2013 - onwards	1,250,000***

* Total contribution as of 31 December 2013

**As shown, the HIV basket fund is divided into two projects

*** \$100,000 from UNDP TRAC resources and the rest contributed by the Government of Luxembourg

The contribution to the Access to Energy/Multifunctional Platforms fund has been managed through the cost-sharing agreement with the Government of Luxembourg (the donor). During the period from 2013 to 2015, the Office contributes \$100,000 per year from its Targeted Resource Allocation from Core funds to the basket fund. The donor provides the rest of the contribution. Its total contribution through UNDP between 2013 and 2015 to the Access to Energy/Multifunctional Platforms fund will amount to \$3.2 million, according to the agreement signed between the donor and UNDP.

The pilot phase of the Direct Budget Support funding modality started in 2008 and should be completed by the end of 2014.

II. Review results

Satisfactory performance was noted in the following areas:

- Planning.** OAI reviewed the Office’s Direct Budget Support planning process and did not identify any issues regarding compliance and efficiency of this process.
- Implementation.** OAI reviewed the implementation of Direct Budget Support, which included assessing a sample of disbursements to the basket funds through ‘Funding Authorization and Certificate of Expenditure’ form requests, as well as reviewing the transfers recorded in Atlas. No issues were noted with regard to the compliance and efficiency of the implementation process.
- Monitoring and evaluation.** OAI reviewed the process for monitoring and evaluating Direct Budget Support activities, including the annual external audit reports. OAI reviewed the external audit reports

of the HIV/AIDS and the Human Rights basket funds. At the time of the review, no external audit reports had been issued for the Access to Energy/Multifunctional Platforms basket fund, which started in 2013. No issues were noted with regard to the compliance and efficiency of the monitoring and evaluation process.

- (d) Reporting. OAI reviewed the annual progress reports sent from the Office to UNDP Headquarters related to the Direct Budget Support engagement and progress reporting from the Government of Burkina Faso (the Government) to the Office. No issues were identified.

OAI made one recommendation that was ranked medium (important) priority.

Medium priority recommendation:

- (a) Review the Direct Budget Support engagement approval process based on the lessons learned in the Office, and improve timeliness to avoid implementation delays (Recommendation 1).

The detailed assessment is presented below per audit area:

A. Approval

Issue 1 Lengthy approval process for Direct Budget Support basket fund engagement

The 'UNDP engagement in sector budget support and pooled funding' guidelines require an office that is to engage in a new Direct Budget Support basket fund to obtain clearance from six different headquarters-based entities in order to have the engagement approved. Subsequent to the standard project appraisal process, the Project Document for the Direct Budget Support project is to be sent to the Regional Bureau, which will facilitate review, clearance and approval. The Regional Bureau clearance must factor in the advisory inputs from the Bureau for Development Policy and the Bureau for External Relations and Advocacy, and incorporate formal clearances from the Bureau of Management (Legal Support Office and Office of Financial Resources Management). Once these advisory inputs and clearances are obtained, the Director of the Regional Bureau clears the submission and forwards the documentation to the Operations Support Group. The Operations Support Group then reviews the overall process and compliance with the policy, and clears the documentation and submits it to the Associate Administrator with an advisory note recommending the appropriate course of action, including approval.

OAI reviewed the approval process for the Office's engagement in the basket funds using the 'UNDP Programme and Operations Policies and Procedures' and the relevant UNDP guidelines. With regard to the approval process for the engagement in the Access to Energy/Multifunctional Platforms basket fund, the review showed that the process suffered from extensive initial delays, which also had implications on the relationship between the Office, and local donors and partners, as discussed below.

At the request of the Government in 2010, the Office submitted a request to UNDP Headquarters in March 2011 to engage in the basket fund related to Access to Energy/Multifunctional Platforms. Prior to requesting this engagement, the Office and the donor signed a cost-sharing agreement in October 2010. The request was not approved until September 2012, 18 months after submission due to lengthy discussions between the Country Office and Headquarters on criteria for engagement.

The Office, the Regional Bureau for Africa, and the donor, confirmed to OAI that the delayed approval of UNDP's engagement in the Direct Budget Support basket fund had negatively affected UNDP's relationship with the donor (the Government of Luxembourg) and the Government (Government of Burkina Faso). Both the donor

and the Government had expected that project implementation would start immediately after the contribution agreement was signed.

OAI noted that the existing guidelines did not provide any timeline/deadline for the headquarters approval process, and given the large number of clearances, there was a substantial risk that the approval process would be long and cumbersome. There is also a risk that this complex process acts as a deterrent for Country Offices to engage in the Direct Budget Support funding modality.

The effectiveness and timeliness of basket fund support at the country level may be compromised if the approval process is lengthy and inefficient.

Priority	Medium (Important)
Recommendation 1:	
Review the Direct Budget Support engagement approval process based on the lessons learned in the Office, and improve timeliness to avoid implementation delays.	
Responsible HQ bureau: Bureau for Policy and Programme Support (upon its formation)	
Management action plan:	
As per the 'UNDP engagement in sector budget support and pooled funding' guidelines, the Operations Support Group has primary responsibility for periodically clarifying and refining procedures required to improve oversight and clearance of cases. In view of the ongoing merger of various units/functions within UNDP, Operations Support Group and Knowledge Innovation and Capacity Group/Bureau for Development Policy will be housed in a single bureau (Bureau for Policy and Programme Support). To this end, the follow-up action will be undertaken by the Bureau for Policy and Programme Support upon its formation. This follow-up action would include reviewing the approval process by documenting lessons learned from the Office's experience and consulting with relevant bureaus/units/offices on a proposed timeline for the approval process to determine whether any changes are needed in the approval process. Any proposed changes/recommendations will be submitted to the Associate Administrator for approval.	
Estimated completion date: 31 December 2014	

B. Implementation

Issue 2 Need for flexibility in setting the threshold ceiling

The 'UNDP engagement in sector budget support and pooled funding' guidelines provide the ceiling for Direct Budget Support contributions. If resources are allocated from UNDP regular resources, an annual financial contribution towards sector budget support or pooled funds should not exceed a cap of 10 percent of the annual authorized spending limit of core funds in the resource-planning framework. The Office had a contribution ceiling of \$100,000 per year and its contributions complied with the requirements. However, the Office management indicated that the ceiling amount was inconsequential, in their opinion, in achieving development impact. Moreover, according to the Office, the low threshold limit led to the creation of the

supplemental project which, in turn, contributed to additional workload in terms of project design, implementation, monitoring and reporting. The Bureau for Development Policy commented that the 10 percent threshold ceiling is flexible and may be exceeded by requesting approval from the Executive Board at the Country Programme Document level and the Associate Administrator at the project level.

OAI Comment

Due to the limited size of the pilot phase under review, OAI is not issuing a recommendation. However, as the process of requesting high-level approval for a higher threshold ceiling can be lengthy, OAI suggests that upon its establishment, the Bureau for Policy and Programme Support, in consultation with Regional Bureaux and concerned Country Offices consider reviewing the need for, and the possibility of establishing a more flexible threshold ceiling where justified.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.